

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

Statements of Financial Position as at 31 March 2017

| | Note | Group | | Bank | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.03.2017 RM'000 | 31.12.2016 RM'000 | 31.03.2017 RM'000 | 31.12.2016 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | 9 | 1,515,601 | 3,963,417 | 1,515,068 | 3,963,268 |
| Deposits and placements with banks and other financial institutions | 10 | - | 100,000 | - | 100,000 |
| Financial assets held-for-trading | 11 | 386,267 | 574,835 | 381,139 | 569,750 |
| Derivative financial assets | 12 | 73,463 | 124,572 | 73,463 | 124,572 |
| Financial assets available-for-sale | 13 | 10,229,482 | 9,957,286 | 10,229,939 | 9,957,743 |
| Financial assets held-to-maturity | 14 | 56,857 | 57,703 | 56,857 | 57,703 |
| Financing, advances and others | 15 | 39,756,401 | 39,189,274 | 39,756,401 | 39,189,274 |
| Other assets | 16 | 65,196 | 99,015 | 62,370 | 95,928 |
| Statutory deposits with Bank Negara Malaysia | | 1,215,056 | 1,374,876 | 1,215,056 | 1,374,876 |
| Current tax assets | | 1,837 | 1,779 | 1,737 | 1,737 |
| Deferred tax assets | | 42,885 | 48,378 | 42,885 | 48,378 |
| Investments in subsidiaries | | - | - | 15,525 | 15,525 |
| Property and equipment | | 182,685 | 185,562 | 181,735 | 184,547 |
| Total assets | | 53,525,730 | 55,676,697 | 53,532,175 | 55,683,301 |
| Liabilities and equity | | | | | |
| Deposits from customers | 17 | 43,558,887 | 45,940,414 | 43,576,051 | 45,949,715 |
| Investment accounts of customers | 18 | 3,933,714 | 3,812,261 | 3,933,714 | 3,812,261 |
| Deposits and placements of banks and other financial institutions | 19 | - | 30,000 | - | 30,000 |
| Derivative financial liabilities | 12 | 77,649 | 111,089 | 77,649 | 111,089 |
| Bills and acceptance payable | | 181,791 | 46,278 | 181,791 | 46,278 |
| Subordinated Sukuk Murabahah | 20 | 714,071 | 704,393 | 714,071 | 704,393 |
| Other liabilities | 21 | 479,271 | 601,750 | 468,454 | 598,591 |
| Zakat and taxation | | 43,938 | 45,046 | 43,900 | 45,019 |
| Total liabilities | | 48,989,321 | 51,291,231 | 48,995,630 | 51,297,346 |

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Statements of Financial Position as at 31 March 2017 (continued)

| | Note | Group | | Bank | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.03.2017 RM'000 | 31.12.2016 RM'000 | 31.03.2017 RM'000 | 31.12.2016 RM'000 |
| Equity | | | | | |
| Share capital | | 2,404,384 | 2,404,384 | 2,404,384 | 2,404,384 |
| Reserves | | 2,132,025 | 1,981,082 | 2,132,161 | 1,981,571 |
| Total equity | | 4,536,409 | 4,385,466 | 4,536,545 | 4,385,955 |
| Total liabilities and equity | | 53,525,730 | 55,676,697 | 53,532,175 | 55,683,301 |
| Restricted investment accounts managed by the Bank | 18 | 145,289 | 141,343 | 145,289 | 141,343 |
| Total Islamic banking asset owned and managed by the Bank | | 53,671,019 | 55,818,040 | 53,677,464 | 55,824,644 |
| Commitments and Contingencies | 32 | 14,446,178 | 13,704,559 | 14,446,178 | 13,704,559 |

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

Bank Islam Malaysia Berhad (98127-X)
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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2017**

| | Note | Group 3 months ended | | Bank 3 months ended | |
|---|------|-------------------------|----------------------|------------------------|----------------------|
| | | 31.03.2017 RM'000 | 31.03.2016 RM'000 | 31.03.2017 RM'000 | 31.03.2016 RM'000 |
| Income derived from investment of depositors' funds | 22 | 565,757 | 591,361 | 565,757 | 591,361 |
| Income derived from investment account funds | 23 | 54,702 | 11,484 | 54,702 | 11,484 |
| Income derived from investment of shareholders' funds | 24 | 102,293 | 111,813 | 99,674 | 108,991 |
| Allowances for impairment on financing and advances | 25 | (8,783) | (34,611) | (8,783) | (34,611) |
| Allowance for impairment on investments | | - | (310) | - | (310) |
| Direct expenses | | <u>(5,242)</u> | <u>(5,768)</u> | <u>(5,242)</u> | <u>(5,768)</u> |
| Total distributable income | | 708,727 | 673,969 | 706,108 | 671,147 |
| Wakalah fees from restricted investment accounts | | 712 | 1,002 | 712 | 1,002 |
| Income attributable to depositors | 26 | (273,039) | (278,491) | (273,097) | (278,551) |
| Income attributable to investment account holders | 27 | <u>(23,165)</u> | <u>(2,230)</u> | <u>(23,165)</u> | <u>(2,230)</u> |
| Total net income | | 413,235 | 394,250 | 410,558 | 391,368 |
| Personnel expenses | 28 | (121,564) | (123,592) | (119,985) | (121,819) |
| Other overhead expenses | 29 | (89,940) | (85,670) | (89,228) | (84,371) |
| Finance cost on Subordinated Sukuk Murabahah | | <u>(9,678)</u> | <u>(9,893)</u> | <u>(9,678)</u> | <u>(9,893)</u> |
| Profit before zakat and tax | | 192,053 | 175,095 | 191,667 | 175,285 |
| Zakat | | (2,384) | (2,260) | (2,376) | (2,250) |
| Tax expense | | <u>(53,354)</u> | <u>(45,341)</u> | <u>(53,342)</u> | <u>(45,355)</u> |
| Profit for the period | | <u>136,315</u> | <u>127,494</u> | <u>135,949</u> | <u>127,680</u> |

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2017 (continued)**

| | Note | Group 3 months ended | | Bank 3 months ended | |
|---|------|-------------------------|----------------------|------------------------|----------------------|
| | | 31.03.2017 RM'000 | 31.03.2016 RM'000 | 31.03.2017 RM'000 | 31.03.2016 RM'000 |
| Profit for the period | | <u>136,315</u> | <u>127,494</u> | <u>135,949</u> | <u>127,680</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 foreign operations | | 6,733 | 40,998 | 6,746 | 41,068 |
| Fair value reserve | | | | | |
| Net change in fair value | | 11,354 | 87,702 | 11,354 | 87,702 |
| Net amount transferred to profit or loss | | (966) | (13,095) | (966) | (13,095) |
| Income tax expense relating to components of other comprehensive income | | (2,493) | (17,906) | (2,493) | (17,906) |
| Other comprehensive income for the period, net of tax | | <u>14,628</u> | <u>97,699</u> | <u>14,641</u> | <u>97,769</u> |
| Total comprehensive income for the period | | <u>150,943</u> | <u>225,193</u> | <u>150,590</u> | <u>225,449</u> |
| Earnings per share (sen) | | <u>5.67</u> | <u>5.39</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 2016.

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Consolidated Statement of Changes in Equity for the three months ended 31 March 2017

| Group | ← Attributable to equity holders of the Bank → | | | | |
|---|--|----------------------------|-----------------------------|--------------------------------|---------------------------|
| | ← Non-distributable → | | | Distributable | |
| | Share capital RM'000 | Share premium RM'000 | Other reserves RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 January 2017 | 2,404,384 | 264,790 | 1,193,045 | 523,247 | 4,385,466 |
| Profit for the period | - | - | - | 136,315 | 136,315 |
| Currency translation difference in respect of foreign operations | - | - | 6,733 | - | 6,733 |
| Fair value reserve – Net change in fair value | - | - | 11,354 | - | 11,354 |
| – Net amount reclassified to profit or loss | - | - | (966) | - | (966) |
| Income tax expense relating to components of other comprehensive income | - | - | (2,493) | - | (2,493) |
| Total comprehensive income for the period | - | - | 14,628 | 136,315 | 150,943 |
| At 31 March 2017 | 2,404,384 | 264,790 | 1,207,673 | 659,562 | 4,536,409 |
| At 1 January 2016 | 2,363,283 | 175,452 | 1,107,920 | 385,913 | 4,032,568 |
| Profit for the period | - | - | - | 127,494 | 127,494 |
| Currency translation difference in respect of foreign operations | - | - | 40,998 | - | 40,998 |
| Fair value reserve – Net change in fair value | - | - | 87,702 | - | 87,702 |
| – Net amount reclassified to profit or loss | - | - | (13,095) | - | (13,095) |
| Income tax expense relating to components of other comprehensive income | - | - | (17,906) | - | (17,906) |
| Total comprehensive income for the period | - | - | 97,699 | 127,494 | 225,193 |
| At 31 March 2016 | 2,363,283 | 175,452 | 1,205,619 | 513,407 | 4,257,761 |

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

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Statement of Changes in Equity for the three months ended 31 March 2017

| Bank | ← Attributable to equity holders of the Bank → | | | | Total equity |
|---|--|----------------|------------------|----------------|------------------|
| | ← Non-distributable | Share capital | Share premium | Other reserves | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2017 | 2,404,384 | 264,790 | 1,192,822 | 523,959 | 4,385,955 |
| Profit for the period | - | - | - | 135,949 | 135,949 |
| Currency translation difference in respect of foreign operations | - | - | 6,746 | - | 6,746 |
| Fair value reserve – Net change in fair value | - | - | 11,354 | - | 11,354 |
| – Net amount reclassified to profit or loss | - | - | (966) | - | (966) |
| Income tax expense relating to components of other comprehensive income | - | - | (2,493) | - | (2,493) |
| Total comprehensive income for the period | - | - | 14,641 | 135,949 | 150,590 |
| At 31 March 2017 | 2,404,384 | 264,790 | 1,207,463 | 659,908 | 4,536,545 |
| At 1 January 2016 | 2,363,283 | 175,452 | 1,107,738 | 386,580 | 4,033,053 |
| Profit for the period | - | - | - | 127,680 | 127,680 |
| Currency translation difference in respect of foreign operations | - | - | 41,068 | - | 41,068 |
| Fair value reserve – Net change in fair value | - | - | 87,702 | - | 87,702 |
| – Net amount reclassified to profit or loss | - | - | (13,095) | - | (13,095) |
| Income tax expense relating to components of other comprehensive income | - | - | (17,906) | - | (17,906) |
| Total comprehensive income for the period | - | - | 97,769 | 127,680 | 225,449 |
| At 31 March 2016 | 2,363,283 | 175,452 | 1,205,507 | 514,260 | 4,258,502 |

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

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Condensed Statements of Cash Flow
for the three months ended 31 March 2017

| | Group | | Bank | |
|--|--------------------|-------------|--------------------|-------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before zakat and tax | 192,053 | 175,095 | 191,667 | 175,285 |
| Adjustment for non-cash items | 50,418 | 69,920 | 50,394 | 69,903 |
| Operating profit before working capital changes | 242,471 | 245,015 | 242,061 | 245,188 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (379,314) | (202,683) | (379,528) | (203,164) |
| Net changes in operating liabilities | (2,293,317) | (2,416,335) | (2,293,112) | (2,412,661) |
| Net cash used in operations | (2,430,160) | (2,374,003) | (2,430,579) | (2,370,637) |
| Zakat and tax paid | (41,020) | (41,731) | (41,000) | (41,709) |
| Net cash used in operating activities | (2,471,180) | (2,415,734) | (2,471,579) | (2,412,346) |
| Net cash (used in)/generated from investing activities | (83,369) | 598,144 | (83,367) | 598,235 |
| Net decrease in cash and cash equivalents | (2,554,549) | (1,817,590) | (2,554,946) | (1,814,111) |
| Cash and cash equivalents at beginning of the period | 4,063,417 | 2,982,246 | 4,063,268 | 2,978,315 |
| Exchange difference on translation | 6,733 | 41,005 | 6,746 | 41,071 |
| Cash and cash equivalents at end of the period | 1,515,601 | 1,205,661 | 1,515,068 | 1,205,275 |

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

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Unaudited Interim Financial Statements

Notes to the unaudited interim financial statements for the three months ended 31 March 2017

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2017 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act 2016 and Shariah requirements.

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965. The New Act was passed on 4 April 2016 by the Dewan Rakyat and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

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

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

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

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

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective for the Group and the Bank:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

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1. Basis of preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (continued)

- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Bank except as mentioned in the subsequent paragraphs:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Group and of the Bank.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

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1. Basis of preparation (continued)

MFRS 9, Financial Instruments (continued)

The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with two measurement categories – amortised cost and fair value. For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments.

The preparation for MFRS 9 by the Group and the Bank had started in 2016 with the setting up of a MFRS 9 Project Steering Committee headed by the Chief Financial Officer of the Bank, and with assistance from internal working group and consultants. During the financial year ended 31 December 2016, the Group and the Bank have completed the gap assessment and commenced the development of MFRS 9 compliant impairment models for all impacted credit exposures.

Overall, the Group and the Bank anticipate changes to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification and measurement requirements will affect the presentation and disclosures within the Group and the Bank's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses. The Group and the Bank are currently performing a detailed assessment to determine the extent of the impact arising from this standard.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases. However, a lessee may elect not to apply the requirements for short-term leases which are for the term 12 months or less and leases for which the underlying asset is of low value. For such leases, lessees may elect to expense off the lease payments on a straight line basis over the lease term or using other systematic method. Upon adoption of MFRS 16, the Group and the Bank are required to account for major part of their operating leases in the balance sheet by recognising the 'right-of-use' asset and the lease liability, thus increasing the assets and liabilities of the Group and of the Bank. The Group and the Bank are currently assessing the financial impact arising from the adoption of this standard.

2. Auditors' reports on preceding financial period financial statements

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

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the three months ended 31 March 2017.

4. Unusual items

There were no unusual items in the three months ended 31 March 2017.

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5. Changes in accounting estimates

There was no material change in estimates of amounts reported in the prior financial year that has a material effect to the financial statements for the three months ended 31 March 2017.

6. Sukuk and equity securities

There was no issuance or repayment of Sukuk and equity securities or share buy-back during the three months ended 31 March 2017.

7. Significant events during the three months ended 31 March 2017

There was no significant event during the three months ended 31 March 2017.

8. Dividends

There was no dividend payment during the three months ended 31 March 2017.

9. Cash and short-term funds

| | Group | | Bank | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 835,142 | 932,674 | 834,609 | 932,525 |
| Money at call and interbank placements with remaining maturity not exceeding one month | 680,459 | 3,030,743 | 680,459 | 3,030,743 |
| | <u>1,515,601</u> | <u>3,963,417</u> | <u>1,515,068</u> | <u>3,963,268</u> |

10. Deposits and placements with banks and other financial institutions

| | Group and Bank | |
|------------------------|-----------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 |
| Licensed Islamic banks | <u>-</u> | <u>100,000</u> |

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11. Financial assets held-for-trading

| | Group | | Bank | |
|----------------------|----------------|----------------|----------------|----------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At fair value | | | | |
| Malaysian Government | | | | |
| Investment Issues | 145,891 | 324,500 | 145,891 | 324,500 |
| Sukuk | 235,248 | 245,250 | 235,248 | 245,250 |
| Unit trust | 5,128 | 5,085 | - | - |
| | <u>386,267</u> | <u>574,835</u> | <u>381,139</u> | <u>569,750</u> |

12. Derivative financial assets/liabilities

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

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

| Group and Bank | Principal amount | 31.03.2017 | |
|-------------------|------------------|-------------------|------------------------|
| | | Fair value Assets | Fair value Liabilities |
| | RM'000 | RM'000 | RM'000 |
| Forward contracts | 3,562,509 | 66,433 | (74,191) |
| Profit rate swaps | 829,162 | 7,030 | (3,458) |
| | <u>4,391,671</u> | <u>73,463</u> | <u>(77,649)</u> |

| Group and Bank | Principal amount | 31.12.2016 | |
|-------------------|------------------|-------------------|------------------------|
| | | Fair value Assets | Fair value Liabilities |
| | RM'000 | RM'000 | RM'000 |
| Forward contracts | 3,117,570 | 117,445 | (107,469) |
| Profit rate swaps | 836,027 | 7,127 | (3,620) |
| | <u>3,953,597</u> | <u>124,572</u> | <u>(111,089)</u> |

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13. Financial assets available-for-sale

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2017 RM'000 | 31.12.2016 RM'000 | 31.03.2017 RM'000 | 31.12.2016 RM'000 |
| At fair value | | | | |
| Malaysian Government Investment Issues [^] | 2,100,113 | 2,057,324 | 2,100,113 | 2,057,324 |
| Negotiable Islamic Debt Certificates | - | 496,681 | - | 496,681 |
| Sukuk | 8,102,125 | 7,367,563 | 8,102,582 | 7,368,020 |
| | <u>10,202,238</u> | <u>9,921,568</u> | <u>10,202,695</u> | <u>9,922,025</u> |
| At fair value | | | | |
| Quoted shares | | | | |
| - outside Malaysia | 18,390 | 21,124 | 18,390 | 21,124 |
| Quoted unit trust | | | | |
| - in Malaysia | 3,554 | 9,294 | 3,554 | 9,294 |
| | <u>21,944</u> | <u>30,418</u> | <u>21,944</u> | <u>30,418</u> |
| At cost | | | | |
| Unquoted shares in Malaysia | 25,185 | 25,468 | 25,185 | 25,468 |
| Less: Accumulated impairment loss * | (19,904) | (20,187) | (19,904) | (20,187) |
| | <u>5,281</u> | <u>5,281</u> | <u>5,281</u> | <u>5,281</u> |
| At cost | | | | |
| Unquoted shares outside Malaysia | 329 | 329 | 329 | 329 |
| Less: Impairment loss | (310) | (310) | (310) | (310) |
| | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> |
| | <u>10,229,482</u> | <u>9,957,286</u> | <u>10,229,939</u> | <u>9,957,743</u> |

[^] Included in Malaysian Government Investment Issues as at 31 March 2017 is RM133,379,000 (2016: RM Nil) that form part of the Bank's total Statutory Reserve Requirement ("SRR") balances other than statutory deposits with Bank Negara Malaysia.

* Movement in accumulated impairment loss is due to translation difference.

14. Financial assets held-to-maturity

| | Group and Bank | |
|--|----------------------|----------------------|
| | 31.03.2017 RM'000 | 31.12.2016 RM'000 |
| At amortised cost | | |
| Unquoted securities in Malaysia: Sukuk | 63,744 | 64,590 |
| Less: Accumulated impairment loss | (6,887) | (6,887) |
| | <u>56,857</u> | <u>57,703</u> |

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15. Financing, advances and others

(a) By type and Shariah contract

| Group & Bank 31 March 2017 | Bai' Bithaman Ajil RM'000 | Murabahah RM'000 | Bai Al-Dayn RM'000 | Bai Al-Inah RM'000 | At- Tawarruq RM'000 | Ijarah Muntahiah Bit-Tamleek RM'000 | Ijarah Thumma Al-Bai RM'000 | Istisna' RM'000 | Ar-Rahnu RM'000 | Total RM'000 |
|---|--|-----------------------------|-----------------------------------|-----------------------------------|------------------------------------|--|--|----------------------------|----------------------------|-------------------------|
| At amortised cost | | | | | | | | | | |
| Cash line | - | - | - | 33,386 | 991,709 | - | - | - | - | 1,025,095 |
| Term financing | | | | | | | | | | |
| House financing ^ | 4,385,985 | - | - | - | 10,137,604 | - | - | 58,166 | - | 14,581,755 |
| Syndicated financing | - | - | - | 47,485 | 1,024,651 | - | 125,059 | - | - | 1,197,195 |
| Leasing financing | - | - | - | - | - | 87,405 | 695 | - | - | 88,100 |
| Bridging financing | - | - | - | - | - | - | - | 79,843 | - | 79,843 |
| Personal financing ^ | - | - | - | 34,692 | 11,418,055 | - | - | - | - | 11,452,747 |
| Other term financing | 1,943,274 | 991,981 | - | 3,924 | 7,435,526 | - | - | 1,485 | - | 10,376,190 |
| Staff financing | 79,688 | 6,020 | - | - | 105,058 | - | - | 13,824 | - | 204,590 |
| Credit cards | - | - | - | 8,419 | 436,596 | - | - | - | - | 445,015 |
| Trade bills discounted | - | 689,949 | 195,210 | - | - | - | - | - | - | 885,159 |
| Trust receipts | - | 2,033 | - | - | - | - | - | - | - | 2,033 |
| Pawn broking | - | - | - | - | - | - | - | - | 85,636 | 85,636 |
| Investment Account Platform * | - | - | - | - | 5,471 | - | - | - | - | 5,471 |
| | 6,408,947 | 1,689,983 | 195,210 | 127,906 | 31,554,670 | 87,405 | 125,754 | 153,318 | 85,636 | 40,428,829 |
| Allowance for impaired financing, advances and others | | | | | | | | | | |
| - collective assessment allowance | | | | | | | | | | (548,653) |
| - individual assessment allowance | | | | | | | | | | (123,775) |
| Net financing, advances and others | | | | | | | | | | 39,756,401 |

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

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

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15. Financing, advances and others (continued)

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

^ Included in house financing and personal financing as at 31 March 2017 are underlying assets under the Unrestricted Investment Accounts (“URIA”) amounting to RM2,798,118,000 (2016: RM2,687,318,000) and RM1,135,596,000 (2016: RM1,124,943,000) respectively as disclosed in Note 18 of these financial statements.

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

(b) By type of customer

| | Group and Bank | |
|--|--------------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| Domestic non-bank financial institutions | 1,186,098 | 1,376,559 |
| Domestic business enterprise | 6,881,289 | 6,908,806 |
| Small & medium industries | 932,138 | 896,530 |
| Government and statutory bodies | 1,033,859 | 938,069 |
| Individuals | 29,622,764 | 28,957,975 |
| Other domestic entities | 7,224 | 7,239 |
| Foreign entities | 765,457 | 787,265 |
| | <u>40,428,829</u> | <u>39,872,443</u> |

(c) By profit rate sensitivity

| | Group and Bank | |
|-----------------|--------------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| Fixed rate | | |
| House financing | 1,234,025 | 1,268,632 |
| Others | 3,893,391 | 4,059,422 |
| Floating rate | | |
| House financing | 13,948,675 | 13,382,969 |
| Others | 21,352,738 | 21,161,420 |
| | <u>40,428,829</u> | <u>39,872,443</u> |

(d) By remaining contractual maturity

| | Group and Bank | |
|-------------------------------------|--------------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| Maturity within one year | 4,632,703 | 4,312,581 |
| More than one year to three years | 1,496,765 | 1,400,480 |
| More than three years to five years | 3,000,226 | 2,197,573 |
| More than five years | 31,299,135 | 31,961,809 |
| | <u>40,428,829</u> | <u>39,872,443</u> |

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15. Financing, advances and others (continued)

(e) By geographical distribution

| | Group and Bank | |
|----------------------|--------------------------|--------------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 |
| Central Region | 19,083,079 | 18,853,925 |
| Eastern Region | 6,699,024 | 6,534,376 |
| Northern Region | 5,775,612 | 5,864,200 |
| Southern Region | 5,700,385 | 5,499,121 |
| East Malaysia Region | 3,170,729 | 3,120,821 |
| | <u>40,428,829</u> | <u>39,872,443</u> |

(f) By sector

| | Group and Bank | |
|--|--------------------------|--------------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 |
| Primary agriculture | 370,422 | 377,285 |
| Mining and quarrying | 11,930 | 12,931 |
| Manufacturing (including agro-based) | 774,503 | 747,410 |
| Electricity, gas and water | 877,050 | 868,319 |
| Wholesale & retail trade, and hotels & restaurants | 1,192,098 | 1,274,954 |
| Construction | 2,029,892 | 2,161,215 |
| Real estate | 1,316,092 | 1,205,740 |
| Transport, storage and communications | 901,734 | 870,559 |
| Finance, insurance and business activities | 1,948,040 | 2,134,947 |
| Education, health and others | 1,371,276 | 1,256,209 |
| Household sectors | 29,635,792 | 28,962,874 |
| | <u>40,428,829</u> | <u>39,872,443</u> |

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15. Financing, advances and others (continued)

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| At 1 January 2017/ 2016 | 389,445 | 381,270 |
| Classified as impaired during the period/year | 130,601 | 580,341 |
| Reclassified as not impaired during the period/year | (77,091) | (284,602) |
| Amount recovered | (23,129) | (112,502) |
| Amount written off | (36,180) | (178,052) |
| Exchange differences | (967) | 2,990 |
| At 31 March 2017/ 31 December 2016 | <u>382,679</u> | <u>389,445</u> |
| Gross impaired financing as a percentage of gross financing, advances and others | <u>0.95%</u> | <u>0.98%</u> |

(h) Impaired financing by geographical distribution

| | Group and Bank | |
|----------------------|-----------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| Central Region | 141,482 | 142,841 |
| Eastern Region | 92,497 | 92,848 |
| Northern Region | 33,493 | 36,299 |
| Southern Region | 28,656 | 31,329 |
| East Malaysia Region | 86,551 | 86,128 |
| | <u>382,679</u> | <u>389,445</u> |

(i) Impaired financing by sector

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| Primary agriculture | 1,329 | 1,311 |
| Manufacturing (including agro-based) | 38,126 | 36,739 |
| Wholesale & retail trade, and hotels & restaurants | 26,056 | 25,651 |
| Construction | 13,271 | 13,714 |
| Real estate | 1,490 | - |
| Transport, storage and communications | 13,840 | 15,579 |
| Finance, insurance and business activities | 70,552 | 70,948 |
| Education, health and others | 4,648 | 3,076 |
| Household sectors | 213,367 | 222,427 |
| | <u>382,679</u> | <u>389,445</u> |

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15. Financing, advances and others (continued)

(j) Movement of allowance for impaired financing

| | Group and Bank | |
|---|-----------------------|-----------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 |
| <u>Collective assessment allowance</u> | | |
| At 1 January 2017/ 2016 | 554,971 | 541,065 |
| Allowance made during the period/year | 29,946 | 161,667 |
| Amount written off | (36,180) | (146,725) |
| Exchange differences | (84) | (1,036) |
| At 31 March 2017/ 31 December 2016 | <u>548,653</u> | <u>554,971</u> |
| <u>Individual assessment allowance</u> | | |
| At 1 January 2017/ 2016 | 128,198 | 124,471 |
| Allowance made during the period/year | 3,586 | 54,566 |
| Amount recovered | (7,041) | (23,904) |
| Amount written off | - | (29,928) |
| Exchange differences | (968) | 2,993 |
| At 31 March 2017/ 31 December 2016 | <u>123,775</u> | <u>128,198</u> |

16. Other assets

| | Group | | Bank | |
|-------------------------|----------------------|-------------------|----------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables | 23,990 | 65,825 | 22,340 | 63,968 |
| Less: Impairment loss | (256) | (256) | (256) | (256) |
| | <u>23,734</u> | <u>65,569</u> | <u>22,084</u> | <u>63,712</u> |
| Deposit and prepayments | 39,299 | 32,741 | 38,021 | 31,441 |
| Related companies* | 2,163 | 705 | 2,265 | 775 |
| | <u>65,196</u> | <u>99,015</u> | <u>62,370</u> | <u>95,928</u> |

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

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17. Deposits from customers

a) By type and Shariah contract

| | Group | | Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Saving Deposit | | | | |
| <i>Wadiah</i> | 4,398,078 | 4,131,604 | 4,398,078 | 4,131,604 |
| Demand Deposit | | | | |
| <i>Wadiah</i> | 9,407,192 | 10,001,972 | 9,418,053 | 10,004,601 |
| Term Deposit | 29,648,824 | 31,700,310 | 29,655,127 | 31,706,982 |
| Special Investment Deposit | | | | |
| <i>Mudharabah</i> | 27,711 | 27,711 | 27,711 | 27,711 |
| General Investment Deposit | | | | |
| <i>Mudharabah</i> | 378,622 | 394,639 | 378,622 | 394,639 |
| Term Deposit | | | | |
| <i>Tawarruq</i> | 25,157,011 | 28,208,548 | 25,163,314 | 28,215,220 |
| Negotiable Islamic Debt Certificates (NIDC) | 4,085,480 | 3,069,412 | 4,085,480 | 3,069,412 |
| Others | 104,793 | 106,528 | 104,793 | 106,528 |
| Total Deposits | 43,558,887 | 45,940,414 | 43,576,051 | 45,949,715 |

b) Maturity structure of term deposits are as follows:

| | Group | | Bank | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Due within six months | 21,603,939 | 26,475,051 | 21,609,526 | 26,481,013 |
| More than six months to one year | 7,499,238 | 4,166,465 | 7,499,238 | 4,166,465 |
| More than one year to three years | 506,329 | 690,590 | 507,045 | 691,300 |
| More than three years to five years | 39,318 | 368,204 | 39,318 | 368,204 |
| | 29,648,824 | 31,700,310 | 29,655,127 | 31,706,982 |

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17. Deposits from customers (continued)

c) By type of customers

| | Group | | Bank | |
|--|--------------------------|-------------------|--------------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Domestic non-bank financial institutions | 14,039,013 | 15,501,713 | 14,056,177 | 15,511,014 |
| Business enterprises | 10,382,139 | 11,730,076 | 10,382,139 | 11,730,076 |
| Government and statutory bodies | 6,238,735 | 6,890,474 | 6,238,735 | 6,890,474 |
| Individuals | 5,070,916 | 4,817,561 | 5,070,916 | 4,817,561 |
| Domestic banking institutions | 3,703,745 | 2,994,256 | 3,703,745 | 2,994,256 |
| Others | 4,124,339 | 4,006,334 | 4,124,339 | 4,006,334 |
| | <u>43,558,887</u> | <u>45,940,414</u> | <u>43,576,051</u> | <u>45,949,715</u> |

18. Investment accounts of customers

(a) By type and Shariah contract

| | Group and Bank | |
|---|-------------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 |
| Unrestricted investment accounts | | |
| Without maturity | | |
| <i>Mudharabah</i> | 1,661,902 | 1,516,844 |
| With maturity | | |
| <i>Wakalah</i> | 2,271,812 | 2,295,417 |
| | <u>3,933,714</u> | <u>3,812,261</u> |
| Restricted investment accounts (“RIA”) managed by the Bank[^] | | |
| With maturity | | |
| <i>Wakalah</i> | 145,289 | 141,343 |
| <u>Investment portfolio:</u> | | |
| Unrestricted investment accounts | | |
| <i>House financing</i> | 2,798,118 | 2,687,318 |
| <i>Personal financing</i> | 1,135,596 | 1,124,943 |
| | <u>3,933,714</u> | <u>3,812,261</u> |
| Restricted investment accounts | | |
| <i>Other term financing</i> | 145,289 | 141,343 |

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18. Investment accounts of customers (continued)

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

Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM144,991,000 (2016:RM141,033,000).

(b) By type of customers

| | Group and Bank | |
|---------------------------------------|-------------------------|-------------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| Individuals | 1,862,664 | 1,677,636 |
| Government and statutory bodies | 792,400 | 762,888 |
| Business enterprises | 593,622 | 737,961 |
| Non-bank financial institutions | 539,356 | 476,125 |
| Bank and other financial institutions | 6,201 | 45,919 |
| Others | 139,471 | 111,732 |
| | <u>3,933,714</u> | <u>3,812,261</u> |

19. Deposits and placements of banks and other financial institutions

| | Group and Bank | |
|----------------------------|-----------------------|-------------------|
| | 31.03.2017 | 31.12.2016 |
| | RM’000 | RM’000 |
| <i>Non-Mudharabah fund</i> | | |
| Licensed Islamic banks | <u>-</u> | <u>30,000</u> |

20. Subordinated Sukuk Murabahah

| | | Group and Bank | |
|--|-------------|-----------------------|-----------------------|
| | Note | 31.03.2017 | 31.12.2016 |
| | | RM’000 | RM’000 |
| <i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i> | | | |
| First tranche, RM300 million | | | |
| 5.75% due in 2025 | (a) | 307,561 | 303,308 |
| Second tranche, RM400 million | | | |
| 5.50% due in 2025 | (b) | 406,510 | 401,085 |
| | | <u>714,071</u> | <u>704,393</u> |

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20. Subordinated Sukuk Murabahah (continued)

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

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

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

21. Other liabilities

| | Group | | Bank | |
|----------------|-----------------------|-------------------|-----------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other payables | 452,867 | 489,031 | 442,559 | 486,151 |
| Accruals | 26,404 | 112,719 | 25,895 | 112,440 |
| | <u>479,271</u> | <u>601,750</u> | <u>468,454</u> | <u>598,591</u> |

22. Income derived from investment of depositors' funds

| | Group | | Bank | |
|------------------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of: | | | | |
| (i) Saving and demand deposits | 182,331 | 212,024 | 182,331 | 212,024 |
| (ii) General investment deposits | 8,795 | 7,366 | 8,795 | 7,366 |
| (iii) Term deposit | 320,637 | 329,945 | 320,637 | 329,945 |
| (iv) Other deposits | 53,994 | 42,026 | 53,994 | 42,026 |
| | <u>565,757</u> | <u>591,361</u> | <u>565,757</u> | <u>591,361</u> |

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

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 156,936 | 179,992 |
| Financial assets: | | |
| - held-for-trading | 1,434 | 1,752 |
| - available-for-sale | 20,648 | 20,658 |
| - held-to-maturity | 199 | 224 |
| Money at call and deposits with financial institutions | 3,029 | 2,147 |
| | 182,246 | 204,773 |
| <i>Other dealing income</i> | | |
| Net (loss)/gain from sale of financial assets held-for-trading | (1,701) | 1,198 |
| Net gain on revaluation of financial assets held-for-trading | 1,473 | 1,428 |
| | (228) | 2,626 |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets available-for-sale | 313 | 4,625 |
| | 313 | 4,625 |
| | 182,331 | 212,024 |
| <i>of which</i> | | |
| <i>Financing income earned on impaired financing</i> | 2,626 | 2,684 |

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 7,659 | 4,853 |
| Financial assets: | | |
| - held-for-trading | 64 | 137 |
| - available-for-sale | 893 | 1,623 |
| - held-to-maturity | 9 | 18 |
| Money at call and deposits with financial institutions | 161 | 170 |
| | 8,786 | 6,801 |
| <i>Other dealing income</i> | | |
| Net (loss)/gain from sale of financial assets held-for-trading | (90) | 93 |
| Net gain on revaluation of financial assets held-for-trading | 90 | 116 |
| | - | 209 |

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

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

| | Group and Bank | |
|---|-----------------------|---------------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets available-for-sale | <u>9</u> | <u>356</u> |
| | <u>9</u> | <u>356</u> |
| | <u>8,795</u> | <u>7,366</u> |
| <i>of which</i> | | |
| Financing income earned on impaired financing | <u>118</u> | <u>211</u> |

(iii) Income derived from investment of term deposit

| | Group and Bank | |
|--|-----------------------|-----------------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 275,975 | 280,094 |
| Financial assets: | | |
| - held-for-trading | 2,522 | 2,728 |
| - available-for-sale | 36,310 | 32,148 |
| - held-to-maturity | 351 | 349 |
| Money at call and deposits with financial institutions | <u>5,328</u> | <u>3,341</u> |
| | <u>320,486</u> | <u>318,660</u> |
| <i>Other dealing income</i> | | |
| Net (loss)/gain from sale of financial assets held-for-trading | (2,991) | 1,865 |
| Net gain on revaluation of financial assets held-for-trading | <u>2,591</u> | <u>2,223</u> |
| | <u>(400)</u> | <u>4,088</u> |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets available-for-sale | <u>551</u> | <u>7,197</u> |
| | <u>551</u> | <u>7,197</u> |
| | <u>320,637</u> | <u>329,945</u> |
| <i>of which</i> | | |
| Financing income earned on impaired financing | <u>4,617</u> | <u>4,178</u> |

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

(iv) Income derived from investment of other deposits

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| <i>Finance income and hibah</i> | | |
| Financing, advances and others | 46,473 | 35,676 |
| Financial assets: | | |
| - held-for-trading | 425 | 347 |
| - available-for-sale | 6,115 | 4,095 |
| - held-to-maturity | 59 | 44 |
| Money at call and deposits with financial institutions | 897 | 426 |
| | 53,969 | 40,588 |
| <i>Other dealing income</i> | | |
| Net (loss)/gain from sale of financial assets held-for-trading | (504) | 238 |
| Net gain on revaluation of financial assets held-for-trading | 436 | 283 |
| | (68) | 521 |
| <i>Other operating income</i> | | |
| Net gain from sale of financial assets available-for-sale | 93 | 917 |
| | 93 | 917 |
| | 53,994 | 42,026 |
| <i>of which</i> | | |
| <i>Financing income earned on impaired financing</i> | 777 | 532 |

23. Income derived from investment account funds

| | Group and Bank | |
|----------------------------------|-----------------------|-------------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| Finance income | | |
| Unrestricted investment accounts | | |
| - <i>Mudharabah</i> | 21,900 | 9,069 |
| - <i>Wakalah</i> | 32,802 | 2,415 |
| | 54,702 | 11,484 |

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24. Income derived from investment of shareholders' funds

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>Finance income and hibah</i> | | | | |
| Financing, advances and others | 1,627 | 1,530 | 1,627 | 1,530 |
| Financial assets available-for-sale | 36,128 | 42,441 | 36,128 | 42,441 |
| Money at call and deposits with financial institutions | (1,211) | 733 | (1,211) | 733 |
| | <u>36,544</u> | <u>44,704</u> | <u>36,544</u> | <u>44,704</u> |
| <i>Other dealing income</i> | | | | |
| Net gain from foreign exchange transactions | 18,587 | 18,477 | 18,587 | 18,477 |
| Net derivatives gain/(loss) | 53 | (4,186) | 53 | (4,186) |
| Net gain on revaluation of financial assets held-for-trading | 1 | 45 | - | - |
| | <u>18,641</u> | <u>14,336</u> | <u>18,640</u> | <u>14,291</u> |
| <i>Other operating income</i> | | | | |
| Unit trust in Malaysia | 417 | 881 | 375 | 881 |
| <i>Fees and commission</i> | | | | |
| Fees | 35,412 | 40,815 | 33,421 | 38,936 |
| Commission | 4,974 | 4,577 | 6,165 | 5,890 |
| Others | 5,585 | 6,398 | 3,761 | 4,106 |
| | <u>45,971</u> | <u>51,790</u> | <u>43,347</u> | <u>48,932</u> |
| <i>Other income</i> | | | | |
| Net loss on disposal of property and equipment | (3) | (519) | (3) | (519) |
| Rental income | 614 | 609 | 698 | 693 |
| Other income | 109 | 12 | 73 | 9 |
| | <u>720</u> | <u>102</u> | <u>768</u> | <u>183</u> |
| | <u>102,293</u> | <u>111,813</u> | <u>99,674</u> | <u>108,991</u> |

25. Allowances for impairment on financing and advances

| | Group and Bank | |
|--|----------------|---------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| Allowances/(Reversal) for impaired financing, advances and others: | | |
| - collective assessment allowance | 29,946 | 61,767 |
| - individual assessment allowance | (3,455) | (69) |
| Bad debts and financing recovered | (17,708) | (27,087) |
| | <u>8,783</u> | <u>34,611</u> |

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26. Income attributable to depositors

| | Group | | Bank | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers | | | | |
| - Non-Mudharabah fund | 269,712 | 268,270 | 269,770 | 268,330 |
| - Mudharabah fund | 3,015 | 4,266 | 3,015 | 4,266 |
| Deposits and placements of banks and other financial institutions | | | | |
| - Non-Mudharabah fund | 312 | 5,955 | 312 | 5,955 |
| | <u>273,039</u> | <u>278,491</u> | <u>273,097</u> | <u>278,551</u> |

27. Income attributable to investment account holders

| | Group and Bank | |
|----------------------------------|-----------------------|-------------------|
| | 3 months ended | |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| Unrestricted investment accounts | | |
| - <i>Mudharabah</i> | 438 | 173 |
| - <i>Wakalah</i> | 22,727 | 2,057 |
| | <u>23,165</u> | <u>2,230</u> |

28. Personnel expenses

| | Group | | Bank | |
|-------------------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries, allowances and bonuses | 93,868 | 97,198 | 92,621 | 95,793 |
| Employees' Provident Fund | 13,777 | 12,660 | 13,598 | 12,442 |
| Other staff related costs | 13,919 | 13,734 | 13,766 | 13,584 |
| | <u>121,564</u> | <u>123,592</u> | <u>119,985</u> | <u>121,819</u> |

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29. Other overhead expenses

| | Group | | Bank | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>Promotion</i> | | | | |
| Credit and debit card expenses | 7,892 | 6,089 | 7,892 | 6,089 |
| Advertisement and publicity | 669 | 1,862 | 634 | 1,825 |
| Others | 3,030 | 4,084 | 2,375 | 2,991 |
| | 11,591 | 12,035 | 10,901 | 10,905 |
| <i>Establishment</i> | | | | |
| Office rental | 12,888 | 12,928 | 12,874 | 12,915 |
| Depreciation of property and equipment | 14,983 | 14,771 | 14,916 | 14,709 |
| Information technology expenses | 7,457 | 11,397 | 7,457 | 11,397 |
| Office maintenance | 2,572 | 2,199 | 2,509 | 2,170 |
| Security services | 3,864 | 3,821 | 3,864 | 3,820 |
| Utilities | 3,472 | 3,309 | 3,455 | 3,286 |
| Rental of equipment | 886 | 998 | 867 | 984 |
| Others | 87 | 688 | 74 | 639 |
| | 46,209 | 50,111 | 46,016 | 49,920 |
| <i>General expenses</i> | | | | |
| Outsourcing fees | 5,334 | 3,919 | 5,334 | 3,919 |
| Deposit incentive scheme | 3,088 | 1,147 | 3,088 | 1,147 |
| Office supplies | 2,104 | 2,328 | 2,066 | 2,287 |
| Travelling & transportation | 2,082 | 2,189 | 2,069 | 2,156 |
| Security services - cash in transit | 1,613 | 1,301 | 1,613 | 1,301 |
| Professional fees | 615 | 766 | 558 | 739 |
| Others | 17,304 | 11,874 | 17,583 | 11,997 |
| | 32,140 | 23,524 | 32,311 | 23,546 |
| | 89,940 | 85,670 | 89,228 | 84,371 |

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30. Segmental Reporting on Revenue, Profit and Assets

| | Consumer Banking RM'000 | Corporate and Commercial Banking RM'000 | Treasury Division RM'000 | Shareholders unit RM'000 | Elimination RM'000 | Total RM'000 |
|---|--|--|---|---|-------------------------------|-------------------------|
| <u>3 months ended 31 March 2017</u> | | | | | | |
| Total Revenue | 437,026 | 148,462 | 132,540 | 7,798 | (2,362) | 723,464 |
| Net fund based income | 205,447 | 90,711 | (8,740) | 73,111 | - | 360,529 |
| Non-fund based income | 35,285 | 8,458 | 19,179 | 6,113 | (2,304) | 66,731 |
| Net income | 240,732 | 99,169 | 10,439 | 79,224 | (2,304) | 427,260 |
| Allowances for impairment | (1,544) | (7,239) | - | - | - | (8,783) |
| Profit before overheads, zakat & tax | 239,188 | 91,930 | 10,439 | 79,224 | (2,304) | 418,477 |
| Operating expenses | | | | | | (226,424) |
| Profit before zakat & tax | | | | | | 192,053 |
| <u>3 months ended 31 March 2016</u> | | | | | | |
| Total Revenue | 417,426 | 139,229 | 111,457 | 49,541 | (1,993) | 715,660 |
| Net fund based income | 213,963 | 100,464 | (12,602) | 44,465 | - | 346,290 |
| Non-fund based income | 34,661 | 9,893 | 40,010 | 6,018 | (1,933) | 88,649 |
| Net income | 248,624 | 110,357 | 27,408 | 50,483 | (1,933) | 434,939 |
| Allowances for impairment | (39,078) | 4,467 | (310) | - | - | (34,921) |
| Profit before overheads, zakat & tax | 209,546 | 114,824 | 27,098 | 50,483 | (1,933) | 400,018 |
| Operating expenses | | | | | | (224,923) |
| Profit before zakat & tax | | | | | | 175,095 |

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

| | Consumer Banking RM'000 | Corporate and Commercial Banking RM'000 | Treasury Division RM'000 | Shareholders unit RM'000 | Elimination RM'000 | Total RM'000 |
|-----------------------------------|--|--|---|---|-------------------------------|-------------------------|
| <u>At 31 March 2017</u> | | | | | | |
| Segment assets | 29,275,671 | 10,480,730 | 11,421,857 | 42,548 | (33,468) | 51,187,338 |
| Unallocated assets | | | | | | 2,338,392 |
| Total assets | | | | | | <u>53,525,730</u> |
| <u>At 31 December 2016</u> | | | | | | |
| Segment assets | 28,586,902 | 10,602,372 | 13,840,512 | 34,450 | (25,529) | 53,038,707 |
| Unallocated assets | | | | | | 2,637,990 |
| Total assets | | | | | | <u>55,676,697</u> |

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31. Fair value of Financial Instruments

Fair value hierarchy

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

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

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

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

| Group 31 March 2017 RM'000 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value Level 3 | Total fair value | Carrying amount |
|--|--|------------|---------|------------|--|---------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total | | | |
| Financial assets | | | | | | | |
| Financial assets held-for-trading | - | 386,267 | - | 386,267 | - | 386,267 | 386,267 |
| Derivative financial assets | - | 73,463 | - | 73,463 | - | 73,463 | 73,463 |
| Financial assets available-for-sale | 18,390 | 10,205,792 | - | 10,224,182 | 5,300 | 10,229,482 | 10,229,482 |
| Financial assets held-to-maturity | - | - | - | - | 56,857 | 56,857 | 56,857 |
| Financing, advances and others | - | - | - | - | 39,799,826 | 39,799,826 | 39,756,401 |
| Financial liabilities | | | | | | | |
| Derivative financial liabilities | - | 77,649 | - | 77,649 | - | 77,649 | 77,649 |
| Subordinated Sukuk Murabahah | - | - | - | - | 747,131 | 747,131 | 714,071 |
| Group 31 December 2016 RM'000 | | | | | | | |
| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value Level 3 | Total fair value | Carrying amount |
| | Level 1 | Level 2 | Level 3 | Total | | | |
| Financial assets | | | | | | | |
| Financial assets held-for-trading | - | 574,835 | - | 574,835 | - | 574,835 | 574,835 |
| Derivative financial assets | - | 124,572 | - | 124,572 | - | 124,572 | 124,572 |
| Financial assets available-for-sale | 21,124 | 9,930,862 | - | 9,951,986 | 5,300 | 9,957,286 | 9,957,286 |
| Financial assets held-to-maturity | - | - | - | - | 57,703 | 57,703 | 57,703 |
| Financing, advances and others | - | - | - | - | 39,233,082 | 39,233,082 | 39,189,274 |
| Financial liabilities | | | | | | | |
| Derivative financial liabilities | - | 111,089 | - | 111,089 | - | 111,089 | 111,089 |
| Subordinated Sukuk Murabahah | - | - | - | - | 740,110 | 740,110 | 704,393 |

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

| Bank 31 March 2017 RM'000 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value Level 3 | Total fair value | Carrying amount |
|-------------------------------------|--|------------|---------|------------|--|---------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total | | | |
| <i>Financial assets</i> | | | | | | | |
| Financial assets held-for-trading | - | 381,139 | - | 381,139 | - | 381,139 | 381,139 |
| Derivative financial assets | - | 73,463 | - | 73,463 | - | 73,463 | 73,463 |
| Financial assets available-for-sale | 18,390 | 10,206,249 | - | 10,224,639 | 5,300 | 10,229,939 | 10,229,939 |
| Financial assets held-to-maturity | - | - | - | - | 56,857 | 56,857 | 56,857 |
| Financing, advances and others | - | - | - | - | 39,799,826 | 39,799,826 | 39,756,401 |
| <i>Financial liabilities</i> | | | | | | | |
| Derivative financial liabilities | - | 77,649 | - | 77,649 | - | 77,649 | 77,649 |
| Subordinated Sukuk Murabahah | - | - | - | - | 747,131 | 747,131 | 714,071 |
| <hr/> | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Financial assets held-for-trading | - | 569,750 | - | 569,750 | - | 569,750 | 569,750 |
| Derivative financial assets | - | 124,572 | - | 124,572 | - | 124,572 | 124,572 |
| Financial assets available-for-sale | 21,124 | 9,931,319 | - | 9,952,443 | 5,300 | 9,957,743 | 9,957,743 |
| Financial assets held-to-maturity | - | - | - | - | 57,703 | 57,703 | 57,703 |
| Financing, advances and others | - | - | - | - | 39,233,082 | 39,233,082 | 39,189,274 |
| <i>Financial liabilities</i> | | | | | | | |
| Derivative financial liabilities | - | 111,089 | - | 111,089 | - | 111,089 | 111,089 |
| Subordinated Sukuk Murabahah | - | - | - | - | 740,110 | 740,110 | 704,393 |

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Unobservable inputs used in measuring fair value

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

(a) Financial instruments carried at fair value

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

(b) Financial instruments not carried at fair value

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

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

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

(ii) Financing and advances

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

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32. Commitment and Contingencies

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

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Asset RM'000 |
|--|--|---|--|---|
| As at 31 March 2017 | | | | |
| <i>Credit related exposures</i> | | | | |
| Direct credit substitutes | 2,773,372 | | 2,773,372 | 2,062,331 |
| Transaction related contingent items | 959,019 | | 479,509 | 450,214 |
| Short term self-liquidating trade related contingencies | 333,403 | | 66,681 | 63,998 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| - not exceeding one year | - | | - | - |
| - exceeding one year | 1,164,715 | | 582,357 | 491,595 |
| Unutilised credit card lines | - | | - | - |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 4,823,998 | | - | - |
| | 10,054,507 | | 3,901,919 | 3,068,138 |
| <i>Derivative Financial Instruments</i> | | | | |
| Foreign exchange related contracts | | | | |
| - less than one year | 3,562,509 | 66,433 | 107,725 | 48,218 |
| Profit rate related contracts | | | | |
| - Less than one year | 200,000 | 1,368 | 200 | 40 |
| - one year to less than five years | 400,000 | 2,774 | 9,554 | 1,911 |
| - five years and above | 229,162 | 2,888 | 16,049 | 9,765 |
| | 4,391,671 | 73,463 | 133,528 | 59,934 |
| Total | 14,446,178 | 73,463 | 4,035,447 | 3,128,072 |

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32. Commitment and Contingencies (continued)

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

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

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33. 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 | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| CET I & Tier I capital ratio | 11.932% | 12.397% | 11.903% | 12.362% |
| Total capital ratio | 14.974% | 15.518% | 14.948% | 15.484% |

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

| | Group | | Bank | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.03.2017 | 31.12.2016 | 31.03.2017 | 31.12.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Paid-up share capital | 2,404,384 | 2,404,384 | 2,404,384 | 2,404,384 |
| Share premium | 264,790 | 264,790 | 264,790 | 264,790 |
| Retained earnings | 523,247 | 523,247 | 523,959 | 523,959 |
| Other reserves | 1,207,673 | 1,193,045 | 1,207,463 | 1,192,822 |
| Less: Deferred tax assets | (42,885) | (48,378) | (42,885) | (48,378) |
| Less: Investment in subsidiaries | - | - | (15,525) | (15,525) |
| Total CET I and Tier I Capital | 4,357,209 | 4,337,088 | 4,342,186 | 4,322,052 |
| Sukuk Murabahah | 700,000 | 700,000 | 700,000 | 700,000 |
| Collective assessment allowance ^ | 410,860 | 391,782 | 410,805 | 391,727 |
| Total Tier II Capital | 1,110,860 | 1,091,782 | 1,110,805 | 1,091,727 |
| Total Capital | 5,468,069 | 5,428,870 | 5,452,991 | 5,413,779 |

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

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33. Capital adequacy

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

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.03.2017 RM'000 | 31.12.2016 RM'000 | 31.03.2017 RM'000 | 31.12.2016 RM'000 |
| Credit risk | 35,573,017 | 33,908,778 | 35,568,656 | 33,904,311 |
| Less : Credit risk absorbed by unrestricted investment accounts | (2,704,254) | (2,566,180) | (2,704,254) | (2,566,180) |
| | 32,868,763 | 31,342,598 | 32,864,402 | 31,338,131 |
| Market risk | 596,700 | 609,931 | 581,059 | 609,931 |
| Operational risk | 3,052,502 | 3,031,801 | 3,035,226 | 3,014,802 |
| | 36,517,965 | 34,984,330 | 36,480,687 | 34,962,864 |

34. Performance review for the three months ended 31 March 2017

The Group reported profit before zakat and tax of RM192.1 million or an increase of 9.7% for the three months ended 31 March 2017 compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM4.5 billion or 12.8% to reach RM39.8 billion as at end of March 2017. Correspondingly, fund based income from financing also increased by RM29.7 million or 5.8%.

As at end of March 2017, customer deposits and investment accounts stood at RM47.6 billion with a year-on-year increase of RM6.0 billion or 14.5%. CASA ratio as at end-March 2017 was 36.8% against the Islamic Banking Industry CASA ratio of 25.9% as at end of February 2017.

The Group's gross impaired financing ratio was 0.95% while the net impaired financing ratio (less IA and CA) was a negative 0.73% as at end of March 2017 compared to 0.98% and a negative 0.75% respectively as at 31 December 2016. The Banking System gross impaired ratio was 1.63% and the net impaired ratio was 0.15% (less IA and CA) as at end of February 2017.

The key performance ratios as at end of March 2017 also compared favourably against the Banking System ratios as at end of December 2016. The Bank's return on equity and return on assets based on profit before zakat and tax (PBZT) were 16.6% and 1.4% respectively against the Banking System's 12.5% and 1.3% respectively.

35. Prospect for 2017

The economy grew 4.5% year-on-year in the fourth quarter of 2016 largely underpinned by private sector spending such as 6.2% (3Q2016: 6.4%) expansion in consumer spending and 4.9% (3Q2016: 4.7%) growth in private investment. More importantly is the positive contribution to overall growth from net exports for two consecutive quarters. For the full year, GDP grew by 4.2% in 2016 from 5.0% in the preceding year. This was mainly supported by domestic demand which increased by 4.4% in 2016 from 5.1% in 2015 while net exports recorded smaller contraction from -3.8% in 2015 to -1.8% in 2016.

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35. Prospect for 2017 (continued)

For 2017, GDP is projected to grow by 4.4% supported by sustained growth in consumer spending, implementation of infrastructure projects and positive contribution from net exports. The Overnight Policy Rate (OPR) is expected to remain at 3.00% while the MYR/USD is expected to remain above RM4.00 for the rest of 2017.

The banking industry is expected to be resilient despite the prevailing economic conditions such as continued uncertainty in commodity prices, higher cost of living that weighs heavily on consumer sentiment and cautious business sentiment. Financing growth for the banking sector is therefore anticipated to be between 4% and 5% as banks strive to defend their asset quality. In addition, usage of technology will intensify, inadvertently changing the banking landscape, as banks now utilise technology to improve efficiency and reduce cost of transactions.

The Bank will focus on maintaining its asset quality and deposit drive while continuously embracing digitalisation. In line with Basel 3 rules, the Bank will continue to manage liquidity and deploy capital efficiently in its operations. With capital management in place, the Banks' capital buffer is sufficient to cover potential loss under various stress test scenarios.

36. Subsequent events

Proposed dividend payment

The Bank has proposed a final single tier dividend of 5.58 sen per ordinary share amounting to RM134.167 million for the financial year ended 31 December 2016.

It is also proposed that 100% of the proposed final dividend of RM134.167 million be reinvested to subscribe for 41,282,000 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan (DRP). The dividend reinvested will maintain the strength of the Bank's capital position to fund the continuing business growth of the Bank.