

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

Statements of Financial Position as at 31 March 2023

| | Note | Group | | Bank | |
|---|-------|--------------------------|----------------------|--------------------------|----------------------|
| | | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | 8 | 8,008,413 | 7,145,114 | 7,991,285 | 7,128,159 |
| Financial assets at fair value through profit or loss (“FVTPL”) | 9 | 1,118,676 | 299,128 | 1,092,115 | 272,735 |
| Derivative financial assets | 10 | 38,494 | 123,000 | 38,494 | 123,000 |
| Financial assets at fair value through other comprehensive income (“FVOCI”) | 11 | 12,497,988 | 12,093,417 | 12,498,875 | 12,094,304 |
| Financial assets at amortised cost (“AC”) | 12 | 3,274,635 | 3,055,256 | 3,274,635 | 3,055,256 |
| Financing, advances and others | 13 | 65,125,404 | 64,901,994 | 65,125,404 | 64,901,994 |
| Other assets | 14 | 330,071 | 600,746 | 277,700 | 501,471 |
| Statutory deposits with Bank Negara Malaysia | | 1,038,213 | 950,508 | 1,038,213 | 950,508 |
| Current tax assets | | 7,273 | 7,203 | 6,662 | 6,662 |
| Deferred tax assets | | 172,846 | 212,349 | 171,874 | 211,377 |
| Right-of-use assets | 15 | 179,859 | 184,383 | 179,562 | 183,959 |
| Investments in subsidiaries | | - | - | 100,905 | 100,905 |
| Property and equipment | | 233,714 | 223,995 | 231,572 | 221,835 |
| Intangible assets | | 48,864 | 54,578 | 48,864 | 54,578 |
| Total assets | | <u>92,074,450</u> | <u>89,851,671</u> | <u>92,076,160</u> | <u>89,806,743</u> |
| Liabilities and equity | | | | | |
| Deposits from customers | 16 | 57,283,372 | 60,707,504 | 57,297,544 | 60,821,715 |
| Investment accounts of customers | 17 | 20,505,899 | 14,461,439 | 20,623,318 | 14,564,962 |
| Deposits and placements of banks and other financial institutions | | 50,021 | 70,068 | 50,021 | 70,068 |
| Derivative financial liabilities | 10 | 40,470 | 137,324 | 40,470 | 137,324 |
| Bills and acceptance payable | | 20,687 | 22,441 | 20,687 | 22,441 |
| Recourse obligations on financing sold to Cagamas | B8(a) | 3,005,343 | 3,005,343 | 3,005,343 | 3,005,343 |
| Subordinated sukuk and capital securities | B8(b) | 2,224,723 | 2,222,092 | 2,224,723 | 2,222,092 |
| Other liabilities | 18 | 1,460,000 | 2,070,964 | 1,430,450 | 1,910,462 |
| Lease liabilities | 15 | 292,049 | 295,585 | 291,768 | 295,167 |
| Zakat and taxation | | 8,237 | 62,668 | 8,119 | 62,582 |
| Total liabilities | | <u>84,890,801</u> | <u>83,055,428</u> | <u>84,992,443</u> | <u>83,112,156</u> |

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

Statements of Financial Position as at 31 March 2023 (continued)

| | Note | Group | | Bank | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Equity | | | | | |
| Share capital | | 3,845,586 | 3,645,043 | 3,845,586 | 3,645,043 |
| Reserves | | 3,338,063 | 3,151,200 | 3,238,131 | 3,049,544 |
| Total equity | | <u>7,183,649</u> | <u>6,796,243</u> | <u>7,083,717</u> | <u>6,694,587</u> |
| Total liabilities and equity | | <u>92,074,450</u> | <u>89,851,671</u> | <u>92,076,160</u> | <u>89,806,743</u> |
| Restricted investment accounts managed by the Bank | 17 | 7 | 43 | 7 | 43 |
| Total Islamic banking asset owned and managed by the Bank | | <u>92,074,457</u> | <u>89,851,714</u> | <u>92,076,167</u> | <u>89,806,786</u> |
| Commitments and Contingencies | 30 | <u>19,933,554</u> | <u>18,883,556</u> | <u>19,933,554</u> | <u>18,883,556</u> |
| Net assets per share attributable to equity holders of the Bank (RM) | | <u>3.20</u> | <u>3.15</u> | <u>3.16</u> | <u>3.11</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 2022.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Statements of Profit or Loss for the three months ended 31 March 2023

| | Note | Group 3 months ended | | Bank 3 months ended | |
|---|------|-------------------------|----------------------|------------------------|----------------------|
| | | 31.03.2023 RM'000 | 31.03.2022 RM'000 | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| Income derived from investment of depositors' funds | 19 | 802,129 | 587,634 | 802,129 | 587,634 |
| Income derived from investment account funds | 20 | 174,410 | 103,051 | 174,410 | 103,051 |
| Income derived from investment of shareholders' funds | 21 | 127,311 | 83,259 | 122,624 | 74,539 |
| Net allowance for impairment on financing and advances, net of recoveries | 22 | (61,970) | (43,309) | (61,970) | (43,309) |
| Net allowance for impairment on other financial assets | | 142 | (2,065) | 142 | (2,065) |
| Direct expenses | | (3,613) | (2,545) | (3,613) | (2,545) |
| Total distributable income | | 1,038,409 | 726,025 | 1,033,722 | 717,305 |
| Wakalah fees from restricted investment accounts | | 11 | 28 | 11 | 28 |
| Income attributable to depositors | 23 | (417,855) | (223,819) | (417,915) | (223,870) |
| Income attributable to investment account holders | 24 | (78,660) | (27,042) | (79,396) | (27,575) |
| Total net income | | 541,905 | 475,192 | 536,422 | 465,888 |
| Personnel expenses | 25 | (212,338) | (178,544) | (201,753) | (171,454) |
| Other overhead expenses | 26 | (140,802) | (112,567) | (144,290) | (109,680) |
| | | 188,765 | 184,081 | 190,379 | 184,754 |
| Finance cost | 27 | (27,241) | (24,757) | (27,236) | (24,752) |
| Profit before zakat and tax | | 161,524 | 159,324 | 163,143 | 160,002 |
| Zakat | | (3,750) | (3,749) | (3,750) | (3,750) |
| Tax expense | B5 | (39,686) | (49,658) | (39,575) | (48,865) |
| Profit for the period/year | | 118,088 | 105,917 | 119,818 | 107,387 |
| Earnings per share (sen) | B11 | 5.33 | 4.95 | | |

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

Statements of Other Comprehensive Income for the three months ended 31 March 2023

| | Group | | Bank | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period | <u>118,088</u> | <u>105,917</u> | <u>119,818</u> | <u>107,387</u> |
| Other comprehensive income, net of tax: | | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | | |
| Currency translation differences in respect of Labuan operations | (478) | 8,446 | (484) | 8,438 |
| Movement in fair value reserve (debt instruments): | | | | |
| Net change in fair value | 119,657 | (59,813) | 119,657 | (59,813) |
| Changes in expected credit loss | 142 | (1,710) | 142 | (1,710) |
| Net amount transferred to profit or loss | (28,123) | (634) | (28,123) | (634) |
| Income tax effect relating to components of other comprehensive income | <u>(22,002)</u> | <u>14,918</u> | <u>(22,002)</u> | <u>14,918</u> |
| | 69,196 | (38,793) | 69,190 | (38,801) |
| Items that will not be reclassified to profit or loss | | | | |
| Movement in fair value reserve (equity instruments): | | | | |
| Net change in fair value | <u>(421)</u> | <u>(10,021)</u> | <u>(421)</u> | <u>(10,021)</u> |
| Other comprehensive income for the period, net of tax | <u>68,775</u> | <u>(48,814)</u> | <u>68,769</u> | <u>(48,822)</u> |
| Total comprehensive income for the period | <u>186,863</u> | <u>57,103</u> | <u>188,587</u> | <u>58,565</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 2022.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Consolidated Statement of Changes in Equity for the three months ended 31 March 2023

| Group | <i>←— Attributable to equity holders —→</i> | | | <i>→—</i> |
|--|---|-----------------------------|--------------------------------|---------------------------|
| | <i>← Non-distributable →</i> | <i>Distributable</i> | | |
| | Share capital RM'000 | Other Reserves RM'000 | Retained earnings RM'000 | Total Equity RM'000 |
| At 1 January 2023 | 3,645,043 | 54,596 | 3,096,604 | 6,796,243 |
| Profit for the period | - | - | 118,088 | 118,088 |
| Currency translation difference in respect of Labuan operations | - | (478) | - | (478) |
| Fair value reserve (debt instruments): | | | | |
| Net change in fair value | - | 119,657 | - | 119,657 |
| Changes in expected credit loss | - | 142 | - | 142 |
| Net amount transferred to profit or loss | - | (28,123) | - | (28,123) |
| Income tax effect relating to components of other comprehensive income | - | (22,002) | - | (22,002) |
| Fair value reserve (equity instruments): | | | | |
| Net change in fair value | - | (421) | - | (421) |
| Total comprehensive income for the period | - | 68,775 | 118,088 | 186,863 |
| Transfer to regulatory reserve | - | 24,300 | (24,300) | - |
| Issue of shares pursuant to Dividend Reinvestment Plan | 200,543 | - | - | 200,543 |
| At 31 March 2023 | 3,845,586 | 147,671 | 3,190,392 | 7,183,649 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Consolidated Statement of Changes in Equity for the three months ended 31 March 2023 (continued)

| Group | <i>← Attributable to equity holders →</i> | | | Total Equity RM'000 |
|--|---|-----------------------------|--------------------------------|---------------------------|
| | <i>← Non-distributable →</i> | <i>Distributable</i> | | |
| | Share capital RM'000 | Other Reserves RM'000 | Retained earnings RM'000 | |
| At 1 January 2022 | 3,445,757 | (10,899) | 2,965,080 | 6,399,938 |
| Profit for the period | - | - | 105,917 | 105,917 |
| Currency translation difference in respect of Labuan operations | - | 8,446 | - | 8,446 |
| Fair value reserve (debt instruments): | | | | |
| Net change in fair value | - | (59,813) | - | (59,813) |
| Changes in expected credit loss | - | (1,710) | - | (1,710) |
| Net amount transferred to profit or loss | - | (634) | - | (634) |
| Income tax effect relating to components of other comprehensive income | - | 14,918 | - | 14,918 |
| Fair value reserve (equity instruments): | | | | |
| Net change in fair value | - | (10,021) | - | (10,021) |
| Total comprehensive income for the period | - | (48,814) | 105,917 | 57,103 |
| Issue of shares pursuant to Dividend Reinvestment Plan | 199,286 | - | - | 199,286 |
| At 31 March 2022 | 3,645,043 | (59,713) | 3,070,997 | 6,656,327 |

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 2022.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Statement of Changes in Equity for the three months ended 31 March 2023

| | <i>← Attributable to equity holders →</i> | | | |
|--|---|-----------------------|--------------------------|---------------------|
| | <i>← Non-distributable →</i> | <i>Distributable</i> | | |
| Bank | Share capital | Other Reserves | Retained earnings | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2023 | 3,645,043 | (56,368) | 3,105,912 | 6,694,587 |
| Profit for the period | - | - | 119,818 | 119,818 |
| Currency translation difference in respect of Labuan operations | - | (484) | - | (484) |
| Fair value reserve (debt instruments): | | | | |
| Net change in fair value | - | 119,657 | - | 119,657 |
| Changes in expected credit loss | - | 142 | - | 142 |
| Net amount transferred to profit or loss | - | (28,123) | - | (28,123) |
| Income tax effect relating to components of other comprehensive income | - | (22,002) | - | (22,002) |
| Fair value reserve (equity instruments): | | | | |
| Net change in fair value | - | (421) | - | (421) |
| Total comprehensive income for the period | - | 68,769 | 119,818 | 188,587 |
| Transfer to regulatory reserve | - | 24,300 | (24,300) | - |
| Issue of shares pursuant to Dividend Reinvestment Plan | 200,543 | - | - | 200,543 |
| At 31 March 2023 | 3,845,586 | 36,701 | 3,201,430 | 7,083,717 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Statement of Changes in Equity for the three months ended 31 March 2023 (continued)

| | <i>← Attributable to equity holders →</i> | | | |
|--|---|-----------------------|--------------------------|---------------------|
| | <i>← Non-distributable →</i> | <i>Distributable</i> | | |
| Bank | Share capital | Other Reserves | Retained earnings | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | 3,445,757 | (121,843) | 2,965,659 | 6,289,573 |
| Profit for the period | - | - | 107,387 | 107,387 |
| Currency translation difference in respect of Labuan operations | - | 8,438 | - | 8,438 |
| Fair value reserve (debt instruments): | | | | |
| Net change in fair value | - | (59,813) | - | (59,813) |
| Changes in expected credit loss | - | (1,710) | - | (1,710) |
| Net amount transferred to profit or loss | - | (634) | - | (634) |
| Income tax effect relating to components of other comprehensive income | - | 14,918 | - | 14,918 |
| Fair value reserve (equity instruments): | | | | |
| Net change in fair value | - | (10,021) | - | (10,021) |
| Total comprehensive income for the period | - | (48,822) | 107,387 | 58,565 |
| Issue of shares pursuant to Dividend Reinvestment Plan | 199,286 | - | - | 199,286 |
| At 31 March 2022 | 3,645,043 | (170,665) | 3,073,046 | 6,547,424 |

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 2022.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****Condensed Statements of Cash Flow for the three months ended 31 March 2023**

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| Profit before zakat and tax | 161,524 | 159,324 | 163,143 | 160,002 |
| Adjustment for non-cash items | 97,302 | 118,113 | 97,130 | 117,730 |
| Operating profit before working capital changes | 258,826 | 277,437 | 260,273 | 277,732 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (98,392) | (656,811) | (145,295) | (668,259) |
| Net changes in operating liabilities | 2,134,911 | 83,503 | 2,179,721 | 95,464 |
| Net cash generated from/ (used in) operations | 2,295,345 | (295,871) | 2,294,699 | (295,063) |
| Zakat and tax paid | (80,444) | (45,818) | (80,297) | (45,551) |
| Net cash generated from/ (used in) operating activities | 2,214,900 | (341,689) | 2,214,402 | (340,614) |
| Net cash (used in)/ generated from investing activities | (1,299,373) | 199,855 | (1,299,184) | 200,031 |
| Net cash (used in)/ generated from financing activities | (51,751) | 184,583 | (51,609) | 184,725 |
| Net increase in cash and cash equivalents | 863,777 | 42,749 | 863,609 | 44,142 |
| Cash and cash equivalents at beginning of the year | 7,145,114 | 5,222,848 | 7,128,159 | 5,204,364 |
| Exchange difference on translation | (478) | 8,445 | (483) | 8,439 |
| Cash and cash equivalents at end of the period | 8,008,413 | 5,274,042 | 7,991,285 | 5,256,945 |

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 2022.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Notes to the unaudited interim financial statements for the three months ended 31 March 2023

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2023 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), paragraph 9.22 of Bursa Malaysia Securities Berhad’s Listing Requirements, 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 2022. 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 2022.

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 2022, except for the adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRS”):

- Amendments to MFRS 101, *Classification of liabilities as current or non-current*
- Amendments to MFRS 101, *Disclosure of accounting policies*
- Amendments to MFRS 108, *Definition of Accounting Estimates*
- Amendments to MFRS 112, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The adoption of the above amendments to MFRSs do not have any significant impact to the financial results of the Group and the Bank.

2. Auditors’ report on preceding financial statements

The auditors’ report on the audited financial statements for the financial year ended 31 December 2022 was not qualified.

3. Seasonal or cyclical factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the three months ended 31 March 2023.

4. Unusual items

There were no unusual items in the three months ended 31 March 2023.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

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 2023.

6. Changes in debt and equity securities

On 31 January 2023, the Group and the Bank increased its issued and paid-up capital from 2,155,269,114 to 2,244,005,114 via the issuance of 88,736,000 new ordinary shares for a consideration of RM2.26 each arising from Dividend Reinvestment Plan.

There was no share buy-back during the three months ended 31 March 2023.

7. Subsequent events after the three months ended 31 March 2023

On 15 May 2023, the Group and the Bank increased its issued and paid-up capital from 2,244,005,114 to 2,266,473,214 via the issuance of 22,468,100 new ordinary shares for a consideration of RM1.92 each arising from Dividend Reinvestment Plan.

8. Cash and short-term funds

| | Group | | Bank | |
|---|------------------|------------------|------------------|------------------|
| | 31.03.2023 | 31.12.2022 | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 798,748 | 817,436 | 797,499 | 816,234 |
| Money at call and interbank placements with remaining maturity not exceeding three months | 7,209,665 | 6,327,678 | 7,193,786 | 6,311,925 |
| | <u>8,008,413</u> | <u>7,145,114</u> | <u>7,991,285</u> | <u>7,128,159</u> |

9. Financial assets at fair value through profit and loss ("FVTPL")

| | Group | | Bank | |
|--|------------------|----------------|------------------|----------------|
| | 31.03.2023 | 31.12.2022 | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian Government Investment Issues | 410,879 | - | 410,879 | - |
| Unit trust | 246,847 | 244,260 | 220,295 | 217,877 |
| Malaysian Islamic Treasury Bills | 450,642 | 49,847 | 450,642 | 49,847 |
| Corporate Sukuk | 10,308 | 5,021 | 10,299 | 5,011 |
| | <u>1,118,676</u> | <u>299,128</u> | <u>1,092,115</u> | <u>272,735</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

10. 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. 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 | 31.03.2023 | | | 31.12.2022 | | |
|-------------------|---------------------------|------------------|-----------------------|---------------------------|------------------|-----------------------|
| | Notional amount RM'000 | Fair value | | Notional amount RM'000 | Fair value | |
| | | Assets RM'000 | Liabilities RM'000 | | Assets RM'000 | Liabilities RM'000 |
| Forward contracts | 7,808,934 | 38,371 | (40,390) | 7,713,420 | 122,827 | (137,223) |
| Profit rate swaps | 32,749 | 123 | (80) | 42,286 | 173 | (101) |
| | <u>7,841,683</u> | <u>38,494</u> | <u>(40,470)</u> | <u>7,755,706</u> | <u>123,000</u> | <u>(137,324)</u> |

11. Financial assets at fair value through other comprehensive income (“FVOCI”)

| | Group | | Bank | |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Financial assets at FVOCI: | | | | |
| (a) Debt instruments | 12,422,370 | 12,017,378 | 12,422,370 | 12,017,378 |
| (b) Equity instruments | 75,618 | 76,039 | 76,505 | 76,926 |
| | <u>12,497,988</u> | <u>12,093,417</u> | <u>12,498,875</u> | <u>12,094,304</u> |

(a) Debt instrument at FVOCI

| | Group and Bank | |
|--|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Corporate Sukuk | 7,884,753 | 7,357,640 |
| Malaysian Government Investment Issues | 4,340,173 | 4,344,171 |
| Malaysian Islamic Treasury Bills | 197,444 | 315,567 |
| | <u>12,422,370</u> | <u>12,017,378</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

11. Financial assets at fair value through other comprehensive income (“FVOCI”) (continued)

(a) Debt instrument at FVOCI (continued)

Movement of allowance for impairment on financial assets at FVOCI:

| Group and Bank | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| At 1 January 2022 | 237 | - | 7,000 | 7,237 |
| Transfer to Stage 2 | (21) | 21 | - | - |
| Changes in credit risk | 6 | 460 | 3,500 | 3,966 |
| Purchases and origination | 46 | - | - | 46 |
| Derecognition and disposal | (37) | - | - | (37) |
| At 31 December 2022/1 January 2023 | 231 | 481 | 10,500 | 11,212 |
| Transfer to Stage 1 | 40 | (40) | - | - |
| Changes in credit risk | (96) | (74) | - | (170) |
| Purchases and origination | 36 | - | - | 36 |
| Derecognition and disposal | (8) | - | - | (8) |
| At 31 March 2023 | 203 | 367 | 10,500 | 11,070 |

(b) Equity instrument at FVOCI

| | Group | | Bank | |
|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Quoted Shares | | | | |
| - outside Malaysia | <u>6,579</u> | <u>7,000</u> | <u>6,579</u> | <u>7,000</u> |
| Unquoted Shares | | | | |
| - in Malaysia | <u>69,023</u> | <u>69,023</u> | <u>69,910</u> | <u>69,910</u> |
| - outside Malaysia | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> |
| | <u>69,039</u> | <u>69,039</u> | <u>69,926</u> | <u>69,926</u> |
| | <u>75,618</u> | <u>76,039</u> | <u>76,505</u> | <u>76,926</u> |

12. Financial assets at amortised cost (“AC”)

| | Group and Bank | |
|---|------------------------------|------------------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| <i>Debt instrument at amortised cost:</i> | | |
| Malaysian Government Investment Issues | 2,349,065 | 2,288,813 |
| Corporate sukuk | 826,980 | 668,595 |
| Malaysian Islamic Treasury Bills | 98,590 | 97,848 |
| | <u>3,274,635</u> | <u>3,055,256</u> |
| Less: Allowance for impairment | - | - |
| | <u>3,274,635</u> | <u>3,055,256</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

13. 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 | Istisna' | Total |
|--|---------------------------|------------------|---------------------|---------------------|--------------------|--------------------------------------|-----------------|-------------------|
| 31.03.2023 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At amortised cost | | | | | | | | |
| Cash line | - | - | - | 280 | 1,181,110 | - | - | 1,181,390 |
| Term financing | | | | | | | | |
| House financing | 2,636,049 | - | - | - | 23,572,605 | - | 37,487 | 26,246,142 |
| Syndicated financing | - | - | - | - | 1,533,379 | - | - | 1,533,379 |
| Leasing financing | - | - | - | - | - | 83,016 | - | 83,016 |
| Bridging financing | - | - | - | - | - | - | 31,128 | 31,128 |
| Personal financing | - | - | - | 2,103 | 20,116,109 | - | - | 20,118,212 |
| Other term financing | 167,978 | 1,478,124 | - | - | 13,487,465 | - | 866 | 15,134,433 |
| Staff financing | 33,774 | 21,938 | - | - | 504,508 | - | 5,402 | 565,622 |
| Credit cards | - | - | - | - | 513,922 | - | - | 513,922 |
| Trade bills discounted | - | 484,883 | 105,774 | - | 34,208 | - | - | 624,864 |
| Trust receipts | - | 5,421 | - | - | - | - | - | 5,421 |
| Pawn broking | - | - | - | - | 157,526 | - | - | 157,526 |
| | 2,837,801 | 1,990,366 | 105,774 | 2,383 | 61,100,832 | 83,016 | 74,883 | 66,195,055 |
| Allowance for impairment on financing, advances and others | | | | | | | | |
| - Stage 1 | | | | | | | | (346,145) |
| - Stage 2 | | | | | | | | (232,882) |
| - Stage 3 | | | | | | | | (490,624) |
| Net financing, advances and others | | | | | | | | 65,125,404 |

^ 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.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

13. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

| Group and Bank 31.12.2022 | 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 | Istisna' RM'000 | Total RM'000 |
|--|--|-----------------------------|------------------------------------|------------------------------------|------------------------------------|---|----------------------------|-------------------------|
| At amortised cost | | | | | | | | |
| Cash line | - | - | - | 280 | 1,436,808 | - | - | 1,437,088 |
| Term financing | | | | | | | | |
| House financing | 2,710,203 | - | - | - | 23,123,198 | - | 38,521 | 25,871,922 |
| Syndicated financing | - | - | - | - | 1,565,789 | - | - | 1,565,789 |
| Leasing financing | - | - | - | - | - | 81,238 | - | 81,238 |
| Bridging financing | - | - | - | - | - | - | 33,031 | 33,031 |
| Personal financing | - | - | - | 2,188 | 19,834,524 | - | - | 19,836,712 |
| Other term financing | 181,798 | 1,402,239 | - | - | 13,675,552 | - | 884 | 15,260,473 |
| Staff financing | 35,137 | 20,709 | - | - | 482,389 | - | 5,577 | 543,812 |
| Credit cards | - | - | - | - | 508,104 | - | - | 508,104 |
| Trade bills discounted | - | 539,190 | 89,410 | - | 20,388 | - | - | 648,988 |
| Trust receipts | - | 4,565 | - | - | - | - | - | 4,565 |
| Pawn broking | - | - | - | - | 150,135 | - | - | 150,135 |
| | 2,927,138 | 1,966,703 | 89,410 | 2,468 | 60,796,887 | 81,238 | 78,013 | 65,941,857 |
| Allowance for impairment on financing, advances and others | | | | | | | | |
| - Stage 1 | | | | | | | | (366,051) |
| - Stage 2 | | | | | | | | (224,397) |
| - Stage 3 | | | | | | | | (449,415) |
| Net financing, advances and others | | | | | | | | 64,901,994 |

^ 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.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

13. 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 (“URIA”) and financing sold to Cagamas with recourse to the Group and the Bank. The details are as follows:

| | Note | Group | | Bank | |
|-------------------------------|-------|----------------------|----------------------|----------------------|----------------------|
| | | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| House financing | | | | | |
| Unrestricted | | | | | |
| Investment Accounts | 17 | 17,120,664 | 10,887,549 | 17,179,374 | 10,939,310 |
| Sold to Cagamas with recourse | B8(a) | 3,005,343 | 3,005,343 | 3,005,343 | 3,005,343 |
| | | <u>20,126,007</u> | <u>13,892,892</u> | <u>20,184,717</u> | <u>13,944,653</u> |
| Personal financing | | | | | |
| Unrestricted | | | | | |
| Investment Accounts | 17 | 3,385,235 | 3,573,890 | 3,443,944 | 3,625,652 |

(b) By type of customer

| | Group and Bank | |
|--|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Domestic banking institutions | 16 | 200,741 |
| Domestic non-bank financial institutions | 1,075,670 | 1,134,114 |
| Domestic business enterprise | 11,108,558 | 11,388,424 |
| Small and medium industries | 2,556,098 | 2,515,004 |
| Government and statutory bodies | 1,921,182 | 1,895,508 |
| Individuals | 49,383,187 | 48,636,547 |
| Other domestic entities | 14,905 | 15,991 |
| Foreign entities | 135,439 | 155,528 |
| | <u>66,195,055</u> | <u>65,941,857</u> |

(c) By profit rate sensitivity

| | Group and Bank | |
|-----------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Fixed rate | | |
| House financing | 954,476 | 960,743 |
| Others | 4,823,834 | 4,578,040 |
| Floating rate | | |
| House financing | 25,931,471 | 25,607,476 |
| Others | 34,485,274 | 34,795,598 |
| | <u>66,195,055</u> | <u>65,941,857</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****13. Financing, advances and others (continued)****(d) By remaining contractual maturity**

| | Group and Bank | |
|-------------------------------------|--------------------------|-------------------|
| | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Maturity within one year | 5,611,679 | 5,683,188 |
| More than one year to three years | 2,066,377 | 2,353,259 |
| More than three years to five years | 3,971,786 | 3,886,072 |
| More than five years | 54,545,213 | 54,019,338 |
| | <u>66,195,055</u> | <u>65,941,857</u> |

(e) By geographical distribution

| | Group and Bank | |
|----------------------|--------------------------|-------------------|
| | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Central Region | 31,074,371 | 30,904,086 |
| Eastern Region | 10,105,499 | 9,980,174 |
| Northern Region | 8,860,222 | 8,825,148 |
| Southern Region | 11,172,272 | 11,281,525 |
| East Malaysia Region | 4,982,691 | 4,950,924 |
| | <u>66,195,055</u> | <u>65,941,857</u> |

(f) By sector

| | Group and Bank | |
|---|--------------------------|-------------------|
| | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Primary agriculture | 859,602 | 876,964 |
| Mining and quarrying | 377,461 | 371,447 |
| Manufacturing (including agro-based) | 518,802 | 615,475 |
| Electricity, gas and water | 2,218,201 | 2,226,137 |
| Wholesale & retail trade, and hotels & restaurants | 1,200,421 | 1,208,104 |
| Construction | 1,750,730 | 1,967,534 |
| Transport, storage and communications | 2,829,288 | 2,829,640 |
| Finance, insurance, real estate and business activities | 4,414,094 | 4,724,887 |
| Education, health and others | 2,637,798 | 2,479,672 |
| Household sectors | 49,388,658 | 48,641,997 |
| | <u>66,195,055</u> | <u>65,941,857</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****13. Financing, advances and others (continued)****(g) Movement in impaired financing and advances (“impaired financing”) are as follows:**

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| At 1 January 2023/ 2022 | 835,232 | 568,383 |
| Classified as impaired during the period/ year | 236,639 | 916,357 |
| Reclassified as not impaired during the period/ year | (91,898) | (290,419) |
| Amount repaid | (23,007) | (107,468) |
| Amount written-off | (48,496) | (251,621) |
| At 31 March 2023/ 31 December 2022 | <u>908,470</u> | <u>835,232</u> |
| Gross impaired financing as a percentage of gross financing, advances and others | <u>1.37%</u> | <u>1.27%</u> |

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

(h) Impaired financing by geographical distribution

| | Group and Bank | |
|----------------------|-----------------------|-------------------|
| | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Central Region | 551,033 | 510,998 |
| Eastern Region | 98,391 | 95,756 |
| Northern Region | 154,724 | 146,491 |
| Southern Region | 69,644 | 55,567 |
| East Malaysia Region | 34,678 | 26,420 |
| | <u>908,470</u> | <u>835,232</u> |

(i) Impaired financing by sector

| | Group and Bank | |
|---|-----------------------|-------------------|
| | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Mining and quarrying | 260,618 | 257,925 |
| Manufacturing (including agro-based) | 37,546 | 37,452 |
| Electricity, gas and water | 2,419 | 467 |
| Wholesale & retail trade, and hotels & restaurants | 74,121 | 75,788 |
| Construction | 36,585 | 32,449 |
| Transport, storage and communications | 19,158 | 20,222 |
| Finance, insurance, real estate and business activities | 38,581 | 37,872 |
| Education, health and others | 2,677 | 2,158 |
| Household sectors | 436,765 | 370,899 |
| | <u>908,470</u> | <u>835,232</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

13. Financing, advances and others (continued)

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

| Group and Bank | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| At 1 January 2022 | 487,308 | 303,998 | 272,660 | 1,063,966 |
| Transfer to Stage 1 | 1,336 | (1,194) | (142) | - |
| Transfer to Stage 2 | (12,582) | 13,174 | (592) | - |
| Transfer to Stage 3 | (1,753) | (16,769) | 18,522 | - |
| Net allowance made during the year | (149,026) | (56,960) | 443,813 | 237,827 |
| New financial assets originated or purchased | 87,852 | 8,033 | 1,572 | 97,457 |
| Financial assets that have been derecognised | (42,124) | (25,885) | (34,797) | (102,806) |
| Write-offs | - | - | (251,621) | (251,621) |
| Exchange differences | (4,960) | - | - | (4,960) |
| At 31 December 2022/1 January 2023 | 366,051 | 224,397 | 449,415 | 1,039,863 |
| Transfer to Stage 1 | 570 | (505) | (65) | - |
| Transfer to Stage 2 | (9,887) | 14,525 | (4,638) | - |
| Transfer to Stage 3 | (137) | (24,040) | 24,177 | - |
| Net allowance made during the period | (21,521) | 18,501 | 71,583 | 68,563 |
| New financial assets originated or purchased | 22,642 | 2,156 | 312 | 25,110 |
| Financial assets that have been derecognised | (9,910) | (2,152) | (1,664) | (13,726) |
| Write-offs | - | - | (48,496) | (48,496) |
| Exchange differences | (1,663) | - | - | (1,663) |
| At 31 March 2023 | 346,145 | 232,882 | 490,624 | 1,069,651 |

14. Other assets

| | Group | | Bank | |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Other receivables | 267,506 | 550,417 | 222,695 | 458,443 |
| Deposit and prepayments | 65,466 | 53,241 | 57,846 | 45,939 |
| Related companies* | 1,185 | 1,174 | 1,245 | 1,175 |
| | <u>334,157</u> | <u>604,832</u> | <u>281,786</u> | <u>505,557</u> |
| Less: Allowance for impairment | | | | |
| Stage 3 | | | | |
| - Other receivables | (4,086) | (4,086) | (4,086) | (4,086) |
| | <u>330,071</u> | <u>600,746</u> | <u>277,700</u> | <u>501,471</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.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****15. Right-of-use assets and lease liabilities**

The statement of financial position shows the following amounts relating to leases:

| | Group | | Bank | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Right-of-use assets (Buildings) | | | | |
| As at 1 January 2023/ 2022 | 184,383 | 196,000 | 183,959 | 195,614 |
| Addition | - | 5,569 | - | 5,059 |
| Depreciation | (4,524) | (17,198) | (4,397) | (16,726) |
| Effects of movement in exchange rates | - | 12 | - | 12 |
| As at 31 March 2023/ 31 December 2022 | 179,859 | 184,383 | 179,562 | 183,959 |
| Lease liabilities | | | | |
| As at 1 January 2023/ 2022 | 295,585 | 303,448 | 295,167 | 302,984 |
| Addition | - | 5,569 | - | 5,059 |
| Payment of lease liabilities | (7,661) | (30,240) | (7,519) | (29,669) |
| Finance cost | 4,125 | 16,796 | 4,120 | 16,781 |
| Effects of movement in exchange rates | - | 12 | - | 12 |
| As at 31 March 2023/ 31 December 2022 | 292,049 | 295,585 | 291,768 | 295,167 |

16. Deposits from customers**a) By type and Shariah contract**

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Saving Deposit | | | | |
| <i>Qard</i> | 6,774,656 | 6,646,714 | 6,774,656 | 6,646,714 |
| Demand Deposit | | | | |
| <i>Qard</i> | 12,527,916 | 13,724,699 | 12,533,642 | 13,830,033 |
| Term Deposit | 37,872,187 | 40,220,734 | 37,880,633 | 40,229,611 |
| General Investment Deposit | | | | |
| <i>Mudharabah</i> | 104,771 | 118,094 | 104,771 | 118,094 |
| Term Deposit – i | | | | |
| <i>Tawarruq</i> | 36,951,523 | 39,982,616 | 36,959,969 | 39,991,493 |
| Negotiable Islamic Debt Certificates (NIDC) | 815,893 | 120,024 | 815,893 | 120,024 |
| Others | 108,613 | 115,357 | 108,613 | 115,357 |
| Total Deposits | 57,283,372 | 60,707,504 | 57,297,544 | 60,821,715 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

16. Deposits from customers (continued)

b) Maturity structure of term deposits are as follows:

| | Group | | Bank | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Due within six months | 25,501,992 | 27,734,736 | 25,502,625 | 27,736,556 |
| More than six months to one year | 7,604,172 | 7,680,524 | 7,610,806 | 7,685,806 |
| More than one year to three years | 2,099,055 | 2,074,887 | 2,100,234 | 2,076,662 |
| More than three years to five years | 2,666,968 | 2,730,587 | 2,666,968 | 2,730,587 |
| | <u>37,872,187</u> | <u>40,220,734</u> | <u>37,880,633</u> | <u>40,229,611</u> |

c) By type of customers

| | Group | | Bank | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Domestic non-bank financial institutions | 6,368,184 | 6,590,672 | 6,382,356 | 6,704,883 |
| Business enterprises | 16,268,505 | 21,229,580 | 16,268,505 | 21,229,580 |
| Government and statutory bodies | 21,862,557 | 20,848,877 | 21,862,557 | 20,848,877 |
| Individuals | 8,894,632 | 8,748,143 | 8,894,632 | 8,748,143 |
| Domestic banking institutions | 697,503 | 349,296 | 697,503 | 349,296 |
| Others | 3,191,991 | 2,940,936 | 3,191,991 | 2,940,936 |
| | <u>57,283,372</u> | <u>60,707,504</u> | <u>57,297,544</u> | <u>60,821,715</u> |

17. Investment accounts of customers

(a) By type and Shariah contract

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Unrestricted investment accounts | | | | |
| Without maturity | | | | |
| <i>Mudharabah</i> | 13,735,429 | 7,313,658 | 13,735,429 | 7,313,658 |
| - <i>Saving</i> | 5,126,836 | 5,086,821 | 5,126,836 | 5,086,821 |
| - <i>Demand</i> | 8,608,593 | 2,226,837 | 8,608,593 | 2,226,837 |
| With maturity | | | | |
| <i>Wakalah</i> | 6,770,470 | 7,147,781 | 6,887,889 | 7,251,304 |
| | <u>20,505,899</u> | <u>14,461,439</u> | <u>20,623,318</u> | <u>14,564,962</u> |
| Investment portfolio: | | | | |
| - <i>House financing</i> | 17,120,664 | 10,887,549 | 17,179,374 | 10,939,310 |
| - <i>Personal financing</i> | 3,385,235 | 3,573,890 | 3,443,944 | 3,625,652 |
| | <u>20,505,899</u> | <u>14,461,439</u> | <u>20,623,318</u> | <u>14,564,962</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****17. Investment accounts of customers (continued)****(a) By type and Shariah contract (continued)**

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Restricted investment accounts (“RIA”) managed by the Bank[^] | | | | |
| With maturity | | | | |
| <i>Wakalah</i> | <u>7</u> | <u>43</u> | <u>7</u> | <u>43</u> |
| Investment portfolio: | | | | |
| - <i>Other term financing</i> | <u>7</u> | <u>43</u> | <u>7</u> | <u>43</u> |

[^] The Bank has an arrangement with Lembaga Tabung Haji where the Bank acts as an investment agent to manage and administer the RIA.

(b) By type of customers

| | Group | | Bank | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Individuals | 5,411,571 | 5,390,121 | 5,411,571 | 5,390,121 |
| Government and statutory bodies | 12,466,788 | 5,359,249 | 12,466,788 | 5,359,249 |
| Business enterprises | 1,942,694 | 2,561,251 | 1,942,694 | 2,561,251 |
| Non-bank financial institutions | 511,871 | 971,742 | 629,289 | 1,075,265 |
| International Islamic Bank | 38,340 | 11,005 | 38,340 | 11,005 |
| Others | 134,635 | 168,071 | 134,635 | 168,071 |
| | <u>20,505,899</u> | <u>14,461,439</u> | <u>20,623,318</u> | <u>14,564,962</u> |

18. Other liabilities

| | Group | | Bank | |
|------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.12.2022 RM'000 | 31.03.2023 RM'000 | 31.12.2022 RM'000 |
| Other payables | 759,439 | 1,126,596 | 732,794 | 968,098 |
| Dividend payable | 76,296 | 224,148 | 76,296 | 224,148 |
| Advance payment | 559,043 | 580,612 | 558,884 | 580,433 |
| Accruals | 65,222 | 139,608 | 62,476 | 137,783 |
| | <u>1,460,000</u> | <u>2,070,964</u> | <u>1,430,450</u> | <u>1,910,462</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

19. Income derived from investment of depositors' funds

| Group and Bank | 3 months ended | |
|------------------------------------|-----------------------|-------------------|
| | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 |
| Income derived from investment of: | | |
| (i) Saving and demand deposits | 262,563 | 205,481 |
| (ii) General investment deposits | 1,854 | 1,762 |
| (iii) Term deposit-i | 533,840 | 369,699 |
| (iv) Other deposits | 3,872 | 10,692 |
| | 802,129 | 587,634 |

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

| Group and Bank | 3 months ended | |
|---|-----------------------|-------------------|
| | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 216,551 | 180,616 |
| Financial assets: | | |
| - at FVTPL | 1,501 | 195 |
| - at FVOCI | 16,205 | 15,316 |
| - at AC | 7,682 | 2,636 |
| Money at call and deposit with financial institutions | 11,394 | 4,786 |
| | 253,333 | 203,549 |
| <i>Other dealing income</i> | | |
| Net gain from sale of financial assets at FVTPL | 307 | 727 |
| Net (loss)/gain on revaluation of financial assets at FVTPL | (318) | 984 |
| | (11) | 1,711 |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets at FVOCI | 9,241 | 221 |
| | 262,563 | 205,481 |
| <i>of which</i> | | |
| <i>Financing income earned on impaired financing</i> | 4,424 | 2,859 |
| <i>Unwinding of net modification loss</i> | 2,225 | 3,435 |

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

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

(ii) Income derived from investment of general investment deposits

| Group and Bank | 3 months ended | |
|---|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 1,588 | 1,579 |
| Financial assets: | | |
| - at FVTPL | 8 | 1 |
| - at FVOCI | 94 | 112 |
| - at AC | 45 | 19 |
| Money at call and deposits with financial institutions | 66 | 36 |
| | <u>1,801</u> | <u>1,747</u> |
| <i>Other dealing income</i> | | |
| Net gain from sale of financial assets at FVTPL | 1 | 5 |
| Net (loss)/gain on revaluation of financial assets at FVTPL | (2) | 8 |
| | <u>(1)</u> | <u>13</u> |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets at FVOCI | 54 | 2 |
| | <u>1,854</u> | <u>1,762</u> |
| <i>of which</i> | | |
| Financing income earned on impaired financing | 26 | 21 |
| Unwinding of net modification loss | 13 | 25 |
| | <u>13</u> | <u>25</u> |

(iii) Income derived from investment of term deposit-i

| Group and Bank | 3 months ended | |
|--|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 440,334 | 324,967 |
| Financial assets: | | |
| - at FVTPL | 3,091 | 350 |
| - at FVOCI | 32,950 | 27,557 |
| - at AC | 15,626 | 4,742 |
| Money at call and deposits with financial institutions | 23,205 | 8,607 |
| | <u>515,206</u> | <u>366,223</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

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

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

| Group and Bank | 3 months ended | |
|---|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| <i>Other dealing income</i> | | |
| Net gain from sale of financial assets at FVTPL | 564 | 1,320 |
| Net (loss)/gain on revaluation of financial assets at FVTPL | (631) | 1,758 |
| | <u>(67)</u> | <u>3,078</u> |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets at FVOCI | 18,701 | 398 |
| | <u>533,840</u> | <u>369,699</u> |
| <i>of which</i> | | |
| <i>Financing income earned on impaired financing</i> | 9,017 | 5,154 |
| <i>Unwinding of net modification loss</i> | 4,534 | 6,177 |
| | <u>4,534</u> | <u>6,177</u> |

(iv) Income derived from investment of other deposits

| Group and Bank | 3 months ended | |
|--|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 3,196 | 9,403 |
| Financial assets: | | |
| - at FVTPL | 27 | 10 |
| - at FVOCI | 239 | 798 |
| - at AC | 114 | 136 |
| Money at call and deposits with financial institutions | 174 | 244 |
| | <u>3,750</u> | <u>10,591</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

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

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

| Group and Bank | 3 months ended | |
|--|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| <i>Other dealing income</i> | | |
| Net (loss)/ gain from sale of financial assets at FVTPL | (2) | 42 |
| Net (loss)/ gain on revaluation of financial assets at FVTPL | (3) | 46 |
| | <u>(5)</u> | <u>88</u> |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets at FVOCI | 127 | 13 |
| | <u>3,872</u> | <u>10,692</u> |
| <i>of which</i> | | |
| <i>Financing income earned on impaired financing</i> | 68 | 143 |
| <i>Unwinding of net modification loss</i> | <u>33</u> | <u>166</u> |

20. Income derived from investment account funds

| Group and Bank | 3 months ended | |
|------------------------------------|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| Finance income | | |
| Unrestricted investment accounts | | |
| - <i>Mudharabah</i> | 88,091 | 58,002 |
| - <i>Wakalah</i> | 84,112 | 43,183 |
| Unwinding of net modification loss | 2,207 | 1,866 |
| | <u>174,410</u> | <u>103,051</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

21. Income derived from investment of shareholders' funds

| | Group | | Bank | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>Finance income and hibah</i> | | | | |
| Financing, advances and others | 3,377 | 2,992 | 3,377 | 2,992 |
| Financial assets at FVOCI | 46,532 | 40,416 | 46,532 | 40,416 |
| Money at call and deposits with financial institutions | 106 | 69 | 1 | 1 |
| | 50,015 | 43,477 | 49,910 | 43,409 |
| <i>Other dealing income</i> | | | | |
| Net gain/ (loss) from foreign exchange transactions | 17,262 | (3,625) | 17,262 | (3,625) |
| Net gain/ (loss) on revaluation of financial assets at FVTPL | 2,413 | (23,575) | 2,417 | (23,642) |
| Net derivatives gain | 1 | 1 | 1 | 1 |
| | 19,676 | (27,199) | 19,680 | (27,266) |
| <i>Other operating income</i> | | | | |
| Gross dividend income from: | | | | |
| - Quoted in Malaysia | - | 6 | - | - |
| - Unit trust in Malaysia | 502 | 7,793 | 329 | 7,732 |
| - Income from rebate on investment in unit trust | 313 | 561 | 313 | 561 |
| | 815 | 8,360 | 642 | 8,293 |
| <i>Fees and commission</i> | | | | |
| Fees | 43,094 | 45,697 | 39,852 | 37,864 |
| Commission | 7,938 | 5,886 | 8,570 | 7,572 |
| Others | 5,553 | 6,773 | 3,656 | 4,095 |
| | 56,585 | 58,356 | 52,078 | 49,531 |
| <i>Other income</i> | | | | |
| Rental income | 181 | 200 | 280 | 553 |
| Other income | 39 | 65 | 34 | 19 |
| | 220 | 265 | 314 | 572 |
| | 127,311 | 83,259 | 122,624 | 74,539 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

22. Net allowance for impairment on financing and advances

| Group and Bank | 3 months ended | |
|--|----------------------|----------------------|
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| Net allowance for impairment on financing, advances and others | | |
| - Stage 1 | (8,789) | (28,451) |
| - Stage 2 | 18,505 | 58,237 |
| - Stage 3 | 70,231 | 32,887 |
| | <u>79,947</u> | <u>62,673</u> |
| Bad debts and financing recovered | (17,977) | (19,364) |
| | <u>61,970</u> | <u>43,309</u> |

23. Income attributable to depositors

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| Deposits from customers | | | | |
| - Mudharabah fund | 226 | 355 | 226 | 355 |
| - Non-Mudharabah fund | 383,657 | 202,090 | 383,717 | 202,141 |
| Deposits and placements of banks and other financial institutions | | | | |
| - Mudharabah fund | 2 | - | 2 | - |
| - Non-Mudharabah fund | 641 | 21 | 641 | 21 |
| Recourse obligation on financing sold to Cagamas | 33,329 | 21,353 | 33,329 | 21,353 |
| | <u>417,855</u> | <u>223,819</u> | <u>417,915</u> | <u>223,870</u> |

24. Income attributable to investment account holders

| | Group | | Bank | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2023 RM'000 | 31.03.2022 RM'000 | 31.03.2023 RM'000 | 31.03.2022 RM'000 |
| Unrestricted investment accounts | | | | |
| - Mudharabah | 18,540 | 5,032 | 18,540 | 5,032 |
| - Wakalah | 60,120 | 22,010 | 60,856 | 22,543 |
| | <u>78,660</u> | <u>27,042</u> | <u>79,396</u> | <u>27,575</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****25. Personnel expenses**

| | Group | | Bank | |
|----------------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries, allowances and bonuses | 160,066 | 134,238 | 151,736 | 128,564 |
| Employees' Provident Fund | 23,470 | 22,097 | 22,308 | 21,256 |
| Other staff related costs | 28,802 | 22,209 | 27,709 | 21,634 |
| | 212,338 | 178,544 | 201,753 | 171,454 |

26. Other overhead expenses

| | Group | | Bank | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>Promotion</i> | | | | |
| Credit and debit card expenses | 17,113 | 12,786 | 17,113 | 12,786 |
| Advertisement and publicity | 4,838 | 1,836 | 4,824 | 1,793 |
| Others | 2,847 | 4,492 | 2,045 | 1,715 |
| | 24,798 | 19,114 | 23,982 | 16,294 |
| <i>Establishment</i> | | | | |
| Office rental | 7,580 | 7,737 | 7,550 | 7,699 |
| Depreciation of property and equipment | 12,263 | 14,327 | 12,054 | 14,112 |
| Amortisation of intangible assets | 5,715 | 256 | 5,715 | 256 |
| Depreciation right-of-use assets | 4,524 | 4,161 | 4,397 | 4,046 |
| Information technology expenses | 25,740 | 20,752 | 25,740 | 20,752 |
| Security services | 2,537 | 2,397 | 2,537 | 2,397 |
| Utilities | 2,432 | 3,128 | 2,383 | 3,060 |
| Office maintenance | 3,080 | 2,198 | 2,956 | 2,122 |
| Rental of equipment | 1,461 | 1,601 | 1,389 | 1,525 |
| Takaful | 3,148 | 1,996 | 3,136 | 1,981 |
| Others | 283 | 284 | 283 | 283 |
| | 68,763 | 58,837 | 68,140 | 58,233 |
| <i>General expenses</i> | | | | |
| Outsourcing fees and management fees | 3,674 | 3,615 | 10,654 | 7,877 |
| Office supplies | 2,303 | 1,708 | 2,293 | 1,682 |
| Subscription fees | 3,004 | 3,515 | 3,001 | 3,515 |
| SMS service charges | 6,227 | 4,492 | 6,227 | 4,492 |
| Security services – cash in transit | 1,207 | 570 | 1,207 | 570 |
| Professional fees | 3,977 | 1,934 | 3,883 | 1,770 |
| Others | 26,849 | 18,782 | 24,903 | 15,247 |
| | 47,241 | 34,616 | 52,168 | 35,153 |
| | 140,802 | 112,567 | 144,290 | 109,680 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

27. Finance cost

| | Note | Group | | Bank | |
|---|------|----------------------|---------------|----------------------|---------------|
| | | 3 months ended | | 3 months ended | |
| | | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance cost: | | | | | |
| - Subordinated sukuk and capital securities | | 23,116 | 20,513 | 23,116 | 20,513 |
| - Profit expense on leases | 15 | 4,125 | 4,244 | 4,120 | 4,239 |
| | | <u>27,241</u> | <u>24,757</u> | <u>27,236</u> | <u>24,752</u> |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

28. Segmental Reporting on Revenue, Profit and Assets

| Group | 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 2023</u> | | | | | | |
| Total Revenue | 664,935 | 226,450 | 204,282 | 17,050 | (8,856) | 1,103,861 |
| Net fund based income | 263,029 | 138,419 | 14,617 | 85,935 | - | 502,000 |
| Non-fund based income | 42,186 | 9,743 | 45,328 | 16,149 | (8,060) | 105,346 |
| Net income | 305,215 | 148,162 | 59,945 | 102,084 | (8,060) | 607,346 |
| Net allowance for impairment | (51,783) | (10,187) | 142 | - | - | (61,828) |
| Profit before overheads, zakat & tax | 253,432 | 137,975 | 60,087 | 102,084 | (8,060) | 545,518 |
| Operating expenses | | | | | | (383,994) |
| Profit before zakat & tax | | | | | | 161,524 |
| <u>3 months ended 31 March 2022</u> | | | | | | |
| Total Revenue | 520,414 | 151,587 | 84,261 | 24,005 | (6,295) | 773,972 |
| Net fund based income | 296,838 | 113,354 | 18,488 | 49,096 | - | 477,776 |
| Non-fund based income | 41,447 | 7,946 | (21,700) | 23,353 | (5,711) | 45,335 |
| Net income | 338,285 | 121,300 | (3,212) | 72,449 | (5,711) | 523,111 |
| Net allowance for impairment | (21,405) | (21,905) | (1,711) | (353) | - | (45,374) |
| Profit before overheads, zakat & tax | 316,880 | 99,395 | (4,923) | 72,096 | (5,711) | 477,737 |
| Operating expenses | | | | | | (318,413) |
| Profit before zakat & tax | | | | | | 159,324 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

28. 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 2023</u> | | | | | | |
| Segment assets | 48,897,702 | 16,227,702 | 24,097,904 | 371,138 | (271,943) | 89,322,503 |
| Unallocated assets | | | | | | <u>2,751,947</u> |
| Total assets | | | | | | <u><u>92,074,450</u></u> |
| <u>At 31 March 2022</u> | | | | | | |
| Segment assets | 45,111,529 | 13,582,420 | 19,784,885 | 375,020 | (278,221) | 78,575,633 |
| Unallocated assets | | | | | | <u>1,925,291</u> |
| Total assets | | | | | | <u><u>80,500,924</u></u> |

29. Fair value of Financial Instruments

Fair value hierarchy

MFRS 13 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 quoted equity securities.
- 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 debt instruments, profit rates swap and structured debt. The sources of input parameters include Bank Negara Malaysia (BNM) indicative yields or counterparty credit risk.
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

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

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

29. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

| Group 31 March 2023 RM'000 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | Total fair value | Carrying amount |
|--|--|------------|---------|------------|---|---------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 3 | | |
| <i>Financial assets</i> | | | | | | | |
| Financial assets at FVTPL | - | 1,118,676 | - | 1,118,676 | - | 1,118,676 | 1,118,676 |
| Derivative financial assets | - | 38,494 | - | 38,494 | - | 38,494 | 38,494 |
| Financial assets at FVOCI | 6,579 | 12,422,370 | 69,039 | 12,497,988 | - | 12,497,988 | 12,497,988 |
| Financial assets at AC | - | - | - | - | 3,234,676 | 3,234,676 | 3,274,635 |
| Financing, advances and others | - | - | - | - | 68,412,345 | 68,412,345 | 65,125,404 |
| <i>Financial liabilities</i> | | | | | | | |
| Derivative financial liabilities | - | 40,470 | - | 40,470 | - | 40,470 | 40,470 |
| Recourse obligations on financing sold to Cagamas | - | - | - | - | 3,020,255 | 3,020,255 | 3,005,343 |
| Subordinated sukuk and capital securities | - | - | - | - | 2,191,324 | 2,191,324 | 2,224,723 |
| 31 December 2022 | | | | | | | |
| RM'000 | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Financial assets at FVTPL | - | 299,128 | - | 299,128 | - | 299,128 | 299,128 |
| Derivative financial assets | - | 123,000 | - | 123,000 | - | 123,000 | 123,000 |
| Financial assets at FVOCI | 7,000 | 12,017,378 | 69,039 | 12,093,417 | - | 12,093,417 | 12,093,417 |
| Financial assets at AC | - | - | - | - | 3,008,360 | 3,008,360 | 3,055,256 |
| Financing, advances and others | - | - | - | - | 68,151,645 | 68,151,645 | 64,901,994 |
| <i>Financial liabilities</i> | | | | | | | |
| Derivative financial liabilities | - | 137,324 | - | 137,324 | - | 137,324 | 137,324 |
| Recourse obligations on financing sold to Cagamas | - | - | - | - | 3,011,090 | 3,011,090 | 3,005,343 |
| Subordinated sukuk and capital securities | - | - | - | - | 2,181,013 | 2,181,013 | 2,222,092 |

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

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

29. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

| Bank 31 March 2023 RM'000 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | Total fair value | Carrying amount |
|--|--|------------|---------|------------|---|---------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 3 | | |
| Financial assets | | | | | | | |
| Financial assets at FVTPL | - | 1,092,115 | - | 1,092,115 | - | 1,092,115 | 1,092,115 |
| Derivative financial assets | - | 38,494 | - | 38,494 | - | 38,494 | 38,494 |
| Financial assets at FVOCI | 6,579 | 12,422,370 | 69,926 | 12,498,875 | - | 12,498,875 | 12,498,875 |
| Financial assets at AC | - | - | - | - | 3,234,676 | 3,234,676 | 3,274,635 |
| Financing, advances and others | - | - | - | - | 68,412,345 | 68,412,345 | 65,125,404 |
| Financial liabilities | | | | | | | |
| Derivative financial liabilities | - | 40,470 | - | 40,470 | - | 40,470 | 40,470 |
| Recourse obligations on financing sold to Cagamas | - | - | - | - | 3,020,255 | 3,020,255 | 3,005,343 |
| Subordinated sukuk and capital securities | - | - | - | - | 2,191,324 | 2,191,324 | 2,224,723 |
| 31 December 2022 | | | | | | | |
| RM'000 | | | | | | | |
| Financial assets | | | | | | | |
| Financial assets at FVTPL | - | 272,735 | - | 272,735 | - | 272,735 | 272,735 |
| Derivative financial assets | - | 123,000 | - | 123,000 | - | 123,000 | 123,000 |
| Financial assets at FVOCI | 7,000 | 12,017,378 | 69,926 | 12,094,304 | - | 12,094,304 | 12,094,304 |
| Financial assets at AC | - | - | - | - | 3,008,360 | 3,008,360 | 3,055,256 |
| Financing, advances and others | - | - | - | - | 68,151,645 | 68,151,645 | 64,901,994 |
| Financial liabilities | | | | | | | |
| Derivative financial liabilities | - | 137,324 | - | 137,324 | - | 137,324 | 137,324 |
| Recourse obligations on financing sold to Cagamas | - | - | - | - | 3,011,090 | 3,011,090 | 3,005,343 |
| Subordinated sukuk and capital securities | - | - | - | - | 2,181,013 | 2,181,013 | 2,222,092 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

29. Fair value of Financial Instruments (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 |
|------------------------------------|----------------------------|--|--|
| Financial assets measured at FVOCI | Net tangible assets | Net tangible assets | Higher net tangible assets results in higher fair value |

(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 mid prices. For non-actively traded securities, the fair values are estimated using valuation techniques such as 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) Borrowings, subordinated sukuk and capital securities

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

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

30. Commitment and Contingencies

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

| As at 31 March 2023 | Principal Amount RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Asset RM'000 | |
|--|-------------------------------|--|--|-------------------------------------|
| <i>Credit related exposures</i> | | | | |
| Direct credit substitutes | 555,054 | 555,054 | 601,594 | |
| Transaction related contingent items | 1,098,766 | 549,383 | 563,045 | |
| Short-term self-liquidating trade related contingencies | 334,339 | 66,868 | 66,264 | |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| - exceeding one year | 1,526,735 | 763,367 | 641,780 | |
| 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 | 8,576,977 | - | - | |
| | <u>12,091,871</u> | <u>1,934,672</u> | <u>1,872,683</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 | 7,808,934 | 38,371 | 122,396 | 83,041 |
| Profit rate related contracts | | | | |
| - less than one year | 32,749 | 123 | 132 | 99 |
| | <u>7,841,683</u> | <u>38,494</u> | <u>122,528</u> | <u>83,140</u> |
| Total | <u>19,933,554</u> | <u>38,494</u> | <u>2,057,200</u> | <u>1,955,823</u> |

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

30. Commitment and Contingencies (continued)

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

| As at 31 December 2022 | Principal Amount RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Asset RM'000 |
|--|--|--|---|
| <i>Credit related exposures</i> | | | |
| Direct credit substitutes | 533,884 | 533,884 | 578,339 |
| Transaction related contingent items | 985,002 | 492,501 | 483,516 |
| Short-term self-liquidating trade related contingencies | 407,370 | 81,474 | 80,143 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | |
| - exceeding one year | 1,392,315 | 696,158 | 575,432 |
| 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 | 7,809,279 | - | - |
| | <u>11,127,850</u> | <u>1,804,017</u> | <u>1,717,430</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 | 7,713,420 | 122,827 | 212,579 | 78,664 |
| Profit rate related contracts | | | | |
| - one year to less than five years | 42,286 | 173 | 501 | 325 |
| | <u>7,755,706</u> | <u>123,000</u> | <u>213,080</u> | <u>78,989</u> |
| Total | <u>18,883,556</u> | <u>123,000</u> | <u>2,017,097</u> | <u>1,796,419</u> |

- b) Contingent liabilities

The Group and the Bank has no disclosure on contingent liabilities other than as disclosed in Note B9(c). The possible obligation to settle the litigation claim are subject to decision by the court and as the case are still preliminary, the settlement to the litigation claim may not be probable at this juncture and therefore no provision is recognised in the interim financial statements.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****31. 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 | |
|----------------------|----------------|------------|----------------|------------|
| | 31.03.2023 | 31.12.2022 | 31.03.2023 | 31.12.2022 |
| CET I capital ratio | 15.125% | 13.578% | 14.752% | 13.230% |
| Tier I capital ratio | 16.256% | 14.640% | 15.890% | 14.298% |
| Total capital ratio | 21.232% | 19.392% | 20.889% | 19.074% |

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

| | Group | | Bank | |
|------------------------------|-------------------------|------------------|-------------------------|------------------|
| | 31.03.2023 | 31.12.2022 | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Paid-up share capital | 3,845,586 | 3,645,043 | 3,845,586 | 3,645,043 |
| Retained earnings | 3,072,304 | 3,096,604 | 3,081,612 | 3,105,912 |
| Other reserves | 147,671 | 54,596 | 36,701 | (56,368) |
| <u>Less:</u> | | | | |
| Deferred tax assets | (172,846) | (212,349) | (171,874) | (211,377) |
| Investment in subsidiaries | - | - | (100,905) | (100,905) |
| Intangible assets | (48,864) | (54,578) | (48,864) | (54,578) |
| Regulatory reserves | (160,300) | (136,000) | (160,300) | (136,000) |
| Total CET I Capital | <u>6,683,551</u> | <u>6,393,316</u> | <u>6,481,956</u> | <u>6,191,727</u> |
| Capital securities | 500,000 | 500,000 | 500,000 | 500,000 |
| Total Tier I Capital | <u>7,183,551</u> | <u>6,893,316</u> | <u>6,981,956</u> | <u>6,691,727</u> |
| Subordinated sukuk | 1,700,000 | 1,700,000 | 1,700,000 | 1,700,000 |
| Loss provision ^ | 498,666 | 537,883 | 496,347 | 535,095 |
| Total Tier II Capital | <u>2,198,666</u> | <u>2,237,883</u> | <u>2,196,347</u> | <u>2,235,095</u> |
| Total Capital | <u>9,382,217</u> | <u>9,131,199</u> | <u>9,178,303</u> | <u>8,926,822</u> |

^ Impairment allowances 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.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

31. Capital adequacy (continued)

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

| | Group | | Bank | |
|--|---------------------|-------------------|---------------------|-------------------|
| | 31.03.2023 | 31.12.2022 | 31.03.2023 | 31.12.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Credit risk | 54,384,882 | 53,650,821 | 54,296,106 | 53,513,221 |
| Less : Credit risk absorbed by unrestricted investment accounts | (14,491,563) | (10,620,157) | (14,588,395) | (10,705,652) |
| | 39,893,319 | 43,030,664 | 39,707,711 | 42,807,569 |
| Market risk | 291,199 | 84,876 | 291,199 | 84,876 |
| Operational risk | 4,004,524 | 3,971,313 | 3,939,344 | 3,909,361 |
| | 44,189,042 | 47,086,853 | 43,938,254 | 46,801,806 |

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Explanatory notes pursuant to Appendix 9B of the listing requirements of Bursa Malaysia Securities Berhad

B1. Performance review for the three months ended 31 March 2023

Current Year-to-date vs. Previous Year-to-date

| | Group | | Variance | |
|---|------------------|------------|----------|------|
| | 3 months ended | | | |
| | 31.03.2023 | 31.03.2022 | | |
| | RM'000 | RM'000 | RM'000 | % |
| Key Profit or Loss Items: | | | | |
| Revenue | 1,103,861 | 773,972 | 329,889 | 42.6 |
| Net Income | 607,346 | 523,111 | 84,235 | 16.1 |
| Profit Before Zakat and Taxation ("PBZT") | 161,524 | 159,324 | 2,200 | 1.4 |
| Profit After Zakat and Taxation ("PAZT") | 118,088 | 105,917 | 12,171 | 11.5 |

Bank Islam Group ("Bank Islam" or "the Group") recorded a PBZT of RM161.5 million for the three months ended 31 March 2023, higher by 1.4% over the corresponding period in 2022. This was mainly contributed by higher net income, offset by higher net allowance for impairment on financing and advances and higher total overheads. With the absence of one-off Cukai Makmur prosperity tax, PAZT has increased 11.5% to RM118.1 million for the period.

The performance translates to Group's earnings per share of 5.33 sen and annualised Return on Equity ("ROE") of 7.0% (after tax and zakat).

The increase in Group's net income was due to higher non-fund-based income which improved by RM60.0 million or 132.4% mainly driven by higher net gain from sale of financial assets at FVOCI, net gain on revaluation of financial assets at FVTPL and net gain from foreign exchange transactions. The net income further improved by higher net fund-based income which increased by RM24.2 million or 5.1% primarily driven by year-on-year financing growth.

The Group's net allowance for impairment on financing and advances increased by RM16.5 million or 36.3% to RM61.8 million as compared to the previous corresponding three months ended 31 March 2022.

Total overheads for the three months ended 31 March 2023 recorded an increase of RM63.1 million or 21.5% to RM356.7 million as compared to the previous corresponding period in 2022. The increase in overhead expenses was due to higher staff costs, general expenses and establishment expenses by RM33.8 million, RM12.6 million and RM9.9 million respectively.

The Group's total assets grew year-on-year by 14.4% to stood at RM92.1 billion as of 31 March 2023. Net assets per share was at RM3.20.

Gross financing grew by 10.7% year-on-year to RM66.2 billion, while customer deposits and investment accounts stood at RM77.8 billion with a year-on-year increase of RM9.7 billion or 14.3%. This was mainly attributable to the healthy year-on-year growth of 25.9% or RM6.8 billion in total current and saving accounts and transactional investment accounts ("CASATIA") to stood at RM33.0 billion. This composition made a healthy level of 42.5% of total customer deposits and investment accounts.

As at 31 March 2023, the gross impaired financing ratio was 1.37% compared to 1.27% at end December 2022.

The Group's Total Capital Ratio remained strong at 21.2% as at 31 March 2023.

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

B1. Performance review for the financial year ended 31 December 2022 (continued)

Current Year-to-date vs. Previous Year-to-date (continued)

Operating Segment

Consumer Banking's reported net income of RM305.2 million for the financial period ended 31 March 2023, 9.8% lower than the corresponding period mainly due to lower net fund-based income. Segment assets for Consumer Banking as at end March 2022 stood at RM48.9 billion, a year-on-year growth of 8.4%, mainly driven by growth in house financing and personal financing.

Corporate and Commercial Banking recorded net income of RM148.2 million, higher by 22.1% from the corresponding period, attributed by both higher net fund-based income and higher non-fund-based income. Total segment assets stood at RM16.2 billion.

Treasury registered a net income of RM59.9 million for the period, higher by more than 100% as compared to the corresponding period due to higher net gain from sale of financial assets at FVOCI, net gain on revaluation of financial assets at FVTPL and net gain from foreign exchange transactions. Treasury assets stood at RM24.1 billion.

B2. Comparison with the preceding quarter's results for the three months performance (First Quarter 2023 vs. Fourth Quarter 2022)

| Key Profit or Loss Items: | Group | | Variance | |
|---|------------------|------------|----------|-------|
| | 3 months ended | | | |
| | 31.03.2023 | 31.12.2022 | RM'000 | % |
| Revenue | 1,103,861 | 1,045,678 | 58,183 | 5.6 |
| Net Income | 607,346 | 627,122 | (19,776) | -3.2 |
| Profit Before Zakat and Taxation ("PBZT") | 161,524 | 187,311 | (25,787) | -13.8 |
| Profit After Zakat and Taxation ("PAZT") | 118,088 | 125,738 | (7,650) | -6.1 |

For the first quarter ended 31 March 2023 ("1Q2023"), the Group reported a PBZT of RM161.5 million, a decrease of RM25.8 million or 13.8% against the preceding quarter ended 31 December 2022 ("4Q2022"). The decrease in PBZT was mainly due to higher net allowance for financing and advances and lower net income, mitigated by lower total overheads.

The Group's net allowance for impairment on financing and advances was higher by RM24.0 million to RM62.0 million for 1Q2023 as compared to 4Q2022 of RM38.0 million.

The Group's net income fell by RM19.8 million or 3.2% mainly due to lower net fund-based income by RM46.8 million or 8.5% particularly due to higher income attributable to depositors and investment account holders. The decrease in net income was however mitigated by higher non-fund-based income of RM27.0 million or 34.4% mainly driven by higher net gain from sale of financial assets at FVOCI and net gain from foreign exchange transactions.

Total overheads were lower by RM15.5 million or 4.2% over 4Q2022 overheads mainly due to lower staff costs by RM38.9 million, offset by higher establishment expenses and general expenses by RM12.1 million and RM11.6 million respectively.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B3. Prospects for 2023

Overall, the Malaysian economy is off to a strong start when the country's Gross Domestic Production expanded by 5.6% during 1Q2023 as indicated in Bank Negara Malaysia's Quarterly Bulletin for First Quarter 2023 issued on 12 May 2023, surpassing its regional neighbours such as Indonesia, China, Vietnam and Singapore, suggesting that 2023-year performance target of between 4.0% and 5.0% is plausible. Such growth is buoyed by resilient domestic spending, given solid private expenditure and a further improvement in the labour market conditions. This bodes well for the Group's prospects, which are primarily in retail banking.

While the current economic indicators paint an optimistic picture for the rest of the year, the second half of the year remains challenging as the economy is still subject to external development risks, such as dimmer global growth prospects. Though the Malaysian economic growth in the upcoming quarters are anticipated to come in lower, it is believed that several upside risks could counterbalance the 2H2023 growth headwinds, including the positive spillover from China's economic reopening, further improvements in the labour market and the continuation of megaprojects.

Bank Islam's primary focus for 2023 is to manage its liquidity or funding cost and enhancing its profitability. In addition to ongoing efforts to increase CASA (current accounts and savings accounts) and operational accounts, other initiatives are also being looked upon to preserve its net income margin. To fulfill the growth strategy outlined in Bank Islam's five-year business plan (LEAP25), the Bank will focus on its core strengths. The Bank continues to invest in digitalisation, enhance its mobile banking services, which have seen a year-on-year increase in user numbers and transaction volumes, and build strategic partnerships. Bank Islam is also committed to offering financial solutions across segments via its Retail Banking distribution and Premier Wealth Banking while Group Institutional Banking target operating model emphasizes client-centricity in developing the right products.

Recognising social finance as a driver of socio-economic development, the Bank is committed in creating impactful social outcomes by incorporating blended finance and funding escalator models into its social offerings. As of May 2023, Bank Islam had disbursed more than RM10 million in microfinance and philanthropic capital to support the initiatives in nurturing the unbanked to become bankable. Traction of customers' upward mobility in terms of credit worthiness has been encouraging, where the Bank's social finance arm, Sadaqa House has impacted more than 10,000 beneficiaries since its establishment. Through these efforts, Bank Islam aspires to become the leading bank for financial inclusion, enabling effective wealth circulation within the community. Beyond the launching the Bank Islam's ESG Risk Management Framework for assessment scorecards and mechanism for ESG and climate risk, the Bank will also support its customers in their transition to low carbon development, promoting the ESG and climate change agenda in line with the National Budget 2023.

B4. Variance from profit forecast and profit guarantee

The Group neither made any profit forecast nor issued any profit guarantee.

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

B5. Tax expense

Major components of tax expense

| Group | 3 months ended | |
|--|-----------------------|-------------------|
| | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 |
| Malaysia income tax: | | |
| Current year | 22,229 | 36,848 |
| Over provision in prior years | (5) | (10) |
| | <u>22,224</u> | <u>36,838</u> |
| Deferred tax expense relating to origination and reversal of temporary differences arising from: | | |
| Current year | 17,501 | 12,361 |
| (Over)/Under provision in prior years | (39) | 459 |
| | <u>17,462</u> | <u>12,820</u> |
| | <u>39,686</u> | <u>49,658</u> |

A reconciliation of effective tax expense for the Group is as follows:

| Group | 3 months ended | |
|---------------------------------------|-----------------------|-------------------|
| | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 |
| Profit before tax | <u>161,524</u> | <u>159,324</u> |
| Income tax calculated using | | |
| Malaysian tax rate of 24% | 38,766 | 38,238 |
| Impact of Cukai Makmur | - | 10,517 |
| Income not subject to tax | (80) | (26) |
| Non-deductible expenses | 1,609 | 1,201 |
| Zakat | (565) | (721) |
| (Over)/Under provision in prior years | (44) | 449 |
| Tax expense | <u>39,686</u> | <u>49,658</u> |

As per Finance Act 2021 gazetted on 31 December 2021, effective for Year of Assessment (“YA”) 2022, a special one-off tax (“Cukai Makmur”) was introduced on companies with chargeable income in excess of RM100.0 million. The excess is taxed at a rate of 33% (first RM100.0 million of chargeable income will be taxed at 24%). Cukai Makmur is no longer applicable for YA 2023.

B6. Status of corporate proposals

There has been no new corporate proposal since the date of last quarterly report.

B7. Status of utilisation of proceeds raised from corporate proposals

The proceeds raised from the issuance of borrowings, subordinated sukuk and capital securities in prior years have been used for working capital, general banking and other corporate purposes, as intended.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B8. Borrowings, subordinated sukuk and capital securities

| RM'000 | As at 31.03.2023 | | |
|---|------------------|---------------|------------------|
| | Long term | Short term | Total borrowings |
| Secured | | | |
| - Recourse obligations on financing sold to Cagamas | 3,000,000 | 5,343 | 3,005,343 |
| Unsecured | | | |
| - Subordinated Sukuk | 1,700,000 | 22,178 | 1,722,178 |
| - Capital securities | 500,000 | 2,545 | 502,545 |
| Total unsecured | 2,200,000 | 24,723 | 2,224,723 |

| RM'000 | As at 31.12.2022 | | |
|---|------------------|---------------|------------------|
| | Long term | Short term | Total borrowings |
| Secured | | | |
| - Recourse obligations on financing sold to Cagamas | 3,000,000 | 5,343 | 3,005,343 |
| Unsecured | | | |
| - Subordinated Sukuk | 1,700,000 | 12,903 | 1,712,903 |
| - Capital securities | 500,000 | 9,189 | 509,189 |
| Total unsecured | 2,200,000 | 22,092 | 2,222,092 |

| RM'000 | As at 31.03.2022 | | |
|---|------------------|------------|------------------|
| | Long term | Short term | Total borrowings |
| Secured | | | |
| - Recourse obligations on financing sold to Cagamas | 2,000,000 | 1,721 | 2,001,721 |
| Unsecured | | | |
| - Subordinated Sukuk | 1,700,000 | 327,882 | 2,027,882 |

The borrowings, subordinated sukuk and capital securities comprise the following:

- a) 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 13(a). The details are as follows:

| | Nominal value RM'000 | Issue date | Maturity Date | Profit rate (% p.a.) |
|-------|-------------------------|-----------------|------------------|-------------------------|
| (i) | 1,500,000 | 25 May 2018 | 25 May 2023 | 4.75 |
| (ii) | 500,000 | 15 May 2021 | 15 May 2024 | 2.95 |
| (iii) | 1,000,000 | 4 November 2022 | 4 November 2027 | 4.83 |

**Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements**

B8. Borrowings, subordinated sukuk and capital securities (continued)

The borrowings, subordinated sukuk and capital securities comprise the following: (continued)

b) Subordinated sukuk and capital securities

| | Nominal value RM'000 | Issue date | First call date* | Maturity Date | Profit rate (% p.a.)# |
|--------------------|---------------------------------|-------------------|-------------------------|--------------------------|----------------------------------|
| Subordinated sukuk | | | | | |
| (i) | 300,000 | 7 November 2018 | 7 December 2023 | 7 November 2028 | 5.15 |
| (ii) | 400,000 | 26 March 2020 | 26 March 2025 | 26 March 2030 | 3.75 |
| (iii) | 700,000 | 21 October 2020 | 21 October 2025 | 21 October 2030 | 3.60 |
| (iv) | 300,000 | 12 November 2021 | 12 November 2026 | 12 November 2031 | 4.10 |
| Capital securities | | | | | |
| (v) | 500,000 | 24 August 2022 | 24 August 2027 | Perpetual | 5.16 |

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

On 14 November 2022, the Bank has exercised the call option and redeemed RM300 million in nominal value of the Subordinated Sukuk Murabahah under the RM1.0 billion Subordinated Sukuk Murabahah Programme.

B9. Material litigation

- (a) On 20 August 2019, Bank Islam filed a civil suit against 5 Star Room Hotel Sdn Bhd ("Customer") and the guarantors, namely Tang Wooi Chon, Chunsi Kudkumkong, Tang Woan Rou and Tang Woanren (collectively be referred to as "the Defendants") claiming for an amount of RM120,738,812.69 being the outstanding financing facilities granted by Bank Islam to the Customer whose accounts had been defaulted.

On 8 November 2019, Bank Islam had filed an application for summary judgment (Order 14 ("O.14")). On 18 November 2019, Bank Islam had filed an application for striking out against the Defendants' Counter Claim (Order 18 ("O.18")).

On 4 December 2019, the Defendants had filed an application to transfer and consolidate the Kuala Lumpur case with the Alor Setar case ("the Application").

The High Court ("HC") had fixed 1 July 2020 for decision on O.14, O.18 and the Application.

The HC had allowed Bank Islam's application on O.14, O.18 and the Defendants' application to transfer this case to Alor Setar High Court was dismissed.

The HC also ordered the Defendants to pay costs of RM8,000.00 to Bank Islam.

Hence, the Summary Judgment was recorded against the Defendants and the Defendants' Counter Claim was struck out.

On 9 July 2020, the Defendants had filed an appeal to Court of Appeal ("COA") against the HC's decision.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B9. Material litigation (continued)

(a) Continued...

On 19 August 2020, the Defendants had filed the application for stay of execution against the HC's decision.

On 1 October 2020, the HC had allowed the application with costs to be borne by Defendants.

On 27 October 2020, the COA had fixed for hearing (on the appeal) on 7 July 2021 and instructed the parties to file common bundle, written submissions and bundle of authorities by 16 June 2021.

On 7 July 2021, the COA had allowed Bank Islam's application to record summary judgment against the Appellants. Further the COA had allowed the Bank's application to strike out the Appellants' counterclaim and dismissed the Appellants' application to transfer and consolidate this case with the Alor Setar Suit. The COA had unanimously dismissed the appeal with costs of RM10,000.00, subject to allocator.

On 24 August 2021, the Defendants had filed the motion for leave to appeal to Federal Court ("FC").

The FC had fixed the case management on 23 September 2021. On 23 September 2021, the case management has been postponed to 29 September 2021. On 29 September 2021, the FC had instructed the Defendants to file Notice of Motion for leave at Federal Court and the case management is fixed on 14 October 2021.

On 14 October 2021, the Defendants requested time to file Notice of Motion for leave to appeal at FC. The FC had fixed the case management on 29 October 2021. On 29 October 2021, the FC had instructed parties to file Affidavit in reply to the Notice of Motion and fixed the case management on 24 November 2021.

On 24 November 2021, the FC had directed parties to file Written Submissions and Bundle of Authorities by 3 March 2022.

Hearing of Motion for Extension of Time to File Leave to Appeal to FC and Motion for Leave to Appeal to FC fixed on 21 March 2022. The Court fixed another hearing date on 27 May 2022.

There were 3 issues brought to the FC which were as follows:-

- (a) Allowing Bank Islam's application to record Summary Judgment under (O.14) against the Appellants;
- (b) Allowing Bank Islam's application to strike out the Appellants' counterclaim (O.18); and
- (c) Dismissing the Appellants' application to transfer and consolidate this case with the Alor Setar suit.

After hearing both parties, the FC was of the opinion that there is a novel issue in relation to whether there is a need to state the Ibra clause in the certificate of indebtedness. This relates to the above item (a) allowing Summary Judgment under O.14 and not relevant to the other 2 applications under (b) and (c).

The Motion was allowed only for limited issues related to Ibra clause with costs in the cause. A Notice of Appeal is required to be filed by the Customer within 14 days time. The Order in relation to item (b) and (c) above were fully concluded. Item (a) will proceed with full appeal at the FC on the issue as stated above.

The Appellant filed appeal to FC, the 1st Case Management of the appeal was fixed on 29 July 2022. The next Case Management fixed on 12 August 2022 for the Appellants to file record of appeal. Meanwhile, the Appellants filed a Motion to stay of execution of judgment dated 1 July 2020 and all foreclosure proceedings initiated by the Bank.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B9. Material litigation (continued)

(a) Continued...

Hearing of the stay of execution was fixed on 4 October 2022. After hearing of the Motion to stay of execution, the FC has unanimously dismissed the stay of execution application. The proper appeal fixed for Case Management was on 14 October 2022. The FC further fixed on 28 November 2022 for hearing of appeal. Appellant appointed a new solicitor Dato' Seri Gopal Sri Ram to submit the appeal in the FC. The FC fixed for the hearing of appeal on 29 March 2023.

The Appellant requested to vacate the hearing of appeal in view of the passing of Dato' Seri Gopal Sri Ram. The FC then fixed on 16 June 2023 for hearing of the appeal.

(b) On 18 October 2021, Perbadanan Harta Intelek Malaysia ("Plaintiff") filed a civil suit against BIMB Investment Management Berhad ("First Defendant"), a wholly owned subsidiary of the Bank and Ahmad Azwan Bin Aboo Mansor ("Second Defendant").

Plaintiff pleaded that the Defendants are liable for loss and damage caused by the Defendants fraudulent misrepresentation, negligent misrepresentation, negligence and breach of statutory duty on the placement of deposit in the sum of RM85,530,000.00 by Plaintiff to First Defendant upon representation made by Second Defendant to Plaintiff.

The sealed Writ and Statement of Claim dated 18 October 2021 was served to Messrs Ganesan & Irmohizam ("First Defendant's Solicitors") on 25 October 2021.

The Plaintiff claimed for the following:

- 1) RM43,958,509.29 being the difference between the balance sum and total principal sum deposited;
- 2) RM15,910,619.62 for lost of profit on deposit sum;
- 3) Alternatively, RM11,443,914.00 for lost of profit on deposit sum;
- 4) General damages;
- 5) Exemplary damages; and
- 6) Interest

The First Defendants Solicitors had entered Appearance on 8 November 2021 and has requested for an extension of two weeks from 24 November 2021 to file Defence. The Court fixed for next Case Management on 24 November 2021. On 24 November 2021, the Court directed First Defendant to file Defence on 8 December 2021 and Plaintiff to file Reply to Defence by 5 January 2022.

During the case management held on 18 July 2022, the Court made the following directions in relation to Enclosure 32 (First Defendant's Notice of Application seeking original documents for forensic examination:

- 1) Plaintiff shall file and serve its Affidavit in Reply on or before 29 July 2022;
- 2) First Defendant shall file and serve its Affidavit in Reply on or before 12 August 2022;
- 3) Both Parties shall file respective written submissions simultaneously on or before 23 August 2022;
- 4) Both Parties shall file respective written submissions in reply simultaneously on or before 30 August 2022.

The next Case Management is fixed on 26 April 2024, where the full trial of this suit has been scheduled on 27th, 28th and 29th of May 2024.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B9. Material litigation (continued)

- (c) On 26 April 2022 a group of syndicated financiers including Bank Islam Malaysia Berhad, HSBC Amanah Malaysia Berhad, Ambank Islamic Berhad, MIDF Amanah Investment Bank Berhad, Standard Chartered Saadiq Berhad and United Overseas Bank (Malaysia) Berhad filed a winding up petition against Serba Dinamik Holdings Berhad (“Customer”) and Serba Dinamik Group Berhad, Serba Dinamik Sdn Bhd, Serba Dinamik Development Sdn Bhd, Serba Dinamik Controls Sdn Bhd (“Guarantors”).

The Customer defaulted on payment of Syndicated Term Financing which involved RM1.2 billion (Bank Islam exposure RM245 million). The Customer made an application to Court for an appointment of Interim Judicial Managers (“IJM”). However, the application on IJM was withdrawn by the Customer citing majority of the financiers were opposing on the appointment of the Customer’s choice of IJM and further indicated to Court that they will apply for Scheme of Arrangement under Section 366 instead.

Meanwhile, the syndicated financiers had proceeded with a winding up petition and appointment of an Interim Liquidator from PricewaterhouseCoopers Advisory Services Sdn Bhd (“PwC”) which were filed in April 2022. The matters contested by the Customer by filing stay, striking out and cross examination applications. The Court fixed hearing of the applications on 8 June 2022.

At the same time, the Customer had filed for the preliminary draft of Scheme of Arrangement (“SOA”) in the Commercial Court indicating the SOA proposal among others that payment will be made in tranches with full recovery expected by year 2025. There would be further discussions in respect to the detailed SOA proposal.

The SOA and other matters were fixed at the Creditors Meeting on 25 July 2022. The Court Convened Meeting (“CCM”) was concluded and majority of the scheme creditors attended have voted and supported the proposed SOA.

As the Customer had breached the terms of the Scheme, the solicitor for the Syndicated Financiers issued a letter to the Court to advise that there has been a breach of the Scheme or the Consent Order which entitling the Syndicated Financiers to move for the Interim Liquidator (“IL”). On 23 August 2022, the Court allowed for the application of the IL.

The Interim Liquidator appointed was Victor Saw Seng Kee, the licensed liquidator from PwC. The Guarantors filed an application to stay and discharge of the Court Order on the Appointment of IL and to modify the Scheme. The Court fixed for the Case Management (“CM”) on the application to stay and discharge on 15 September 2022 and hearing to modify the Scheme on 27 September 2022.

On CM date 18 October 2022, the solicitors for IL submitted that IL requires more time to complete their assessment on the viability of the Scheme and the Scheme funds. The IL was preparing an affidavit to update the Winding Up court on their current investigation status and indicated that they would extend this affidavit to the scheme court. The Judge fixed a CM date on 9 November 2022. At the Scheme Proceedings the Court ordered that all Originating Summons (“OS”) (OS 812, 813, 814, 815 (Serba Dinamik Development Sdn Bhd) and 816 (Serba Dinamik Controls Sdn Bhd) to be struck out with liberty to file afresh.

During the CM, IL indicated that they were taking instructions on the filing of an Affidavit in Reply and the Court directed for any replies to be filed within 14 days and fixed for hearing of the application on 10 January 2023 together with the Syndicated Financiers’ Winding Up Petition.

On 10 January 2023 the Winding Up order was granted against Serba Dinamik Holdings Bhd (“SDHB”), Serba Dinamik International Ltd (“SDIL”), Serba Dinamik Sdn Bhd (“SDSB”) and Serba Dinamik Group Berhad (“SDGB”) (collectively referred to as “Companies”).

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B9. Material litigation (continued)

(c) Continued...

The Companies filed appeal to the Court of Appeal against the dismissal of the Companies' application to adjourn the hearing of the Winding up petition and against the Winding up order dated 10 January 2023. The CM for the appeal was fixed on 11 April 2023.

In the meantime, the Companies sought for ad interim stay of the Winding Up Order pending disposal of the Stay Application. The Court was inclined to allow the ad interim stay. The proper hearing date for the Stay Application was fixed on 6 March 2023 and the decision was fixed on 16 March 2023 where the Court had dismissed the Stay Application. In the meantime, no further appeal filed by the Companies.

Meanwhile, the appeal to the Court of Appeal against the dismissal of the Companies' application to adjourn the hearing of the Winding up petition and against the Winding up order was fixed on 31 July 2023.

(d) Bank Islam filed a civil suit against Burwood Group Limited ("Customer") and 8 others, namely Robert Kokshoorn, Anthony Richard Witham, George Mavrogenis, Ooi Joo Fong, Dato' Mohd, Salleh Bin Yeop Abdul Rahman, Stephen Keith Lavender, BPA Group Limited and Dominic Andrla (collectively be referred to as "the Defendants") claiming for an amount of RM85,456,573.79 being the outstanding financing facilities granted by the Bank to the Customer whose accounts had been defaulted.

On 28 January 2022 the Bank filed civil suit against the Customer and all Guarantors. The latest summary updates of the suit are as follows:

- (i) On 25 August 2022, Judgement in Default ("JID") has been obtained against 2nd and 3rd Defendants.
- (ii) On 20 September 2022, JID has been obtained against 8th Defendant.
- (iii) Hearing for Summary Judgment Order 14 ("O.14") Application for 1st, 4th, 5th and 6th Defendants has been fixed on 31 May 2023.
- (iv) Attempt to serve the writ to 9th Defendants has been postponed.
- (v) In the midst to serve Writ Summons against 7th Defendant.

(e) Bank Islam filed a civil suit against Sawit Raya Oil (Kelantan) Sdn Bhd, Tan See Meng, Tan See Nong and Sawit Raya Sdn Bhd ("the Defendants") to recover the outstanding amount of RM234,621,328.53 for the financing granted to the first Defendant. The Writ Summons and the Statement of Claim were filed on 1 July 2022. The court has directed the Defendants to file Statement of Defence on or before 23 August 2022 and Reply to Defence on or before 6 September 2022. Defendants to file Affidavit In Reply on or before 17 October 2022 and the Bank to file Affidavit In Reply on or before 31 October 2022. The next Case Management ("CM") was fixed on 3 November 2022.

The Court has directed parties to file Written Submission on or before 18 November 2022 and Submission in Reply on or before 25 November 2022. The hearing of the application for Summary Judgment ("Hearing") has been fixed on 2 December 2022. The Hearing was postponed to 14 February 2023.

The Court has adjourned the hearing as the Defendants filed a Notice of Application to adduce an expert opinion. The next CM date was fixed on 27 February 2023 for the court to fix a date for the hearing of the said Notice of Application and Summary Judgment.

The Court has dismissed the Defendant's Application to adduce an expert opinion. The Court has fixed the hearing for the Bank's Summary Judgment application on 13 July 2023.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B9. Material litigation (continued)

- (f) On 24 November 2022, Chunsi Kudkumkong ("Plaintiff") filed a civil suit against Bank Islam ("Defendant"). The Plaintiff is a Director, Chargor and Guarantor for the following facilities granted by Bank Islam to 5 Star Room Hotel Sdn. Bhd. ("Customer"):
- (a) Business Financing-i RM37,000,000.00;
 - (b) Business Cash Line-i (1) RM5,000,000.00;
 - (c) Business Cash Line-i (2) RM2,000,000.00;
 - (d) Business Cash Line-i (3) RM5,000,000.00.

The Customer had, previously initiated a civil suit against Bank Islam and failed when the High Court and the Court of Appeal dismissed the Customer's suit. The final decision was made by the Federal Court on 27 May 2022 whereby the Court also decided to dismiss the Customer's suit.

In this suit, the Plaintiff claims for the following:

- (a) Damages RM50,000,000.00;
- (b) Restitution RM53,420,697.04;
- (c) Severe damages RM50,000,000.00;
- (d) Exemplary damages RM50,000,000.00; and
- (e) General damages.

The first Case Management ("CM") was fixed on 22 December 2022. On the CM date before Deputy Registrar, the Plaintiff informed the Court that he would like to transfer this case to Kuala Lumpur High Court ("KLHC"). The Court directed the Plaintiff to file the transfer application by 17 January 2023. The hearing for the Transfer Application to KLHC was fixed on 6 March 2023.

The Alor Setar High Court has allowed the Plaintiff's application to transfer the proceeding to KLHC. The Court will update on the new case number and CM date in KLHC.

- (g) On 24 November 2022, Quantum Majesty Sdn Bhd ("Plaintiff") filed a civil suit against Bank Islam ("Defendant"). The Plaintiff is the Chargor to a property charged to Bank Islam for the following financings granted by Bank Islam to 5 Star Room Hotel Sdn Bhd ("Customer"):
- (a) Business Financing-i RM37,000,000.00;
 - (b) Business Cash Line-i (1) RM5,000,000.00;
 - (c) Business Cash Line-i (2) RM2,000,000.00;
 - (d) Business Cash Line-i (3) RM5,000,000.00.

The Customer had, previously initiated a civil suit against Bank Islam and failed when the High Court and the Court of Appeal dismissed the Customer's suit. The final decision was made by the Federal Court on 27 May 2022 whereby the Court decided to dismiss the Customer's suit.

In this suit, the Plaintiff claims for the following:

- (a) Damages RM500,000,000.00;
- (b) Restitution RM53,420,697.04;
- (c) Severe damages RM500,000,000.00;
- (d) Exemplary damages RM500,000,000.00; and
- (e) General damages.

The first Case Management ("CM") was fixed on 22 December 2022. On the CM date before Deputy Registrar, the Plaintiff informed the Court that they would like to transfer this case to Kuala Lumpur High Court ("KLHC"). The Court directed the Plaintiff to file the transfer application by 17 January 2023. The next CM date is fixed on 14 February 2023. The hearing for the Transfer Application to KLHC was fixed on 13 March 2023.

The Alor Setar High Court has allowed the Plaintiff's application to transfer the proceeding to KLHC. The Court will update on the new case number and CM date in KLHC.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B9. Material litigation (continued)

- (h) On 30 November 2022, Bank Islam ("the Bank") filed a civil suit against 1. Time Marine Services Sdn Bhd, 2. Omar Bin Khalid, 3. Azmel Hafiz Bin Azizt, and 4. Puteri Nazrahtul Binti Omar ("the Defendants") to recover the outstanding amount of RM19,985,772.78 for the financing granted to the first Defendant.

The Court has fixed for the Case Management ("CM") on 4 January 2023. The Court further fixed the CM on 17 February 2023 to record the Consent Judgment ("CJ"). The CJ has been recorded on the CM date.

Amongst the terms as stated in the CJ are as follows:

- (a) The Defendants to pay the outstanding balance of RM19,985,772.78 to the Bank; and
- (b) The Defendants to enter the payment arrangement with the Bank within 14 days from the CJ date.

The Defendant made a payment as per a new payment schedule that was approved by the Bank's Financing Committee "A" ("FCA") on 31st March 2023 which commenced in April 2023.

- (i) On 29 December 2022, 5 Star Room Hotel Sdn Bhd, Tan Wooi Chon, Chundsi Kudkumkong, Tan Woan Rou & Tan Woanren ("Plaintiff") filed a civil suit against Bank Islam ("Defendant"). The first Plaintiff is Bank Islam's Customer and the second to the fifth Plaintiffs are Guarantors for the following facilities granted by Bank Islam to the Customer:
- (a) Business Financing-i RM37,000,000.00;
 - (b) Business Cash Line-i (1) RM5,000,000.00;
 - (c) Business Cash Line-i (2) RM2,000,000.00;
 - (d) Business Cash Line-i (3) RM5,000,000.00.

This suit was different from the suit that was previously initiated by 5 Star Room against the Bank on 22 April 2019 and decided by the Court against 5 Start Room. In this suit, the Plaintiffs sought for an injunction from the Court to restrain Bank Islam from disposing or proceeding with foreclosure action against the charged properties charged to Bank Islam.

The Plaintiff claims for the following:

- (a) Damages RM300,000,000.00;
- (b) An injunction;
- (c) General damages;
- (d) Damages for breach of contract RM500,000,000.00;
- (e) Restitution RM53,420,697.04;
- (f) Punitive damages RM600,000,000.00;
- (g) Exemplary damages RM600,000,000.00; and
- (h) Cost.

The Case Management ("CM") for the Writ was fixed on 8 March 2023. Meanwhile, the Plaintiff filed an Injunction Application whereby the CM was fixed on 13 March 2023. The hearing of the Injunction was fixed on 31 May 2023.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B10. Dividend

- (a) On 30 January 2023, the Bank paid an interim dividend of 10.40 sen per ordinary share amounting RM224.1 million for the financial year ended 31 December 2022. From the total dividend amount, approximately 11% or RM23.6 million was distributed as cash dividend whilst the remaining 89% amounting to RM200.5 million was reinvested to subscribe for 88,736,000 new ordinary shares at RM2.26 each via the Dividend Reinvestment Plan (“DRP”). The new ordinary shares were listed on 31 January 2023.
- (b) On 27 February 2023, Board of Directors of Bank Islam Malaysia Berhad ("The Board") had declared a second interim dividend of 3.40 sen per ordinary share amounting RM76.3 million for the financial year ended 31 December 2022. From the total dividend amount, approximately 43% or RM33.2 million was distributed as cash dividend whilst the remaining 57% amounting to RM43.1 million was reinvested to subscribe for 22,468,100 new ordinary shares at RM1.92 each via the Dividend Reinvestment Plan (“DRP”). The new ordinary shares were listed on 15 May 2023.

B11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the number of average ordinary shares in issue during the period.

| Group | 3 months ended | |
|---|-----------------------|-------------------|
| | 31.03.2023 | 31.03.2022 |
| | RM'000 | RM'000 |
| Net profit for the period under review attributable to equity holders of the parent | 118,088 | 105,917 |
| Number of ordinary shares | 2,244,005 | 2,155,269 |
| Number of average ordinary shares | 2,214,426 | 2,137,625 |
| Earnings per share (sen) | 5.33 | 4.95 |

Diluted earnings per share

The Group has no dilution in its earnings per share in the current and the preceding financial period as there are no dilutive potential ordinary shares.

B12. Foreign exchange exposure/hedging policy

The breakdown of Group’s net foreign exchange exposure in RM equivalent is as follows:

| RM equivalent | 31.03.2023 | 31.12.2022 |
|----------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| USD | 200,964 | 109,297 |
| EURO | (101,573) | (92,877) |
| Others | (87,547) | 14,924 |

The Bank’s exposure on USD and other currencies are mainly related to its Labuan branch operations and maintenance of foreign current accounts ("FCA").

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]**(Incorporated in Malaysia)****Unaudited Interim Financial Statements****B13. Material impairment of assets**

The breakdown of the assets' carrying value in the book before impairment, impairment losses and carrying value in the book after impairment against its market value are as follows:

| Group | As at 31 March 2023 | | | |
|--------------|--|---|---|------------------------------------|
| | Carrying value before impairment RM'000 | Impairment losses RM'000 | Carrying value after impairment RM'000 | Market value RM'000 |
| | Financing, advances and others | 66,195,055 | (1,069,651) | 65,125,404 |

| Group | As at 31 December 2022 | | | |
|--------------|--|---|---|------------------------------------|
| | Carrying value before impairment RM'000 | Impairment losses RM'000 | Carrying value after impairment RM'000 | Market value RM'000 |
| | Financing, advances and others | 65,941,857 | (1,039,863) | 64,901,994 |

At each reporting date, the Group first assesses individually whether objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial assets measured at amortised cost and FVOCI, a lifetime ECL will be recognised for impairment loss which has been incurred.

The Group has considered the impact of the pandemic and has taken into account the economic and financial measures announced by the Government in estimating the ECL on the financial assets.

Under collective assessment, the Group applies a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- i) **Stage 1: 12-months ECL ("Stage 1")**
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 ("Stage 2")**
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 ("Stage 3")**
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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers 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's historical experience, informed credit assessment and including forward-looking information.

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

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

B13. Material impairment of assets (continued)

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

The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

B14. Derivatives

The Group holds derivative financial instruments to hedge its foreign currency and profit rate exposures.

| | Notional amount 31.03.2023 RM'000 | Fair value 31.03.2023 RM'000 | Notional amount 31.12.2022 RM'000 | Fair value 31.12.2022 RM'000 |
|------------------------------------|--|---|--|---|
| <i>Trading derivatives</i> | | | | |
| Foreign exchange related contracts | | | | |
| - Less than one year | 7,808,934 | (2,019) | 7,713,420 | (14,396) |
| Profit rate related contracts | | | | |
| - Less than one year | 32,749 | 43 | - | - |
| - One year to 3 years | - | - | 42,286 | 72 |
| | 7,841,683 | (1,976) | 7,755,706 | (14,324) |

Market risk

Market risk on derivatives is the potential loss to the value of these contracts due to changes in prices of the underlying item such as equities, interest rates, foreign exchange rates, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and not the amount of risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions. As at 31 March 2023, the amount of contracts which were not hedged and, hence, exposed to market risk was RM291.2 million (31 December 2022: RM84.9 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices. As at 31 March 2023, the credit risk measured in terms of the cost to replace the profitable contracts, was RM122.5 million (31 December 2022: RM213.1 million).

Liquidity risk

Liquidity risk on derivatives is the risk that the derivatives position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

B14. Derivatives (continued)

Cash Requirements of the Derivatives

Cash requirement of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit rating.

There have been no changes since the end of the previous financial year in respect of the following:

- a) The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) The risk management policies in place for mitigating and control in the risk associated with these financial derivative contracts; and
- c) The related accounting policies.

B15. The amounts of gains/losses arising from fair value changes of its financial liabilities for the current quarter and financial year to date

Derivative financial assets and liabilities are measured at fair value. Gain or loss arising from fair value changes of these instruments are as follows:

| | 3 months ended 31.03.2023 RM'000 |
|--|---|
| <i>Trading derivatives</i> | |
| Net loss arising from fair value changes from derivatives assets and liabilities | (26) |

The Group holds derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group elects not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.