

BANK ISLAM MALAYSIA BERHAD

(Company No. 98127-X)

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

31 DECEMBER 2015

Bank Islam Malaysia Berhad

(Company No. 98127-X)
(Incorporated in Malaysia)

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Bank Islam Malaysia Berhad

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Directors' Report for the financial year ended 31 December 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015.

Principal activities

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Bank RM'000
Profit before zakat and tax expense	685,661	685,131
Zakat and tax expense	<u>(178,399)</u>	<u>(178,298)</u>
Profit for the year	<u><u>507,262</u></u>	<u><u>506,833</u></u>

Dividends

The amount of dividends paid by the Bank since 31 December 2014 are as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
Final single tier dividend of approximately 5.75 sen per ordinary share paid on 30 June 2015	133,395
In respect of the financial year ended 31 December 2015:	
Interim single tier dividend of approximately 5.27 sen per ordinary share paid on 22 September 2015	123,461
	<u><u>256,856</u></u>

The Directors recommend a final single tier dividend of 5.49 sen per ordinary share totalling RM129,744,000 for the financial year ended 31 December 2015.

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Issue of shares

On 30 June 2015, the Bank increased its issued and paid-up capital from RM2,319,907,000 to RM2,342,706,000 via the issuance of 22,799,000 new ordinary shares of RM1.00 each at a consideration of RM2.90 per share arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.75 sen in respect of financial year ended 31 December 2014, as disclosed in Note 37 to the financial statements.

On 22 September 2015, the Bank further increased its issued and paid-up capital from RM2,342,706,000 to RM2,363,282,700 via the issuance of 20,576,700 new ordinary shares of RM1.00 each at a consideration of RM3.00 per share arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.27 sen in respect of financial year ended 31 December 2015, as disclosed in Note 37 to the financial statements.

There were no other changes in the authorised, issued and paid-up capital of the Bank during the financial year.

Issue of Subordinated Sukuk Murabahah

The Bank obtained approvals from Bank Negara Malaysia (“BNM”) and the Securities Commission on 10 June 2014 and 7 October 2014 respectively for the establishment of a Subordinated Sukuk Murabahah Programme under the Shariah principle of Murabahah (via Tawarruq arrangements) to facilitate the issuance of Subordinated Sukuk Murabahah of up to RM1.0 billion in nominal value.

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

On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of the Subordinated Sukuk Murabahah which are 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.

On 15 December 2015, the Bank issued the second tranche of RM400 million which are due on 15 December 2025, with optional redemption on 22 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum payable semi-annually in arrears.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

Reserves and provisions

There were no material transfers to and from reserves or provisions during the financial year under review except as disclosed in the financial statements.

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Impaired financing

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written off and adequate impairment provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financing, or amount of impairment provisions for impaired financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Bank to be misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank to be misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Bank misleading.

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Items of an unusual nature

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group or of the Bank for the current financial year in which this report is made.

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions, Circular on the Application of MFRS and Revised Financial Reporting Requirements for Islamic Banks and the Guidelines on Classification and Impairment Provision for Loans/Financing.

Directors of the Bank

Directors who served since the date of the last report are:

Datuk Zamani Abdul Ghani (Chairman)

Dato' Sri Zukri Samat (Managing Director)

Professor Emeritus Tan Sri Dato' Dr. Abdul Shukor Husin

Datuk Zaiton Mohd Hassan

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed Abdulla

Tan Sri Ismee Ismail (ceased as a director on 9.10.2015)

Dato' Johan Abdullah (ceased as a director on 17.02.2016)

None of the Directors holding office as at 31 December 2015 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a firm in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Immediate and ultimate holding company/entity

The Directors regards BIMB Holdings Berhad, a company incorporated in Malaysia and Lembaga Tabung Haji ("LTH"), a *hajj* pilgrims' funds board established in Malaysia as the immediate holding company and ultimate holding entity respectively.

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2016 Business Plan and Outlook

Business Plan, Strategy and Future Outlook

The Malaysian economic growth moderated further in the third quarter of 2015 to 4.7% from 4.9% in the previous quarter mainly due to slower growth in consumer spending which slipped to 4.1% from 6.4% in the second quarter of 2015. GDP growth was however sustained by strong investment in both public and private sectors. The economy grew 5.1% in the first 9 months of 2015 compared with 6.1% a year ago and is poised to achieve an estimated growth of 5% for the whole of 2015.

Moving forward, the challenges faced by the economy in 2015 will likely continue into 2016 with persistently low commodity prices, weak external demand and low domestic sentiment. With this outlook, the GDP is expected to grow between 4.0% and 4.5% in 2016. Inflation, predicted at approximately 2.5% will cause the consumer demand to soften further. Our Malaysian Ringgit against the US dollars range target continues to be between RM4.00 and RM4.50.

As banks have always been a proxy of the economic growth, the banking sector is expected to face a challenging 2016 amid moderating domestic demand. The financial system will gradually adjust to the slowing growth in China and the higher US interest rate. The banking sector, amid the ever evolving regulatory environment and generally weak profitability, will continue to focus on (1) garnering deposits, (2) increasing the level of capital, (3) strengthening balance sheet and (4) proactively managing the risk of weakening asset quality that could derail progress. With the anticipated economic slowdown, the banking industry loan is expected to record growth between 8% - 9% in 2016 from 9% - 10% in 2015. Islamic banking is expected to grow circa 15%, lower than its past performance but still higher than its conventional counterparts. Key challenges for 2016 will remain to be tighter liquidity and greater competition for deposits to (i) address the high loan-to-deposit ratio (“LDR”) which hit a new peak of 91.2% in October 2015; and (ii) meet the higher requirement of Liquidity Coverage Ratio (“LCR”) under Basel III which will be raised to 70% from 60% in 2015.

In general, factors that will continue to weigh on the banking sector in 2016 include - (a) slower-than-expected loans and deposits growth, (b) further margin compression from higher funding cost, (c) weak capital market activities, and (d) deterioration in asset quality as non-performing loans (“NPL”) is expected to continue to rise amid the challenging environment. Banks, in a bid to run tighter ships, will continue to operate more efficiently with a much leaner structure.

Putting everything in perspective, the Bank acknowledges that it will be affected by the issues above and is taking bold measures to address them. Taking a cautious stance, the Bank will continuously focus on preserving capital, robust liability management and safeguarding asset quality while constantly driving earnings stability. Other than driving growth in savings and demand deposits (“CASA”), maintaining stringent underwriting standards and aggressive collection strategy, the Bank’s efforts will revolve around sustaining financing growth as well as diversifying its source of income by enhancing the non-fund based income such as those derived from the introduction of investment account products. Furthermore, in an extremely competitive environment, being more customer-focused and providing service excellence is becoming a significant advantage, and this remains vital for the Bank. The expected moderate growth could also be an opportunity as it demands the Bank to advocate fresh thinking and a more differentiated business proposition going forward.

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Ratings accorded by external rating agency

During the financial year, the Bank's rating was re-affirmed as follows:

<u>Rating agency</u>	<u>Date re-affirmed</u>	<u>Ratings</u>
RAM Rating Services Berhad	15 October 2015	Long-term rating: AA3 Short-term rating: P1 Outlook: Stable

Subsequent event

On 21 January 2016, BNM announced the reduction of the Statutory Reserve Requirement ("SRR") ratio from 4.00% to 3.50% effective from 1 February 2016.

Auditors

The auditors, Messrs. KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Datuk Zamani Abdul Ghani

.....
Dato' Sri Zukri Samat

Kuala Lumpur,

Date: 16 March 2016

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Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 17 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), and the requirements of the Companies Act, 1965 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2015 and of its financial performance and cash flows for the financial years then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Datuk Zamani Abdul Ghani

.....
Dato’ Sri Zukri Samat

Kuala Lumpur,

Date: 16 March 2016

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Report of the Shariah Supervisory Council



الحمد لله رب العالمين، والصلاة والسلام على سيدنا محمد، الذي أرسله الله رحمة للعالمين، هادياً مهدياً، وسراجاً منيراً، وعلى آله وصحبه أجمعين، ومن تبعهم بإحسان إلى يوم الدين، وبعد،

السلم عليكم ورحمة الله وبركاته and “Salam Sejahtera”

In carrying out the roles and the responsibilities of the Bank’s Shariah Supervisory Council as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2015.

The Bank’s Management is responsible to ensure that its conduct and businesses are in accordance with the Shariah rules and principles, and it is our responsibility to form an independent opinion based on our review on the conduct and businesses of the Bank and to produce this report.

We had eight (8) meetings during the financial year where we reviewed products, transactions, services, processes and documents of the Bank.

In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidences to give reasonable assurance that the Bank has complied with the Shariah rules and principles.

At the management level, the Chief Shariah Officer who functionally reports to us oversees the conduct and effectiveness of the internal Shariah compliance functions i.e. Shariah Research & Advisory, Shariah Review and Shariah Risk Management which is further substantiated by Shariah Audit that resides in the Internal Audit Division. Both of the Shariah Review and Shariah Risk Management functions also report to the Chief Compliance Officer and Deputy Chief Risk Officer respectively.

The roles of these functions, generally, are facilitating new research & product development activities, refining existing products & procedures, providing Shariah training, managing Shariah non-compliance risks bank-wide, conducting Shariah audit & review on departments and branches and coordinating with us on any matters that require our decision.

The following are the major developments that took place during the financial year which come under our purview:

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Approvals

During the financial year, we had approved in our meetings, new products to be offered to customers which includes the following products:

1. Investment account based on Wakalah
2. Al-Awfar account based on Mudharabah
3. Restricted investment account based on Wakalah (for Al-Ansar Programme with Lembaga Tabung Haji)

To ensure smoothness and timely execution of our business operation, we empower the Chief Shariah Officer to approve non-substantial variation on Shariah related matters and the approvals by the Chief Shariah Officer are duly reported to us periodically for review and confirmation.

Shariah Governance

We had approved in our meetings, initiatives in strengthening the Shariah governance of the Bank which includes the review of the Shariah Compliance Risk Management Guideline, Shariah Review Guideline, and Shariah Non-Compliance Management and Reporting Guideline that aim, among others, to set out the Shariah Compliance Risk Management framework and Shariah review end-to-end processes.

Shariah Risk Management

We observed that the Bank has been continuously and diligently implementing measures in managing its Shariah non-compliance risk. The implementation of Risk Control Self Assessment (“RCSA”) aimed to assess the significance of identified Shariah non-compliance risks and effectiveness of the existing controls in the respective functional areas including to drive for additional controls so as to provide reasonable assurance that no Shariah non-compliance will occur in meeting the business objectives.

Since the establishment of RCSA, continuous process of identifying and assessing Shariah risk at respective functional areas has been carried out. The increase in the number of identified Shariah risks connotes the increase in Shariah awareness among staff especially Risk Controllers (“RC”) of each functional area.

Shariah Review & Shariah Audit

The Shariah Review and Shariah Audit functions play a vital role in achieving the objective of ensuring Shariah compliance by evaluating and assessing activities in the Bank whereby the former validates the compliance of activities with Shariah rules and principles and the latter provides independent assurance in order to add value and improve the degree of Shariah compliance in relation to such activities. Shariah Review is also required to perform assessment on newly launched products after 6 months (not later than a year) after the product was launched.

Both Shariah Audit and Shariah Review plans for the financial year were reviewed and approved by us for their implementation. The reports were deliberated in our meetings to confirm that the Bank has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission (for capital market related matters) as well as our decisions.

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Shariah Review & Shariah Audit (continued)

During the year, the following reports were presented to us covering the following entities/areas:

Shariah Audit	Shariah Review
1) Corporate Investment Banking	1) Automobile Financing Products
2) Shariah Division	2) Treasury (Deposit Products)
3) Bank Islam Trust Company (Labuan) Ltd (“BITL”)	3) Treasury - Foreign Exchange (“FX”)
4) Bank Islam Labuan Offshore Branch (“BILOB”)	4) Term Deposit-i <i>Tawarruq</i>
5) Feedback Channel and Contact Centre	5) Cash Management (fee based income)
6) Bank Islam Card Centre	6) Contact Centre and Feedback Channel
7) Corporate Banking Division	7) <i>Ar-Rahnu</i> Business
8) Bureau De Change	8) Personal Financing (inclusive of staff financing)
9) Transaction Services Department	9) Bank Islam Labuan Offshore Branch (“BILOB”)
10) Wealth Management, Bancatakaful and Ar-Rahnu Operations	10) Bank Islam Trust Company (Labuan) Ltd (“BITL”)
11) Treasury Division	11) Wealth Management
12) Consumer Recovery Department	12) Dual Currency Investment-i
13) Consumer Banking Division	13) Ijarah Based Products
14) Corporate Recovery Department	

Shariah Training & Awareness

During the year, fifteen (15) Shariah trainings and briefing sessions were held covering 552 participants among the Bank’s employees nationwide.

All new recruits of the Bank spent one day in the first module namely *Muamalat 101* training in conjunction with the orientation programme in which they were exposed to the fundamentals of Shariah applied in Islamic banking business.

The Bank had also embarked on an initiative to elevate the recognition of the staff by engaging Islamic Banking and Finance Institute Malaysia (“IBFIM”) for in-house certification programme namely Associate Qualification in Islamic Finance (“AQIF”) which contains six (6) important modules.

To increase the awareness on Shariah compliance, the Bank has also conducted three (3) Shariah Town Hall sessions for all RC where they were updated on occurrence of Shariah non-compliances and new Shariah requirements/rulings issued either by us or the regulators.

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Shariah Non-Compliant Events & Income

Throughout 2015, we confirmed four (4) incidences of breach of Shariah rules and principles in products as follows:

- (i) TDT-i Special Overnight (withdrawal of placement before trading)
- (ii) Incomplete *Tawarruq* transaction performed by BICC Telemarketing Sales Agent
- (iii) Absence of *Tawarruq* transaction in Bank Islam Card Renewal
- (iv) Inaccurate calculation of Safekeeping Fees for *Ar-Rahnu* Legacy Accounts

We are also informed on the causes of the incidences which were due to operational failure in executing the *aqad* and trading, gaps and system failure. We noted that the Bank has taken its corrective as well as preventive measures in order to avoid the same incidences from occurring in the future.

We also confirm that all of the events together with the rectification plans were presented to the Board of Directors and reported to Bank Negara Malaysia in accordance to the Shariah non-compliance reporting requirement prescribed by the Islamic Financial Services Act, 2013.

Within the financial year, the Bank detected Shariah non-compliant income amounting to RM7,768.02 which includes commissions from Shariah non-compliant merchants of card business, interest received from the Bank's NOSTRO account as well as rental purification from the Bank's land that is being used to facilitate *bai` inah* based transactions.

The amount was disposed to charitable causes upon our approval as disclosed in Note 23 of the financial statements.

Business Zakat

In the financial year, the Bank has fulfilled its obligation to pay zakat on its business to state zakat authorities by adopting the growth capital computation method and in compliance with the *Manual Pengurusan Zakat Perbankan* issued by *Jabatan Wakaf, Zakat dan Haji* ("JAWHAR"). The Bank paid the zakat on the Bank's portion i.e. shareholders' funds as well as other funds received by the Bank except depositors' funds.

Several zakat authorities had refunded a portion of the zakat paid for the Bank to act as their agent (*wakil*) to distribute to eligible beneficiaries (*asnaf*) among needy individuals, mosque, non-governmental organisations, higher learning institutions (needy students welfare funds) and schools as guided by the Business Zakat Payment Guideline that was approved by us.

Safeguarding the Investment Account Holders ("IAH") Interest

In ensuring the interest of IAH is protected, we confirm that the profit allocation for the IAH is in accordance with Shariah rules and principles where the profit computation formula has been duly presented and approved by us. The performance of the Investment Account has also been properly disclosed and reported via issuance of Fund Performance Report ("FPR") which is already made available on the Bank's website.

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We have also reviewed the financial statements of the Bank and confirm that the financial statements are in compliance with the Shariah rules and principles.

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank, excluding the four (4) Shariah non-compliant incidences mentioned above, during the financial year ended 31 December 2015 that were reviewed are in compliance with the Shariah rules and principles;
2. The allocation of profit and charging of losses relating to Investment Account conformed to the basis that has been approved by us;
3. The computation, payment and distribution of business zakat are in compliance with the Shariah rules and principles;
4. All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles were disposed to charitable causes.

On that note, we, Professor Dato' Dr. Ahmad Hidayat Buang and Ustaz Dr. Ahmad Shahbari @ Sobri Salamon and, being two of the members of Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm that, in our level best, the operations of the Bank for the year ended 31 December 2015 have been conducted in conformity with the Shariah rules and principles.

We bear witness only to what we know, and we could not well guard against the unseen!
(Surah Yusuf, verse:81)

Allah knows best.

On behalf of the Council:

.....
Professor Dato' Dr. Ahmad Hidayat Buang

.....
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon

Kuala Lumpur,

Date: 16 March 2016

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**Statutory Declaration
pursuant to Section 169(16) of the Companies Act, 1965**

I, **Mohd Muazzam Mohamed**, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 17 to 157 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 16 March 2016.

.....
Mohd Muazzam Mohamed

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BANK ISLAM MALAYSIA BERHAD

Report on the Financial Statements

We have audited the financial statements of Bank Islam Malaysia Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 17 to 157.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group and Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Ow Peng Li
Approval Number: 2666/09/17 (J)
Chartered Accountant

Date: 16 March 2016

Petaling Jaya

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Statements of Financial Position as at 31 December 2015

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Assets					
Cash and short-term funds	3	2,881,669	3,164,628	2,877,738	3,164,402
Deposits and placements with banks and other financial institutions	4	100,577	104,725	100,577	104,725
Financial assets held-for-trading	5	423,973	921,629	418,718	916,539
Derivative financial assets	6	119,259	62,541	119,259	62,541
Financial assets available-for-sale	7	9,937,716	10,236,663	9,938,173	10,237,120
Financial assets held-to-maturity	8	59,352	60,752	59,352	60,752
Financing, advances and others	9	34,294,690	29,524,571	34,294,690	29,524,571
Other assets	10	70,796	126,535	68,235	124,902
Statutory deposits with Bank Negara Malaysia	11	1,591,460	1,335,000	1,591,460	1,335,000
Current tax assets		40,127	40,523	40,111	40,468
Deferred tax assets	12	35,182	31,220	35,182	31,220
Investments in subsidiaries	13	-	-	15,525	15,525
Property and equipment	14	208,918	211,895	208,047	211,522
Total assets		<u>49,763,719</u>	<u>45,820,682</u>	<u>49,767,067</u>	<u>45,829,287</u>

The notes on pages 26 to 157 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

(Company No. 98127-X)

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2015 (continued)

	Note	Group		Bank	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Liabilities and equity					
Deposits from customers	15	43,556,350	41,010,332	43,594,947	41,021,556
Investment accounts of customers	16	676,105	-	676,105	-
Deposits and placements of banks and other financial institutions	17	-	300,000	-	300,000
Derivative financial liabilities	6	101,913	32,407	101,913	32,407
Bills and acceptance payable		122,577	127,524	122,577	127,524
Subordinated Sukuk Murabahah	18	704,380	-	704,380	-
Other liabilities	19	544,209	576,228	508,505	572,599
Zakat and taxation	20	25,617	44,601	25,587	44,573
Total liabilities		45,731,151	42,091,092	45,734,014	42,098,659
Equity					
Share capital	21	2,363,283	2,319,907	2,363,283	2,319,907
Reserves		1,669,285	1,409,683	1,669,770	1,410,721
Total equity		4,032,568	3,729,590	4,033,053	3,730,628
Total liabilities and equity		49,763,719	45,820,682	49,767,067	45,829,287
Restricted investment accounts	16	82,567	-	82,567	-
Total Islamic banking asset		49,846,286	45,820,682	49,849,634	45,829,287
Commitments and contingencies	43	12,692,303	12,135,967	12,692,303	12,135,967

The notes on pages 26 to 157 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

(Company No. 98127-X)
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Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2015

		Group		Bank	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds	24	2,203,683	2,032,085	2,203,683	2,032,085
Income derived from investment account funds	25	16,793	-	16,793	-
Income derived from investment of shareholders' funds	26	428,520	404,741	420,826	399,311
Allowance for impairment on financing and advances	27	(69,331)	(59,993)	(69,331)	(59,993)
(Allowance)/Reversal for impairment on investments	28	(4,488)	2,978	(4,488)	1,322
Reversal for impairment on other assets		-	710	-	710
Direct expenses		(22,911)	(17,966)	(22,911)	(17,966)
Total distributable income		<u>2,552,266</u>	<u>2,362,555</u>	<u>2,544,572</u>	<u>2,355,469</u>
Wakalah performance incentive fees from restricted investment accounts	16	400	-	400	-
Income attributable to depositors	29	(1,028,949)	(851,126)	(1,029,168)	(851,638)
Income attributable to investment account holders	30	(2,744)	-	(2,744)	-
Total net income		<u>1,520,973</u>	<u>1,511,429</u>	<u>1,513,060</u>	<u>1,503,831</u>
Personnel expenses	31	(473,804)	(463,122)	(468,164)	(457,591)
Other overhead expenses	32	(348,479)	(345,556)	(346,736)	(345,050)
		<u>698,690</u>	<u>702,751</u>	<u>698,160</u>	<u>701,190</u>
Finance cost on Subordinated Sukuk Murabahah	18	(13,029)	-	(13,029)	-
Profit before zakat and tax		<u>685,661</u>	<u>702,751</u>	<u>685,131</u>	<u>701,190</u>
Zakat		(8,730)	(12,803)	(8,703)	(12,747)
Tax expense	35	(169,669)	(179,446)	(169,595)	(179,412)
Profit for the year		<u>507,262</u>	<u>510,502</u>	<u>506,833</u>	<u>509,031</u>
Earnings per share (sen)	36	<u>21.71</u>	<u>22.16</u>		

The notes on pages 26 to 157 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

(Company No. 98127-X)
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Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2015 (continued)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the year	<u>507,262</u>	<u>510,502</u>	<u>506,833</u>	<u>509,031</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	(84,907)	(22,628)	(85,031)	(22,658)
Fair value reserve				
Net change in fair value	17,087	(2,992)	17,087	(2,992)
Net amount transferred to profit or loss	(14,735)	(21,685)	(14,735)	(21,685)
Income tax credit relating to components of other comprehensive income	7,280	-	7,280	-
Other comprehensive expense for the year, net of tax	<u>(75,275)</u>	<u>(47,305)</u>	<u>(75,399)</u>	<u>(47,335)</u>
Total comprehensive income for the year	<u>431,987</u>	<u>463,197</u>	<u>431,434</u>	<u>461,696</u>

The notes on pages 26 to 157 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

(Company No. 98127-X)

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Consolidated Statement of Changes in Equity for the financial year ended 31 December 2015

Group	Note	← Attributable to equity holders of the Bank →				Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Distributable Retained earnings RM'000	
At 1 January 2014		2,298,165	52,281	722,567	253,822	3,326,835
Profit for the year		-	-	-	510,502	510,502
Currency translation difference in respect of foreign operations		-	-	(22,628)	-	(22,628)
Fair value reserve – Net change in fair value		-	-	(2,992)	-	(2,992)
– Net amount reclassified to profit or loss		-	-	(21,685)	-	(21,685)
Total comprehensive income for the year		-	-	(47,305)	510,502	463,197
Transfer to statutory reserve		-	-	254,517	(254,517)	-
Dividends paid on ordinary shares	37	-	-	-	(120,884)	(120,884)
Issue of shares pursuant to Dividend Reinvestment Plan	37	21,742	38,700	-	-	60,442
At 31 December 2014/1 January 2015		2,319,907	90,981	929,779	388,923	3,729,590
Profit for the year		-	-	-	507,262	507,262
Currency translation difference in respect of foreign operations		-	-	(84,907)	-	(84,907)
Fair value reserve – Net change in fair value		-	-	17,087	-	17,087
– Net amount reclassified to profit or loss		-	-	(14,735)	-	(14,735)
Income tax credit relating to components of other comprehensive income		-	-	7,280	-	7,280
Total comprehensive income for the year		-	-	(75,275)	507,262	431,987
Transfer to statutory reserve		-	-	253,416	(253,416)	-
Dividends paid on ordinary shares	37	-	-	-	(256,856)	(256,856)
Issue of shares pursuant to Dividend Reinvestment Plan	37	43,376	84,471	-	-	127,847
At 31 December 2015		2,363,283	175,452	1,107,920	385,913	4,032,568

Note 22

The notes on pages 26 to 157 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

(Company No. 98127-X)

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Statement of Changes in Equity for the financial year ended 31 December 2015

Bank	Note	← Attributable to equity holders of the Bank →				Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Distributable Retained earnings RM'000	
At 1 January 2014		2,298,165	52,281	722,539	256,389	3,329,374
Profit for the year		-	-	-	509,031	509,031
Currency translation difference in respect of foreign operations		-	-	(22,658)	-	(22,658)
Fair value reserve – Net change in fair value		-	-	(2,992)	-	(2,992)
– Net amount reclassified to profit or loss		-	-	(21,685)	-	(21,685)
Total comprehensive income for the year		-	-	(47,335)	509,031	461,696
Transfer to statutory reserve		-	-	254,517	(254,517)	-
Dividends paid on ordinary shares	37	-	-	-	(120,884)	(120,884)
Issue of shares pursuant to Dividend Reinvestment Plan	37	21,742	38,700	-	-	60,442
At 31 December 2014/1 January 2015		2,319,907	90,981	929,721	390,019	3,730,628
Profit for the year		-	-	-	506,833	506,833
Currency translation difference in respect of foreign operations		-	-	(85,031)	-	(85,031)
Fair value reserve – Net change in fair value		-	-	17,087	-	17,087
– Net amount reclassified to profit or loss		-	-	(14,735)	-	(14,735)
Income tax credit relating to components of other comprehensive income		-	-	7,280	-	7,280
Total comprehensive income for the year		-	-	(75,399)	506,833	431,434
Transfer to statutory reserve		-	-	253,416	(253,416)	-
Dividends paid on ordinary shares	37	-	-	-	(256,856)	(256,856)
Issue of shares pursuant to Dividend Reinvestment Plan	37	43,376	84,471	-	-	127,847
At 31 December 2015		2,363,283	175,452	1,107,738	386,580	4,033,053

Note 22

The notes on pages 26 to 157 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

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Statements of Cash Flow for the financial year ended 31 December 2015

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before zakat and tax	685,661	702,751	685,131	701,190
Adjustments for:				
Depreciation of property and equipment	63,935	49,995	63,746	49,882
Net (gain)/loss on disposal of property and equipment	(101)	1,394	(101)	1,394
Property and equipment written off	881	-	881	-
Collective assessment allowance	189,391	162,878	189,391	162,878
Individual assessment allowance	14,148	34,055	14,148	34,055
Reversal of impairment losses on other assets	-	(710)	-	(710)
Allowance/(Reversal) for impairment loss on financial assets available-for-sale	4,620	(2,872)	4,620	(2,872)
Reversal of impairment loss on financial assets held-to-maturity	(132)	(106)	(132)	(106)
Impairment loss on investment in a subsidiary	-	-	-	1,656
Net (gain)/loss on sale of financial assets held-for-trading	(1,327)	3,364	(1,327)	3,364
Net gain on sale of financial assets available-for-sale	(10,998)	(21,685)	(10,998)	(21,685)
Fair value loss/(gain) on financial assets held-for-trading	917	(2,731)	1,082	(2,731)
Dividend from a subsidiary	-	-	-	(800)
Dividends from securities	(2,595)	(2,648)	(2,595)	(2,648)
Net derivative loss	1,152	2,370	1,152	2,370
Operating profit before changes in assets and liabilities	945,552	926,055	944,998	925,237

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Statements of Cash Flow for the financial year ended 31 December 2015 (continued)

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Changes in assets and liabilities:				
Deposits and placements with banks and other financial institutions	(300,000)	(1,229,975)	(300,000)	(1,229,975)
Financing, advances and others	(4,973,658)	(5,980,556)	(4,973,658)	(5,980,556)
Statutory deposits with Bank Negara Malaysia	(256,460)	(37,900)	(256,460)	(37,900)
Bills receivables	2	(5)	2	(5)
Other receivables	(2,083)	(118,981)	(1,154)	(119,565)
Deposits from customers	2,546,018	3,765,330	2,573,391	3,749,104
Investment accounts of customers	676,105	-	676,105	-
Bills and acceptance payable	(4,947)	(43,074)	(4,947)	(43,074)
Other liabilities	40,715	111,299	8,640	112,444
Cash used in operations	(1,328,756)	(2,607,807)	(1,333,083)	(2,624,290)
Zakat paid	(12,771)	(12,476)	(12,746)	(12,428)
Tax paid	(180,963)	(185,878)	(180,863)	(185,705)
Tax refund	66	169	-	-
Net cash used in operating activities	(1,522,424)	(2,805,992)	(1,526,692)	(2,822,423)
Cash flows from investing activities				
Purchase of property and equipment	(61,860)	(53,794)	(61,190)	(53,587)
Proceeds from disposal of property and equipment	145	68	145	68
Dividend from a subsidiary	-	-	-	800
Dividends from securities	2,595	2,648	2,595	2,648
Net proceeds from disposal of securities	808,376	2,478,574	808,376	2,483,664
Net cash generated from investing activities	749,256	2,427,496	749,926	2,433,593

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Statements of Cash Flow for the financial year ended 31 December 2015 (continued)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from financing activities				
Subordinated Sukuk Murabahah	700,000	-	700,000	-
Dividend paid on ordinary shares	(256,856)	(120,884)	(256,856)	(120,884)
Proceeds from issuance of ordinary shares pursuant to Dividend Reinvestment Plan	127,847	60,442	127,847	60,442
Capital repayment from subsidiaries	-	-	-	12,400
Net cash generated from/(used in) financing activities	<u>570,991</u>	<u>(60,442)</u>	<u>570,991</u>	<u>(48,042)</u>
Net decrease in cash and cash equivalents	(202,177)	(438,938)	(205,775)	(436,872)
Cash and cash equivalents at 1 January	3,269,353	3,730,923	3,269,127	3,728,658
Exchange difference on translation	(84,930)	(22,632)	(85,037)	(22,659)
Cash and cash equivalents at 31 December	<u>2,982,246</u>	<u>3,269,353</u>	<u>2,978,315</u>	<u>3,269,127</u>
Cash and cash equivalents comprise:				
Cash and short-term funds	2,881,669	3,164,628	2,877,738	3,164,402
Deposits and placements with banks and other financial institutions	100,577	104,725	100,577	104,725
	<u>2,982,246</u>	<u>3,269,353</u>	<u>2,978,315</u>	<u>3,269,127</u>

The notes on pages 26 to 157 are an integral part of these financial statements.

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Notes to the financial statements for the financial year ended 31 December 2015

1. Principal activities and general information

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 13 to the financial statements.

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Level 32, Menara Bank Islam
No. 22, Jalan Perak,
50450 Kuala Lumpur.

The immediate holding company of the Bank is BIMB Holdings Berhad, a public limited liability company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The ultimate holding entity is Lembaga Tabung Haji (“LTH”), a *hajj* pilgrims’ funds board established under the Tabung Haji Act, 1995 (Act 535).

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as the “Group”).

These financial statements were approved by the Board of Directors on 16 March 2016.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with the applicable Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), the requirements of Companies Act, 1965 in Malaysia and Shariah requirements.

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2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Bank.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2015 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2015 Cycle)*

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*

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*

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2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 11 and MFRS 14 which are not applicable to the Group and the Bank.
- 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.

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 below:

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*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

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.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (“RM”), which is the Bank’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM’000), unless otherwise stated.

(d) Use of estimates and judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in the following notes:

- Note 2.5 and Note 40 – Fair value of financial instruments
- Note 2.10 – Impairment
- Note 12 – Deferred tax assets

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2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less impairment losses, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(c) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset available-for-sale depending on the level of influence retained.

(d) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Foreign currency

(a) Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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2. Summary of significant accounting policies (continued)

2.3 Foreign currency (continued)

(a) Foreign currency transactions (continued)

In the consolidated financial statements, when settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Translation Reserve in equity.

(b) Foreign operations denominated in functional currencies other than Ringgit Malaysia (“RM”)

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date. The income and expenses of the foreign operations are translated to RM at average exchange rates for the period.

All resulting exchange differences are recognised in other comprehensive income and accumulated in the Translation Reserve in equity.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below.

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

The Group and the Bank categorises its financial instruments as follows:

Financial assets

(a) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market and the Group does not intend to sell immediately or in the near term. The Group's financing and receivables consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek and Ijarah Thumma Al-Bai), construction-based contract (Istisna') and Ar-Rahnu contract.

These contracts are subsequently measured at amortised cost using effective profit rate method. These contracts are stated net of unearned income and any impairment loss.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either:

(i) Held-for-trading

Financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(ii) Designated under fair value option

Financial assets meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

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2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Financial assets (continued)

(c) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using the effective profit rate method, less any impairment loss.

Any sale or reclassification of more than insignificant amount of financial assets held-to-maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years.

(d) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated in this category or not classified in any other category and are measured at fair value.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any impairment loss. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See Note 2.10 Impairment.

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2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Derivative financial instruments

The Group and the Bank holds derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Bank elect 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.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have quoted price in an active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

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2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.6 Property and equipment

(a) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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2. Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

(a) *Recognition and measurement (continued)*

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(b) *Subsequent costs*

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(c) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Bank will obtain ownership by the end of the lease term. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

* Long term leasehold land	50 years
* Building improvement and renovations	10 years
* Furniture, fixtures and fittings	2 - 10 years
* Office equipment	6 years
* Motor vehicles	5 years
* Computer equipment	
- Core Banking System	7 years
- Other hardware/software	5 years

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period, and adjusted as appropriate.

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2. Summary of significant accounting policies (continued)

2.7 Leased assets – Finance lease

Leases in terms of which the Group or the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

2.8 Leased assets – Operating lease

Leases, where the Group or the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.9 Bills and other receivables

Bills and other receivables are stated at cost less any allowance for impairment.

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2. Summary of significant accounting policies (continued)

2.10 Impairment

Financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that financing and receivables, financial assets held-to-maturity or financial assets available-for-sale are impaired as a result of one or more events having an impact on the estimated future cash flows of the asset. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and prior to the reporting date (“a loss event”) and that loss event or events has an impact on the estimated future cash flow of the financial asset or the group of financial assets as that can be reliably estimated. The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- i) significant financial difficulty of the issuer or obligor;
- ii) a breach of contract, such as default or delinquency in profit or principal payments;
- iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv) consecutive downgrade of two notches for external ratings.

Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, the financing exhibits indications of credit weakness.

For financing and receivables, the Group and the Bank first assess whether objective evidence of impairment exists individually for financing and receivables that are individually significant, and collectively for financing and receivables that are not individually significant. If the Group and the Bank determines that no objective evidence of impairment exist for an individually assessed financing and receivable, whether significant or not, it includes the assets in a group of financing and receivables with similar credit risk characteristics and collectively assesses them for impairment. Financing and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective profit rate. The amount of the loss is recognised using an allowance account and recognised in the profit or loss. The estimation of the amount and timing of the future cash flows requires management judgement. In estimating these cash flows, judgements are made about the realisable value of the collateral pledged and the borrower financial position. These estimations are based on assumptions and the actual results may differ from these, hence resulting in changes to impairment losses recognised.

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2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Financial assets (continued)

For the purposes of a collective evaluation of impairment, financing and receivables 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.

Future cash flows for a group of financing and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and remove the effects of conditions in the historical period that do not currently exist.

When a financing is uncollectable, it is written off against the related allowance for impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently, recoveries of amounts previously written off are credited to the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in the profit or loss.

In the case of available-for-sale equity securities, a significant or prolonged decline in their fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the profit or loss. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the comprehensive income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Financial assets (continued)

Where a financing shows evidence of credit weaknesses, the Group or the Bank may seek to renegotiate the financing rather than taking possession of the collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new financing terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and the repayments are made promptly for a continuous period. Where an impaired financing is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the financing is classified as non-impaired. These financing continue to be subjected to individual or collective impairment assessment.

Other assets

The carrying amount of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.11 Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

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2. Summary of significant accounting policies (continued)

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.13 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

2.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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2. Summary of significant accounting policies (continued)

2.16 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.17 Recognition of income

Financing income

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group and the Bank has considered all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

Once a financial assets or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from subsidiaries and other investments are recognised when the Bank's rights to receive payment is established.

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2. Summary of significant accounting policies (continued)

2.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Zakat

This represents business zakat. It is an obligatory amount payable by the Group and the Bank to comply with the principles of Shariah.

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2. Summary of significant accounting policies (continued)

2.20 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Bank's contribution to the Employees Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

2.21 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

2.22 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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2. Summary of significant accounting policies (continued)

2.22 Fair value measurements (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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3. Cash and short-term funds

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Cash and balances with banks and other financial institutions	792,593	773,453	788,662	773,272
Money at call and interbank placements with remaining maturity not exceeding one month	2,089,076	2,391,175	2,089,076	2,391,130
	<u>2,881,669</u>	<u>3,164,628</u>	<u>2,877,738</u>	<u>3,164,402</u>

4. Deposits and placements with banks and other financial institutions

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Licensed Islamic banks	<u>100,577</u>	<u>104,725</u>

5. Financial assets held-for-trading

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
At fair value				
Malaysian Government Investment Issues	241,717	50,767	241,717	50,767
Bank Negara Negotiable Notes	-	394,808	-	394,808
Islamic Debt Securities	177,001	191,336	177,001	191,336
Negotiable Islamic Debt Certificates	-	279,628	-	279,628
Unit trust	5,255	5,090	-	-
	<u>423,973</u>	<u>921,629</u>	<u>418,718</u>	<u>916,539</u>

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6. 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 hedging purposes. The principal or contractual amount of these instruments reflects 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

	Notional amount RM'000	31.12.2015 Fair value	
		Assets RM'000	Liabilities RM'000
Forward contracts	2,323,286	106,402	(98,593)
Profit rate swaps	862,568	12,857	(3,320)
Structured deposits	-	-	-
	3,185,854	119,259	(101,913)

	Notional amount RM'000	31.12.2014 Fair value	
		Assets RM'000	Liabilities RM'000
Forward contracts	1,840,778	45,508	(28,798)
Profit rate swaps	1,187,694	17,018	(3,594)
Structured deposits	106,680	15	(15)
	3,135,152	62,541	(32,407)

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7. Financial assets available-for-sale

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
At fair value				
Malaysian Government				
Investment Issues	2,556,539	1,202,058	2,556,539	1,202,058
Islamic Debt Securities	7,332,715	8,998,120	7,333,172	8,998,577
	<u>9,889,254</u>	<u>10,200,178</u>	<u>9,889,711</u>	<u>10,200,635</u>
At fair value				
Quoted shares				
- outside Malaysia	29,807	22,564	29,807	22,564
Quoted unit trust				
- in Malaysia	13,335	3,229	13,335	3,229
- outside Malaysia	-	1,647	-	1,647
	<u>43,142</u>	<u>27,440</u>	<u>43,142</u>	<u>27,440</u>
At cost				
Unquoted shares in Malaysia	24,319	24,450	24,319	24,450
Less: Accumulated impairment loss*	(19,328)	(15,734)	(19,328)	(15,734)
	<u>4,991</u>	<u>8,716</u>	<u>4,991</u>	<u>8,716</u>
At cost				
Unquoted shares outside Malaysia	329	329	329	329
	<u>9,937,716</u>	<u>10,236,663</u>	<u>9,938,173</u>	<u>10,237,120</u>

* Movement in accumulated impairment loss due to translation differences

8. Financial assets held-to-maturity

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
At amortised cost		
Unquoted securities in Malaysia:		
Islamic Debt Securities	66,239	67,771
Less: Accumulated impairment loss	(6,887)	(7,019)
	<u>59,352</u>	<u>60,752</u>

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9. Financing, advances and others

(a) By type and Shariah contract

Group and Bank 31 December 2015	Bai' Bithaman Ajil RM'000	Murabahah 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	-	-	62,300	997,097	-	-	-	-	1,059,397
Term financing									
House financing ^	4,851,790	-	-	6,628,865	-	-	62,580	-	11,543,235
Syndicated financing	8,603	-	164,301	1,021,805	-	127,399	-	-	1,322,108
Leasing financing	-	-	-	-	81,223	1,769	-	-	82,992
Bridging financing	-	-	-	-	-	-	87,630	-	87,630
Personal financing	-	-	82,054	10,247,851	-	-	-	-	10,329,905
Other term financing	2,583,462	685,973	18,444	5,385,013	-	-	1,762	-	8,674,654
Staff financing	96,919	1,515	-	68,007	-	-	16,401	-	182,842
Credit cards	-	-	12,695	430,848	-	-	-	-	443,543
Trade bills discounted	-	1,139,827	-	-	-	-	-	-	1,139,827
Trust receipts	-	20,210	-	-	-	-	-	-	20,210
Pawn broking	-	-	-	-	-	-	-	73,883	73,883
	7,540,774	1,847,525	339,794	24,779,486	81,223	129,168	168,373	73,883	34,960,226
Allowance for impaired financing, advances and others									
- collective assessment allowance									(541,065)
- individual assessment allowance									(124,471)
Net financing, advances and others									34,294,690

^ Included in house financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting RM676,105,000 as disclosed in Note 16 of these financial statements.

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9. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank	Bai' Bithaman Ajil	Murabahah	Bai Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek	Ijarah Thumma Al-Bai	Istisna'	Ar-Rahnu	Total
31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost									
Cash line	-	-	133,369	711,351	-	-	-	-	844,720
Term financing									
House financing	5,205,901	-	-	3,869,009	-	-	66,730	-	9,141,640
Syndicated financing	19,841	-	180,731	998,462	-	148,543	-	-	1,347,577
Leasing financing	-	-	-	-	64,141	5,030	-	-	69,171
Bridging financing	-	-	-	-	-	-	72,533	-	72,533
Personal financing	-	-	372,209	9,234,012	-	-	-	-	9,606,221
Other term financing	3,137,330	403,814	21,576	3,717,813	-	-	1,822	-	7,282,355
Staff financing	111,203	-	69	44,610	-	-	18,466	-	174,348
Credit cards	-	-	89,635	346,003	-	-	-	-	435,638
Trade bills discounted	-	1,013,823	-	-	-	-	-	-	1,013,823
Trust receipts	-	33,398	-	-	-	-	-	-	33,398
Pawn broking	-	-	-	-	-	-	-	90,288	90,288
	8,474,275	1,451,035	797,589	18,921,260	64,141	153,573	159,551	90,288	30,111,712
Allowance for impaired financing, advances and others									
- collective assessment allowance									(444,388)
- individual assessment allowance									(142,753)
Net financing, advances and others									29,524,571

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9. Financing, advances and others (continued)

(b) By type of customer

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Domestic non-bank financial institutions	1,004,961	471,181
Domestic business enterprise	5,907,856	5,884,575
Small medium industries	939,552	658,763
Government & statutory bodies	897,923	292,201
Individuals	25,618,163	22,336,404
Other domestic entities	7,678	8,230
Foreign entities	584,093	460,358
	<u>34,960,226</u>	<u>30,111,712</u>

(c) By profit rate sensitivity

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Fixed rate		
House financing	1,403,863	1,563,643
Others	4,855,968	7,553,928
Floating rate		
Others	28,700,395	20,994,141
	<u>34,960,226</u>	<u>30,111,712</u>

(d) By remaining contractual maturity

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Maturity within one year	3,543,984	3,147,023
More than one year to three years	1,121,154	992,088
More than three years to five years	1,613,849	1,468,082
More than five years	28,681,239	24,504,519
	<u>34,960,226</u>	<u>30,111,712</u>

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9. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Central Region	16,254,666	13,567,565
Eastern Region	5,856,505	5,037,536
Northern Region	5,297,531	4,722,950
Southern Region	4,725,173	4,411,954
East Malaysia Region	2,826,351	2,371,707
	<u>34,960,226</u>	<u>30,111,712</u>

(f) By sector

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Primary agriculture	403,666	331,524
Mining and quarrying	13,494	20,481
Manufacturing (including agro-based)	930,013	1,011,749
Electricity, gas and water	681,984	549,284
Wholesale & retail trade, and hotels & restaurants	1,102,861	879,627
Construction	2,225,492	2,316,754
Real estate	1,088,961	693,563
Transport, storage and communications	395,914	563,955
Finance, insurance and business activities	1,406,399	924,120
Education, health and others	1,092,052	483,863
Household sectors	25,619,390	22,336,792
	<u>34,960,226</u>	<u>30,111,712</u>

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9. Financing, advances and others (continued)

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

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
At 1 January	344,539	285,302
Classified as impaired during the year	513,966	438,837
Reclassified as not impaired during the year	(205,690)	(194,739)
Amount recovered	(144,268)	(72,983)
Amount written off	(139,053)	(115,145)
Exchange differences	11,776	3,267
At 31 December	<u>381,270</u>	<u>344,539</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.09%</u>	<u>1.14%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Central Region	184,568	148,240
Eastern Region	47,369	44,509
Northern Region	35,880	30,618
Southern Region	29,892	13,307
East Malaysia Region	83,561	107,865
	<u>381,270</u>	<u>344,539</u>

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9. Financing, advances and others (continued)

(i) Impaired financing by sector

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Primary agriculture	1,307	1,854
Manufacturing (including agro-based)	6,650	7,669
Electricity, gas and water	-	54
Wholesale & retail trade, and hotels & restaurants	24,986	14,732
Construction	56,344	72,192
Transport, storage and communications	29,332	42,689
Finance, insurance and business activities	69,533	60,258
Education, health & others	7,502	590
Household sectors	185,616	144,501
	<u>381,270</u>	<u>344,539</u>

(j) Movement of allowance for impaired financing

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2015/1 January 2014	444,388	365,375
Allowance made during the year	189,391	162,878
Amount written off	(94,748)	(84,416)
Exchange differences	2,034	551
At 31 December 2015/31 December 2014	<u>541,065</u>	<u>444,388</u>
<u>Individual assessment allowance</u>		
At 1 January 2015/1 January 2014	142,753	136,197
Allowance made during the year	46,420	47,172
Amount recovered	(32,272)	(13,117)
Amount written off	(44,139)	(30,802)
Exchange differences	11,709	3,303
At 31 December 2015/31 December 2014	<u>124,471</u>	<u>142,753</u>

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10. Other assets

	Group		Bank	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Other receivables	33,342	90,027	31,744	89,068
Deposit and prepayments	37,227	36,508	36,063	35,637
Related companies*	227	-	428	197
	<u>70,796</u>	<u>126,535</u>	<u>68,235</u>	<u>124,902</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 repayments.

11. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

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12. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

Group and Bank	Assets		Liabilities		Net	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Property and equipment	-	-	(20,252)	(23,207)	(20,252)	(23,207)
Provisions	23,087	27,205	-	-	23,087	27,205
Unabsorbed capital allowances	25,067	27,222	-	-	25,067	27,222
Change in fair value reserve	7,280	-	-	-	7,280	-
Tax assets/(liabilities)	55,434	54,427	(20,252)	(23,207)	35,182	31,220

Movement in temporary differences during the year:

Group and Bank	At 1.1.2014 RM'000	Recognised in profit or loss (Note 35) RM'000	At 31.12.2014/ 1.1.2015 RM'000	Recognised in profit or loss (Note 35) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2015 RM'000
Property and equipment	(28,119)	4,912	(23,207)	2,955	-	(20,252)
Provisions	24,652	2,553	27,205	(4,118)	-	23,087
Unabsorbed capital allowances	28,080	(858)	27,222	(2,155)	-	25,067
Change in fair value reserve	-	-	-	-	7,280	7,280
Total assets	24,613	6,607	31,220	(3,318)	7,280	35,182

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12. Deferred tax assets (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Unabsorbed capital allowance	28,475	27,607	28,440	27,303
Unutilised tax losses	6,701	6,715	-	-
Deductible temporary differences	329	653	-	-
	<u>35,505</u>	<u>34,975</u>	<u>28,440</u>	<u>27,303</u>

The Bank's unabsorbed capital allowances of RM28.4 million in respect of its leasing business whereby management considered it uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

13. Investments in subsidiaries

	Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
At cost		
Unquoted shares in Malaysia	16,447	16,447
Less: Accumulated impairment loss	(922)	(922)
	<u>15,525</u>	<u>15,525</u>

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13. Investments in subsidiaries (continued)

Details of subsidiaries are as follows:

Name of Company	Principal activities	Effective ownership interest	
		31.12.2015	31.12.2014
		%	%
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provide nominee services	100	100
BIMB Investment Management Berhad	Managing Islamic Unit Trust Funds	100	100
Bank Islam Trust Company (Labuan) Ltd.	Provide services as a Labuan registered trust company	100	100
and its subsidiary:			
BIMB Offshore Company Management Services Sdn. Bhd.	Resident Corporate Secretary and Director for Offshore Companies	100	100
BIMB Foreign Currency Clearing Agency Sdn. Bhd.	Dormant (in the process of members' voluntary liquidation)	100	100
Farihan Corporation Sdn. Bhd.	Provide manpower for the provision of Islamic pawn broking services	100	100

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14. Property and equipment

Group	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
<i>Cost</i>									
At 1 January 2014	14,784	30,844	109,973	70,373	273,399	1,488	2,349	9,119	512,329
Additions	-	3,425	9,051	7,529	27,624	-	801	5,364	53,794
Reclassifications	-	190	1,526	509	9,071	-	(2,225)	(9,071)	-
Disposals	-	(3,080)	(3,667)	(2,560)	(23,180)	(150)	-	-	(32,637)
Exchange difference	-	1	16	21	15	4	-	-	57
At 31 December 2014	14,784	31,380	116,899	75,872	286,929	1,342	925	5,412	533,543
Additions	-	1,372	3,970	11,654	29,108	680	317	14,759	61,860
Reclassifications	-	56	524	221	645	-	(801)	(645)	-
Disposals	-	-	(150)	(383)	(4,842)	(800)	-	-	(6,175)
Written off	-	(493)	(2,183)	(1,398)	(5,179)	-	-	-	(9,253)
Exchange difference	-	4	58	78	62	15	-	-	217
At 31 December 2015	14,784	32,319	119,118	86,044	306,723	1,237	441	19,526	580,192

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14. Property and equipment (continued)

Group	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
<i>Accumulated depreciation</i>									
At 1 January 2014	1,130	19,379	53,001	49,122	179,094	1,047	2	-	302,775
Depreciation for the year	174	1,791	8,828	8,364	30,550	261	27	-	49,995
Disposals	-	(2,708)	(2,736)	(2,428)	(23,153)	(150)	-	-	(31,175)
Exchange difference	-	1	16	20	12	4	-	-	53
At 31 December 2014	1,304	18,463	59,109	55,078	186,503	1,162	29	-	321,648
Depreciation for the year	174	2,045	9,002	11,220	41,220	248	26	-	63,935
Disposals	-	-	(150)	(366)	(4,815)	(800)	-	-	(6,131)
Written off	-	(326)	(1,650)	(1,228)	(5,168)	-	-	-	(8,372)
Exchange difference	-	4	58	73	44	15	-	-	194
At 31 December 2015	1,478	20,186	66,369	64,777	217,784	625	55	-	371,274

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14. Property and equipment (continued)

Group	Long term leasehold land	Building improvements and renovations	Furniture, fixtures and fittings	Office equipment	Computer equipment	Motor vehicles	Renovation work-in-progress	Management information system under development	Total
<i>Carrying amounts</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	13,654	11,465	56,972	21,251	94,305	441	2,347	9,119	209,554
At 31 December 2014	13,480	12,917	57,790	20,794	100,426	180	896	5,412	211,895
At 31 December 2015	13,306	12,133	52,749	21,267	88,939	612	386	19,526	208,918

There were no capitalised financing costs related to the acquisition of property and equipment during the year (2014: Nil)

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14. Property and equipment (continued)

Bank	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
<i>Cost</i>									
At 1 January 2014	14,784	30,817	109,941	70,062	272,599	1,488	2,250	9,119	511,060
Additions	-	3,425	9,043	7,528	27,426	-	801	5,364	53,587
Reclassifications	-	190	1,526	509	9,071	-	(2,225)	(9,071)	-
Disposals	-	(3,080)	(3,667)	(2,560)	(23,180)	(150)	-	-	(32,637)
Written off	-	-	-	-	-	-	-	-	-
Exchange difference	-	1	16	14	3	4	-	-	38
At 31 December 2014	14,784	31,353	116,859	75,553	285,919	1,342	826	5,412	532,048
Additions	-	1,372	3,935	11,648	28,534	680	262	14,759	61,190
Reclassification	-	56	524	221	645	-	(801)	(645)	-
Disposals	-	-	(150)	(383)	(4,842)	(800)	-	-	(6,175)
Written off	-	(493)	(2,183)	(1,398)	(5,179)	-	-	-	(9,253)
Exchange difference	-	4	58	54	10	15	-	-	141
At 31 December 2015	14,784	32,292	119,043	85,695	305,087	1,237	287	19,526	577,951

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14. Property and equipment (continued)

Bank	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
<i>Accumulated depreciation</i>									
At 1 January 2014	1,130	19,340	52,978	48,848	178,439	1,047	-	-	301,782
Depreciation for the year	174	1,791	8,831	8,349	30,476	261	-	-	49,882
Disposals	-	(2,708)	(2,736)	(2,428)	(23,153)	(150)	-	-	(31,175)
Written off	-	-	-	-	-	-	-	-	-
Exchange difference	-	1	16	14	2	4	-	-	37
At 31 December 2014	1,304	18,424	59,089	54,783	185,764	1,162	-	-	320,526
Depreciation for the year	174	2,045	8,994	11,209	41,076	248	-	-	63,746
Disposals	-	-	(150)	(366)	(4,815)	(800)	-	-	(6,131)
Written off	-	(326)	(1,650)	(1,228)	(5,168)	-	-	-	(8,372)
Exchange difference	-	4	58	51	7	15	-	-	135
At 31 December 2015	1,478	20,147	66,341	64,449	216,864	625	-	-	369,904

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14. Property and equipment (continued)

Bank	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
<i>Carrying amounts</i>									
At 1 January 2014	13,654	11,477	56,963	21,214	94,160	441	2,250	9,119	209,278
At 31 December 2014	13,480	12,929	57,770	20,770	100,155	180	826	5,412	211,522
At 31 December 2015	13,306	12,145	52,702	21,246	88,223	612	287	19,526	208,047

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15. Deposits from customers

(a) By type of deposit

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Saving Deposit	4,674,687	5,091,650	4,674,687	5,091,650
<i>Wadiah</i>	4,674,687	3,052,428	4,674,687	3,052,428
<i>Mudharabah</i>	-	2,039,222	-	2,039,222
Demand Deposit				
<i>Wadiah</i>	10,581,603	10,535,088	10,613,180	10,539,744
Term Deposit	28,205,616	25,296,865	28,212,636	25,303,433
Special Investment Accounts				
<i>Mudharabah</i>	26,058	5,022,921	26,058	5,025,258
General Investment Accounts				
<i>Mudharabah</i>	478,802	919,816	478,802	919,816
Term & Special term deposit-i				
<i>Tawarruq</i>	24,406,269	17,895,591	24,413,289	17,899,695
Negotiable Islamic Debt Certificates (NIDC)				
<i>Waheed-i</i>	3,287,644	1,229,025	3,287,644	1,229,025
<i>Ziyad</i>	6,843	134,453	6,843	134,580
	-	95,059	-	95,059
Others	94,444	86,729	94,444	86,729
Total Deposits	43,556,350	41,010,332	43,594,947	41,021,556

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15. Deposits from customers (continued)

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

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Due within six months	23,218,044	22,201,248	23,224,498	22,207,468
More than six months to one year	4,000,106	2,834,535	4,000,672	2,834,883
More than one year to three years	946,690	224,132	946,690	224,132
More than three years to five years	40,776	36,950	40,776	36,950
	<u>28,205,616</u>	<u>25,296,865</u>	<u>28,212,636</u>	<u>25,303,433</u>

(c) By type of customer

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Government and statutory bodies	7,419,397	7,022,205	7,419,397	7,022,205
Business enterprises	12,183,999	9,970,005	12,183,999	9,970,005
Individuals	5,576,637	5,565,494	5,576,637	5,565,494
Others	18,376,317	18,452,628	18,414,914	18,463,852
	<u>43,556,350</u>	<u>41,010,332</u>	<u>43,594,947</u>	<u>41,021,556</u>

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16. Investment accounts of customers

The Bank launched its unrestricted investment accounts on 1 June 2015 under the Mudharabah and Wakalah concept.

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	461,312	-
With maturity		
<i>Wakalah</i>	214,793	-
	<u>676,105</u>	<u>-</u>
Restricted investment accounts [^]		
With maturity		
<i>Wakalah</i>	<u>82,567</u>	<u>-</u>

[^] Restricted investment account (“RIA”) is an arrangement between the Bank and its ultimate holding entity 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 rights and obligations in respect of the assets related to the RIA or to the residual cash flows from those assets except for the fee income generated by the Bank for managing the RIA.

Movement of investment accounts of customers are as follows:

Group and Bank	Unrestricted investment accounts			Restricted investment accounts
	Mudharabah	Wakalah	Total	Wakalah
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2015	-	-	-	-
<i>Funding inflows/outflows:</i>				
Placement during the year	461,046	212,315	673,361	83,998
Redemption during the year	-	-	-	(2,118)
Income from investment	13,861	2,932	16,793	1,087
<i>Bank's share of profit:</i>				
Profit distributed to				
Mudharib	(13,595)	-	(13,595)	-
Wakalah performance incentive fee	-	(454)	(454)	(400)
As at 31 December 2015	<u>461,312</u>	<u>214,793</u>	<u>676,105</u>	<u>82,567</u>
<i>Investment portfolio:</i>				
House financing	461,312	214,793	676,105	-
Other term financing	-	-	-	82,567

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16. Investment accounts of customers (continued)

	Investment account holder		
	Average profit sharing ratio	Average rate of return	Bank's wakalah incentive fee
	(%)	(%)	(%)
Unrestricted investment accounts:			
<i>Less than 3 months</i>			
- <i>Mudharabah</i>	2	0.12	-
- <i>Wakalah</i>	-	3.78	0.69
Restricted investment accounts:			
<i>Between 2 to 5 years</i>	-	3.00	0.98

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
<i>Mudharabah fund</i>		
Licensed Islamic banks	-	280,000
Other financial institutions	-	20,000
	<hr/>	<hr/>
	-	300,000
	<hr/>	<hr/>

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18. Subordinated Sukuk Murabahah

	Note	Group and Bank	
		31.12.2015 RM'000	31.12.2014 RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche, RM300 million			
5.75% due in 2025	(a)	303,355	-
Second tranche, RM400 million			
5.50% due in 2025	(b)	401,025	-
		<u>704,380</u>	<u>-</u>
Finance cost on Subordinated Sukuk Murabahah		<u>13,029</u>	<u>-</u>

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

- (a) On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of Subordinated Sukuk Murabahah which are 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 are 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 BNM.

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19. Other liabilities

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Other payables	435,065	455,931	401,478	453,384
Accruals	109,144	120,297	107,027	119,215
	<u>544,209</u>	<u>576,228</u>	<u>508,505</u>	<u>572,599</u>

Included in other payables is undistributed charity fund amounting to RM11,000 (2014: RM262,000) for the Group and the Bank respectively. Movement of sources and uses of charity fund are disclosed in Note 23.

20. Zakat and taxation

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Zakat	8,740	12,781	8,711	12,754
Taxation	16,877	31,820	16,876	31,819
	<u>25,617</u>	<u>44,601</u>	<u>25,587</u>	<u>44,573</u>

During the year, the Bank changed its zakat computation method as recommended by Department of Awqaf, Zakat and Hajj (“JAWHAR”). Pursuant to this new method, the Bank will only pay zakat on the Bank’s portion i.e. shareholders’ funds as well as other funds received by the Bank except for depositors’ funds. In previous years, zakat was computed for both shareholders’ and depositors’ funds. The revised method would result in a lower zakat payable by RM4,043,000 from RM12,754,000 to RM8,711,000.

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21. Share capital

Group and Bank	Number of shares		Amount	
	31.12.2015 '000	31.12.2014 '000	31.12.2015 RM'000	31.12.2014 RM'000
<i>Authorised:</i>				
Ordinary shares of RM1.00 each	<u>2,540,000</u>	<u>2,540,000</u>	<u>2,540,000</u>	<u>2,540,000</u>
<i>Issued and fully paid</i>				
Ordinary shares of RM1.00 each				
At 1 January	2,319,907	2,298,165	2,319,907	2,298,165
Allotment of new ordinary shares on 22 September 2015/31 December 2014	43,376	21,742	43,376	21,742
At 31 December	<u>2,363,283</u>	<u>2,319,907</u>	<u>2,363,283</u>	<u>2,319,907</u>

On 30 June 2015, the Bank increased its issued and paid-up capital from RM2,319,907,000 to RM2,342,706,000 via the issuance of 22,799,000 new ordinary shares of RM1.00 each at a consideration of RM2.90 per share arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.75 sen in respect of financial year ended 31 December 2014, as disclosed in Note 37.

On 22 September 2015, the Bank further increased its issued and paid-up capital from RM2,342,706,000 to RM2,363,282,700 via the issuance of 20,576,700 new ordinary shares of RM1.00 each at a consideration of RM3.00 per share arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.27 sen in respect of financial year ended 31 December 2015, as disclosed in Note 37.

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22. Other reserves

	Statutory reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Total RM'000
Group				
At 1 January 2014	751,474	(8,009)	(20,898)	722,567
Foreign exchange translation differences	-	-	(22,628)	(22,628)
Fair value reserve				
- Net change in fair value	-	(2,992)	-	(2,992)
- Net amount reclassified to profit or loss	-	(21,685)	-	(21,685)
Transfer from current year profit	254,517	-	-	254,517
At 31 December 2014/1 January 2015	1,005,991	(32,686)	(43,526)	929,779
Foreign exchange translation differences	-	-	(84,907)	(84,907)
Fair value reserve				
- Net change in fair value	-	17,087	-	17,087
- Net amount reclassified to profit or loss	-	(14,735)	-	(14,735)
Income tax credit relating to components of other comprehensive income	-	7,280	-	7,280
Transfer from current year profit	253,416	-	-	253,416
At 31 December 2015	1,259,407	(23,054)	(128,433)	1,107,920
Bank				
At 1 January 2014	751,474	(8,009)	(20,926)	722,539
Foreign exchange translation differences	-	-	(22,658)	(22,658)
Fair value reserve				
- Net change in fair value	-	(2,992)	-	(2,992)
- Net amount reclassified to profit or loss	-	(21,685)	-	(21,685)
Transfer from current year profit	254,517	-	-	254,517
At 31 December 2014/1 January 2015	1,005,991	(32,686)	(43,584)	929,721
Foreign exchange translation differences	-	-	(85,031)	(85,031)
Fair value reserve				
- Net change in fair value	-	17,087	-	17,087
- Net amount reclassified to profit or loss	-	(14,735)	-	(14,735)
Income tax credit relating to components of other comprehensive income	-	7,280	-	7,280
Transfer from current year profit	253,416	-	-	253,416
At 31 December 2015	1,259,407	(23,054)	(128,615)	1,107,738

The statutory reserve is maintained in compliance with Section 57(2)(f) of the Islamic Financial Service Act, 2014 and is not distributable as cash dividends.

The fair value reserve includes the cumulative net change in the fair value of financial assets available-for-sale, excluding impairment losses, until the financial asset is derecognised.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the offshore banking operations in the Federal Territory of Labuan.

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23. Sources and uses of charity funds

Group and Bank	Charity funds RM'000	Shariah Non- compliance income RM'000	Total RM'000
Undistributed funds as at 1 January 2014	194	58	252
Funds collected/received during the year	181	4	185
Uses of funds during the year	(114)	(61)	(175)
<i>Contribution to Non-profit Organisation</i>	(32)	(57)	(89)
<i>Contribution for Da'wah Activities</i>	(15)	-	(15)
<i>Contribution for poor/needy family</i>	(67)	-	(67)
<i>Contribution to school</i>	-	(4)	(4)
Undistributed funds as at 31 December 2014/1 January 2015	261	1	262
Funds collected /received during the year	2	8	10
Uses of funds during the year	(261)	-	(261)
<i>Contribution to Non-profit Organisation</i>	(23)	-	(23)
<i>Contribution for poor/needy family</i>	(117)	-	(117)
<i>Contribution for Education Fund</i>	(120)	-	(120)
<i>Contribution to school</i>	(1)	-	(1)
Undistributed funds as at 31 December 2015	2	9	11

24. Income derived from investment of depositors' funds

	Group and Bank	
	2015 RM'000	2014 RM'000
Income derived from investment of:		
(i) General investment deposits	74,986	114,634
(ii) Other deposits	2,128,697	1,917,451
	2,203,683	2,032,085

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

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2015	2014
	RM'000	RM'000
<i>Finance, income and hibah</i>		
Financing, advances and others	60,344	89,451
Financial assets:		
- held-for-trading	1,025	2,399
- available-for-sale	10,326	19,152
- held-to-maturity	174	286
Money at call and deposits with financial institutions	2,576	2,138
	<u>74,445</u>	<u>113,426</u>
<i>Other dealing income</i>		
Net gain/(loss) from sale of financial assets held-for-trading	103	(192)
Net (loss)/gain on revaluation of financial assets held-for-trading	(20)	173
	<u>83</u>	<u>(19)</u>
<i>Other operating income</i>		
Net gain from sale of financial assets available-for-sale	458	1,227
	<u>74,986</u>	<u>114,634</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>1,212</u>	<u>1,409</u>

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

(ii) Income derived from investment of other deposits

	Group and Bank	
	2015	2014
	RM'000	RM'000
<i>Finance, income and hibah</i>		
Financing, advances and others		
- Other deposits	1,785,622	1,498,013
Financial assets:		
- held-for-trading	23,963	39,970
- available-for-sale	244,808	318,176
- held-to-maturity	4,582	4,961
Money at call and deposits with financial institutions	59,020	36,171
	<u>2,117,995</u>	<u>1,897,291</u>
<i>Other dealing income</i>		
Net gain/(loss) from sale of financial assets held-for-trading	1,224	(3,172)
Net (loss)/gain on revaluation of financial assets held-for-trading	(1,062)	2,558
	<u>162</u>	<u>(614)</u>
<i>Other operating income</i>		
Net gain from sale of financial assets available-for-sale	10,540	20,774
	<u>2,128,697</u>	<u>1,917,451</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>29,120</u>	<u>23,612</u>

25. Income derived from investment account funds

	Group and Bank	
	2015	2014
	RM'000	RM'000
Finance income		
Unrestricted investment accounts		
- <i>Mudharabah</i>	13,861	-
- <i>Wakalah</i>	2,932	-
	<u>16,793</u>	<u>-</u>

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26. Income derived from investment of shareholders' funds

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	6,033	6,133	6,033	6,133
Financial assets available-for-sale	144,473	119,197	144,473	119,197
Money at call and deposits with financial institutions	5,586	7,888	5,586	7,888
	<u>156,092</u>	<u>133,218</u>	<u>156,092</u>	<u>133,218</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	81,668	95,443	81,668	95,443
Net derivatives loss	(1,152)	(2,370)	(1,152)	(2,370)
Net gain on revaluation of financial assets held-for-trading	165	90	-	-
	<u>80,681</u>	<u>93,163</u>	<u>80,516</u>	<u>93,073</u>
<i>Other operating income</i>				
Net gain/(loss) from sale of financial assets available-for-sale	-	(316)	-	(316)
Gain on liquidation of a subsidiary	-	-	-	350
Gain on liquidation of securities	3,737	-	3,737	-
Dividend from a subsidiary	-	-	-	800
Gross dividend income from securities				
- unquoted in Malaysia	1,612	2,619	1,612	2,619
- unit trust in Malaysia	901	13	901	13
- unit trust outside Malaysia	82	16	82	16
	<u>6,332</u>	<u>2,332</u>	<u>6,332</u>	<u>3,482</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<i>Fees and commission</i>				
Financing fees	21,972	13,735	21,972	13,735
Cheque issued and return, closing account and other fees	8,261	7,988	8,261	7,988
Ar-Rahnu fees	10,769	12,371	10,769	12,371
Corporate advisory fees	5,527	6,375	5,527	6,375
Processing fees	4,496	3,404	4,493	3,400
Unit trust management fees	6,878	6,966	-	-
Credit card fees and commission	32,734	33,478	32,734	33,478
Debit card fees	34,341	28,340	34,341	28,340
Takaful service fees and commission	18,778	24,472	18,778	24,472
Commission on MEPS	9,935	9,163	9,935	9,163
Ta'widh charges	936	1,071	936	1,071
Others	27,600	26,068	26,685	26,242
	<u>182,227</u>	<u>173,431</u>	<u>174,431</u>	<u>166,635</u>
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	101	(1,394)	101	(1,394)
Rental income	2,952	3,775	3,290	4,100
Other income	135	216	64	197
	<u>3,188</u>	<u>2,597</u>	<u>3,455</u>	<u>2,903</u>
	<u>428,520</u>	<u>404,741</u>	<u>420,826</u>	<u>399,311</u>

27. Allowance for impairment on financing and advances

	Group and Bank	
	2015 RM'000	2014 RM'000
Allowance for impaired financing, advances and others:		
- collective assessment allowance	189,391	162,878
- individual assessment allowance	14,148	34,055
Bad debts and financing recovered	(134,208)	(136,940)
	<u>69,331</u>	<u>59,993</u>

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28. Allowance for/(Reversal of) impairment on investments

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Allowance for/(Reversal of) impairment of financial assets:				
- available-for-sale	4,620	(2,872)	4,620	(2,872)
- held-to-maturity	(132)	(106)	(132)	(106)
	<u>4,488</u>	<u>(2,978)</u>	<u>4,488</u>	<u>(2,978)</u>
Allowance for impairment on investment in subsidiaries	-	-	-	1,656
	<u>4,488</u>	<u>(2,978)</u>	<u>4,488</u>	<u>(1,322)</u>

29. Income attributable to depositors

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits from customers:				
- Mudharabah fund	62,413	600,505	62,413	601,004
- Non-Mudharabah fund	960,238	227,159	960,457	227,172
Deposits and placements of banks and other financial institutions:				
- Mudharabah fund	2,261	23,155	2,261	23,155
- Non-Mudharabah fund	4,037	307	4,037	307
	<u>1,028,949</u>	<u>851,126</u>	<u>1,029,168</u>	<u>851,638</u>

30. Income attributable to investment account holders

	Group and Bank	
	2015 RM'000	2014 RM'000
Unrestricted investment accounts		
- Mudharabah	266	-
- Wakalah	2,478	-
	<u>2,744</u>	<u>-</u>

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31. Personnel expenses

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries and wages	248,903	225,572	245,455	222,635
Allowances and bonuses	119,925	136,020	119,243	134,846
Employees' Provident Fund	45,178	42,897	44,618	42,301
Directors and Shariah Supervisory Council Members' remuneration	10,197	9,501	9,583	9,019
Others	49,601	49,132	49,265	48,790
	<u>473,804</u>	<u>463,122</u>	<u>468,164</u>	<u>457,591</u>

32. Other overhead expenses

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<i>Promotion</i>				
Advertisement and publicity	6,893	6,968	6,547	6,869
Credit and debit card expenses	21,029	18,921	21,029	18,921
Others	9,778	9,877	7,721	8,902
	<u>37,700</u>	<u>35,766</u>	<u>35,297</u>	<u>34,692</u>
<i>Establishment</i>				
Office rental	50,377	48,742	50,321	48,631
Depreciation of property and equipment	63,935	49,995	63,746	49,882
Information technology expenses	32,010	33,518	32,010	33,518
Rental equipment	4,106	3,940	4,056	3,892
Office maintenance	13,155	10,318	12,892	10,152
Utilities	13,517	14,505	13,434	14,414
Security services	13,994	14,680	13,993	14,672
Takaful and insurance	8,613	7,653	8,525	7,550
Others	305	306	305	306
	<u>200,012</u>	<u>183,657</u>	<u>199,282</u>	<u>183,017</u>

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32. Other overhead expenses (continued)

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<i>General expenses</i>				
Auditors' remuneration				
- statutory audit fees	690	663	618	596
- others	348	474	348	440
Professional fees	2,273	3,132	2,211	3,048
Office supplies	7,848	8,567	7,734	8,498
Travelling & transportation	8,734	8,273	8,594	8,204
Subscription fees	3,383	3,365	3,382	3,364
Outsourcing fees	16,861	39,931	16,861	39,931
Processing charges	1,933	10,812	1,933	10,812
Property and equipment written off	881	-	881	-
Others	67,816	50,916	69,595	52,448
	<u>110,767</u>	<u>126,133</u>	<u>112,157</u>	<u>127,341</u>
	<u>348,479</u>	<u>345,556</u>	<u>346,736</u>	<u>345,050</u>

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33. Directors and Shariah Supervisory Council Members' remuneration

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<i>Directors of the Bank</i>				
<i>Executive Director:</i>				
Salaries and other remuneration, including meeting allowances	7,529	7,092	7,522	7,087
Benefits-in-kind	200	254	200	254
	<u>7,729</u>	<u>7,346</u>	<u>7,722</u>	<u>7,341</u>
<i>Non-Executive Directors:</i>				
Fees	1,108	1,058	1,096	1,046
Other emoluments	631	548	622	539
Benefits-in-kind	184	264	184	264
	<u>1,923</u>	<u>1,870</u>	<u>1,902</u>	<u>1,849</u>
<i>Directors of subsidiaries</i>				
<i>Executive Director:</i>				
Salaries and other remuneration, including meeting allowances	343	289	-	-
	<u>343</u>	<u>289</u>	<u>-</u>	<u>-</u>
<i>Non-Executive Directors:</i>				
Fees	135	66	-	-
Other emoluments	94	88	-	-
	<u>229</u>	<u>154</u>	<u>-</u>	<u>-</u>
Total	<u>10,224</u>	<u>9,659</u>	<u>9,624</u>	<u>9,190</u>
<i>Members of Shariah Supervisory Council (SSC)</i>				
- SSC of the Bank	349	352	343	347
- SSC of a subsidiary	8	8	-	-
Total	<u>357</u>	<u>360</u>	<u>343</u>	<u>347</u>
Grand total (excluding benefits-in-kind) (Note 31)	<u>10,197</u>	<u>9,501</u>	<u>9,583</u>	<u>9,019</u>

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33. Directors and Shariah Supervisory Council Members' remuneration (continued)

The total remuneration (including benefits-in-kind) of the Directors of the Bank is as follows:

	← Remuneration received from the Bank →				Bank	Remuneration received from subsidiaries		Group
	Salary and Bonus	Fees	Other Emoluments	Benefits -in-kind	Total	Fees	Other Emoluments	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Executive Director:</i>								
Dato' Sri Zukri Samat	5,883	-	1,639	200	7,722	-	7	7,729
<i>Non-Executive Directors:</i>								
Datuk Zamani Abdul Ghani	-	228	143	44	415	-	-	415
Tan Sri Ismee Ismail	-	70	61	25	156	-	-	156
Professor Emeritus Tan Sri Dato' Dr. Abdul Shukor Husin	-	144	57	50	251	-	-	251
Datuk Zaiton Mohd Hassan	-	240	123	15	378	-	-	378
Dato' Johan Abdullah	-	90	53	25	168	-	-	168
Zahari @ Mohd Zin Idris	-	216	123	-	339	12	9	360
Mohamed Ridza Mohamed Abdulla	-	108	62	25	195	-	-	195
	-	1,096	622	184	1,902	12	9	1,923
	5,883	1,096	2,261	384	9,624	12	16	9,652

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33. Directors and Shariah Supervisory Council Members' remuneration (continued)

The total remuneration (including benefits-in-kind) of the Directors of the Bank is as follows (continued):

	← Remuneration received from the Bank →				Bank	Remuneration received from subsidiaries		Group
	Salary and Bonus	Fees	Other Emoluments	Benefits -in-kind	Total	Fees	Other Emoluments	Total
31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Executive Director:</i>								
Dato' Sri Zukri Samat	5,586	-	1,501	254	7,341	-	5	7,346
<i>Non-Executive Directors:</i>								
Datuk Zamani Abdul Ghani	-	213	126	54	393	-	-	393
Tan Sri Ismee Ismail	-	89	58	50	197	-	-	197
Professor Emeritus Tan Sri Dato' Dr. Abdul Shukor Husin	-	90	16	-	106	-	-	106
Datuk Zaiton Mohd Hassan	-	230	107	25	362	-	-	362
Dato' Johan Abdullah	-	90	60	50	200	-	-	200
Zahari @ Mohd Zin Idris	-	226	121	35	382	12	9	403
Mohamed Ridza Mohamed Abdulla	-	108	51	50	209	-	-	209
	-	1,046	539	264	1,849	12	9	1,870
	5,586	1,046	2,040	518	9,190	12	14	9,216

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33. Directors and Shariah Supervisory Council Members' remuneration (continued)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows:

	Remuneration received from ← the Bank →		Bank	Remuneration received from subsidiary	Group
	Fees	Other Emoluments	Total	Fees	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000
Professor Dato' Dr. Ahmad Hidayat Buang	58	11	69	-	69
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	55	9	64	6	70
Ustaz Muhammad Syafii Antonio	54	8	62	-	62
Assistant Professor Dr. Uzaimah Ibrahim	54	9	63	-	63
Dr. Yasmin Hanani Mohd Saffian	41	7	48	-	48
Dato' Mohd Bakir Hj. Mansor	13	24	37	-	37
	275	68	343	6	349

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33. Directors and Shariah Supervisory Council Members' remuneration (continued)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows (continued):

	Remuneration received from ← the Bank →		Bank	Remuneration received from subsidiary	Group
	Fees	Other Emoluments	Total	Fees	Total
31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000
Professor Dato' Dr. Ahmad Hidayat Buang	54	17	71	-	71
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	60	19	79	5	84
Ustaz Muhammad Syafii Antonio	54	7	61	-	61
Assistant Professor Dr. Uzaimah Ibrahim	54	11	65	-	65
Dr. Yasmin Hanani Mohd Saffian	-	-	-	-	-
Dato' Mohd Bakir Hj. Mansor	54	17	71	-	71
	276	71	347	5	352

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34. Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

The compensation for key management personnel other than the Directors' remuneration is as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Other key management personnel:		
- Short-term employee benefits	<u>20,109</u>	<u>20,060</u>

35. Tax expense

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current year	175,072	184,802	175,000	184,728
(Over)/Under provision in prior years	(8,721)	1,251	(8,723)	1,291
	<u>166,351</u>	<u>186,053</u>	<u>166,277</u>	<u>186,019</u>
Deferred tax expense relating to origination and reversal of temporary differences arising from:				
Current year	804	(7,687)	804	(7,687)
Effect of changes in tax rate	1,196	-	1,196	-
Under provision in prior years	1,318	1,080	1,318	1,080
	<u>3,318</u>	<u>(6,607)</u>	<u>3,318</u>	<u>(6,607)</u>
	<u>169,669</u>	<u>179,446</u>	<u>169,595</u>	<u>179,412</u>

The corporate tax rate is 25%. However with effect from year assessment 2016, corporate tax rate is at 24%. Consequently, deferred tax assets and liabilities are measured using this tax rate.

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35. Tax expense (continued)

A reconciliation of effective tax expense for the Group and the Bank are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax expense	<u>685,661</u>	<u>702,751</u>	<u>685,131</u>	<u>701,190</u>
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)	171,417	175,562	171,283	175,298
Income not subject to tax	(1,070)	(3,394)	(1,070)	(3,181)
Non-deductible expenses	<u>5,402</u>	<u>5,171</u>	<u>5,318</u>	<u>4,924</u>
	175,749	177,339	175,531	177,041
Deferred tax assets recognised	-	(224)	-	-
Deferred tax assets not recognised	127	-	273	-
Effect of changes in tax rate	1,196	-	1,196	-
(Over)/Under provision in prior years				
- Income tax	(8,721)	1,251	(8,723)	1,291
- Deferred tax	1,318	1,080	1,318	1,080
	<u>169,669</u>	<u>179,446</u>	<u>169,595</u>	<u>179,412</u>

36. Earnings per share

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM507,262,000 (2014: RM510,502,000) and the weighted average number of ordinary shares outstanding during the year of 2,337,037,729 (2014: 2,304,002,824).

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37. Dividends

Dividends paid by the Bank:

	Sen per share	Total amount RM'000	Date of payment
2015			
<u>Single tier</u>			
Final 2014 ordinary	5.75	133,395	30 June 2015
Interim 2015 ordinary	5.27	123,461	22 September 2015
		<u>256,856</u>	
2014			
<u>Single tier</u>			
Interim 2014 ordinary	5.26	120,884	24 September 2014

From the total dividend amount paid of RM133.4 million on 30 June 2015, approximately 50% or RM67.3 million was distributed as cash dividend whilst the remaining 50% amounting to RM66.1 million was reinvested to subscribe for 22,799,000 new ordinary shares of RM1.00 at RM2.90 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM123.5 million on 22 September 2015, approximately 50% or RM61.8 million was distributed as cash dividend whilst the remaining 50% amounting to RM61.7 million was reinvested to subscribe for 20,576,700 new ordinary shares of RM1.00 at RM3.00 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM120.9 million on 24 September 2014, approximately 50% or RM60.5 million was distributed as cash dividend whilst the remaining 50% amounting to RM60.4 million was reinvested to subscribe for 21,741,664 new ordinary shares of RM1.00 at RM2.78 each via the Dividend Reinvestment Plan.

The dividend was reinvested by the sole shareholder, BIMB Holdings Berhad to strengthen the Bank's capital position to fund the business growth of the Bank.

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37. Dividends (continued)

After the financial year ended, the following dividend was proposed by the Directors. This dividend will be recognised in the subsequent financial year upon approval by the shareholder.

	Sen per share	Total amount RM'000
Final 2015 ordinary	5.49	<u>129,744</u>

It is also proposed that approximately 50% of the proposed final dividend totalling RM64.873 million be reinvested to subscribe for new ordinary share of RM1.00 at RM3.10 each via the Dividend Reinvestment Plan (“DRP”). The proposed DRP is subject to approval by Bank Negara Malaysia.

38. Operating Segments

The Group’s reportable segments, as described below, can be classified into four segments. Each segments offer different products and services. The following summary describes the operations in each of the segments:

- Consumer Banking Includes financing, deposits and other transactions and balances with retail customers
- Corporate and Commercial Banking Includes the Group’s corporate finance activities, financing, deposits and other transactions and balances with corporate customers, commercial customers and small & medium enterprises
- Treasury Division Undertakes the Group’s funding activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities
- Shareholders unit Operates the Group’s shareholders’ funds

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before allocation of overheads and income tax.

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38. Operating Segments (continued)

31 December 2015	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
Total Revenue	1,563,465	470,613	441,377	182,241	(8,300)	2,649,396
Net fund based income	809,766	363,946	(19,514)	179,834	-	1,334,032
Non-fund based income	131,542	39,376	94,725	26,109	(8,081)	283,671
Net income	941,308	403,322	75,211	205,943	(8,081)	1,617,703
Allowances for impairment	(108,608)	39,277	(4,488)	-	-	(73,819)
Profit before overheads, zakat & taxation	832,700	442,599	70,723	205,943	(8,081)	1,543,884
Operating expenses						(858,223)
Profit before zakat & taxation						685,661
Segment assets	25,251,798	9,042,892	12,725,156	67,083	(54,906)	47,032,023
Unallocated assets						2,731,696
Total assets						49,763,719

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38. Operating Segments (continued)

31 December 2014	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
Total Revenue	1,379,450	370,146	541,469	158,114	(12,353)	2,436,826
Net fund based income	744,160	307,570	21,929	219,150	-	1,292,809
Non-fund based income	131,174	30,823	119,573	23,162	(11,841)	292,891
Net income	875,334	338,393	141,502	242,312	(11,841)	1,585,700
Allowances for impairment	(85,161)	25,168	3,688	-	-	(56,305)
Profit before overheads, zakat & taxation	790,173	363,561	145,190	242,312	(11,841)	1,529,395
Operating expenses						(826,644)
Profit before zakat & taxation						<u>702,751</u>
Segment assets	22,053,548	7,471,022	13,772,807	34,500	(27,580)	43,304,297
Unallocated assets						2,516,385
Total assets						<u>45,820,682</u>

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39. Financial Risk Management

Overview

The Bank's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Bank;
- Establish a standard approach and methodology in managing credit, market, liquidity, operational and business risks across the Bank;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, scoring models and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets;
- Ensure that the Bank's capital can support current and planned business needs in terms of risk exposures.

Risk Management Functional and Governance Structure

The Bank has realigned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Bank. As a matter of good business practice and prudence, the Bank's core risk management functions, which report to the Board of Directors through its Board Risk Committee ("BRC"), are independent and clearly segregated from the business divisions and centralised at head office.

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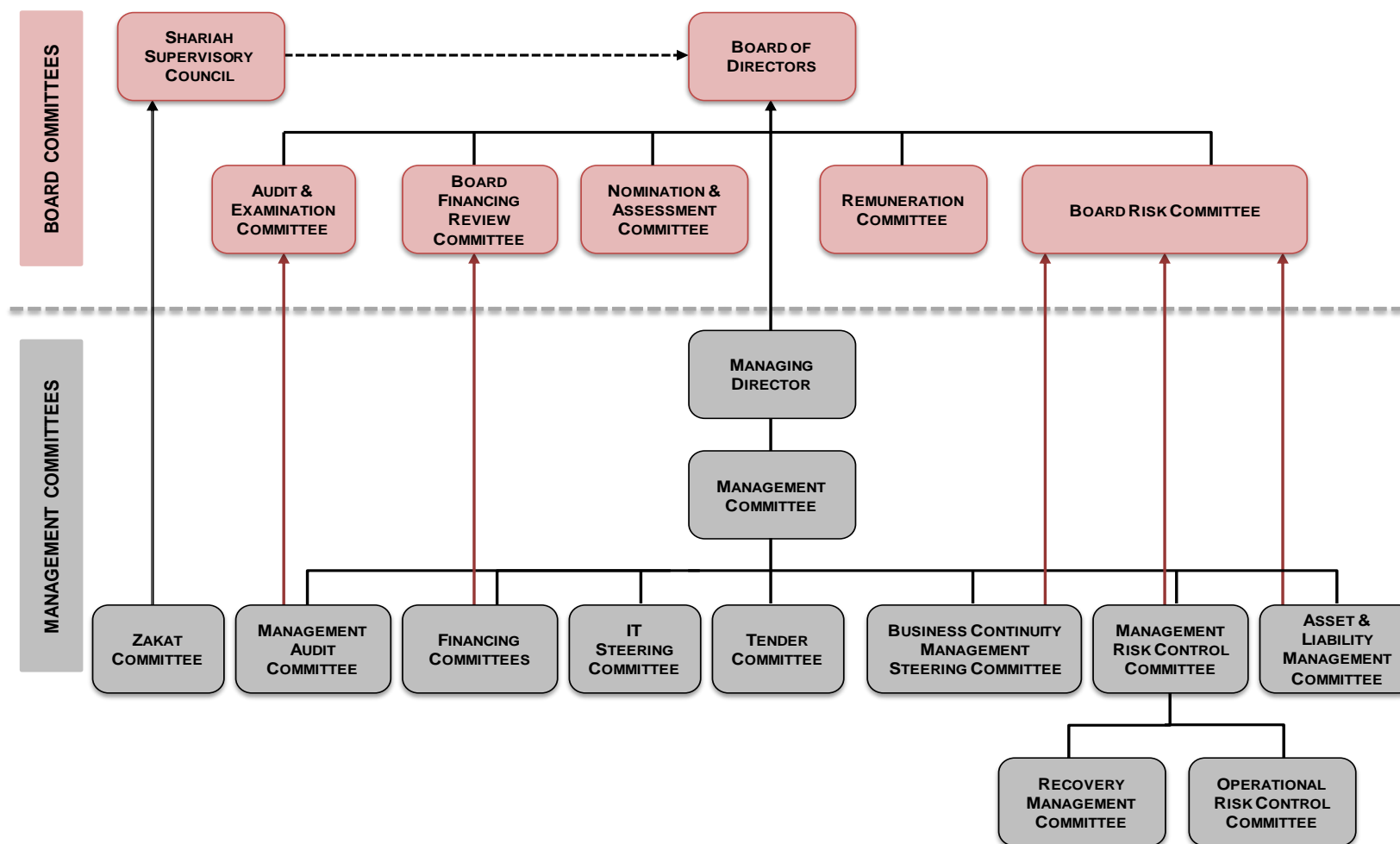
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39. Financial Risk Management (continued)

Risk Management Functional and Governance Structure (continued)

The following illustrates the Bank's governance structure:



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39. Financial Risk Management (continued)

The Bank recognises the fact that the essence of banking and financial services is centred on risk taking. The Bank therefore:

- Recognises that it has to manage risks to effectively conduct its business;
- Reach an optimum level of risk-return in order to maximise stakeholders' value; and
- Ensure effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Bank within its risk appetite and tolerance.

The Bank has established a Risk Appetite Framework that forms an integral part of the Bank's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Bank is prepared to accept in support of a stated strategy, impacting all business from a credit, market and operational risk viewpoint.

In order to ensure that the Bank has sufficient capital to support all its business and risk taking activities, the Bank has implemented sound capital management processes in its management systems and processes. A detailed capital management, also known as Internal Capital Adequacy Assessment Process ("ICAAP"), has been adopted by the Bank as a key enabler for a value creation and the long term sustainability of the Bank. This detailed capital management includes thorough risk assessment and risk management embedded within the risk governance structure of the Bank.

(a) Financial instruments by categories

The tables below provide an analysis of financial instruments categorised as follows:

- Financing, advances and receivables ("F&R")
- Fair value through profit or loss ("FVTPL")
- Financial assets available-for-sale ("AFS")
- Financial assets held-to-maturity ("HTM")
- Financial liabilities measured at amortised cost ("FL")

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39. Financial Risk Management (continued)

(a) Financial instruments by categories (continued)

Bank 31 December 2015 RM'000	Carrying amount	F&R/(FL)	FVTPL	AFS	HTM	Derivatives
<i>Financial assets</i>						
Cash, balances and placements with banks	2,978,315	2,978,315	-	-	-	-
Financial assets held-for-trading	418,718	-	418,718	-	-	-
Derivative financial assets	119,259	-	-	-	-	119,259
Financial assets available-for-sale	9,938,173	-	-	9,938,173	-	-
Financial assets held-to-maturity	59,352	-	-	-	59,352	-
Financing, advances and others	34,294,690	34,294,690	-	-	-	-
Other assets	68,235	68,235	-	-	-	-
Statutory deposits with Bank Negara Malaysia	1,591,460	1,591,460	-	-	-	-
	49,468,202	38,932,700	418,718	9,938,173	59,352	119,259
<i>Financial liabilities</i>						
Deposits from customers	(43,594,947)	(43,594,947)	-	-	-	-
Investment accounts of customers	(676,105)	(676,105)	-	-	-	-
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-
Derivative financial liabilities	(101,913)	-	-	-	-	(101,913)
Bills and acceptance payable	(122,577)	(122,577)	-	-	-	-
Subordinated Sukuk Murabahah	(704,380)	(704,380)	-	-	-	-
Other liabilities	(508,505)	(508,505)	-	-	-	-
	(45,708,427)	(45,606,514)	-	-	-	(101,913)

The Group's financial instruments are not materially different from the Bank's financial instruments

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39. Financial Risk Management (continued)

(a) Financial instruments by categories (continued)

Bank						
31 December 2014						
RM'000	Carrying amount	F&R/(FL)	FVTPL	AFS	HTM	Derivatives
<i>Financial assets</i>						
Cash, balances and placements with banks	3,269,127	3,269,127	-	-	-	-
Financial assets held-for-trading	916,539	-	916,539	-	-	-
Derivative financial assets	62,541	-	-	-	-	62,541
Financial assets available-for-sale	10,237,120	-	-	10,237,120	-	-
Financial assets held-to-maturity	60,752	-	-	-	60,752	-
Financing, advances and others	29,524,571	29,524,571	-	-	-	-
Other assets	124,902	124,902	-	-	-	-
Statutory deposits with Bank Negara Malaysia	1,335,000	1,335,000	-	-	-	-
	45,530,552	34,253,600	916,539	10,237,120	60,752	62,541
<i>Financial liabilities</i>						
Deposits from customers	(41,021,556)	(41,021,556)	-	-	-	-
Investment accounts	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	(300,000)	(300,000)	-	-	-	-
Derivative financial liabilities	(32,407)	-	-	-	-	(32,407)
Bills and acceptance payable	(127,524)	(127,524)	-	-	-	-
Subordinated Sukuk Murabahah	-	-	-	-	-	-
Other liabilities	(572,599)	(572,599)	-	-	-	-
	(42,054,086)	(42,021,679)	-	-	-	(32,407)

The Group's financial instruments are not materially different from the Bank's financial instruments

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39. Financial Risk Management (continued)

(b) Credit risk

Overview

Credit risk arises from all transactions that could lead to actual, contingent or potential claims against any party, borrower or obligor. The types of credit risks that the Bank considers to be material includes: Default Risk, Counterparty Risk, Pre-Settlement Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the BRC, guided by the Board of Directors' approved Risk Appetite Statement.

The Management Risk Control Committee ("MRCC") is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

Management of Credit Risk

The management of credit risk is being performed by Credit Management Division ("CMD") and Risk Management Division ("RMD"), and two other units outside of the CMD and RMD domain, namely, Credit Administration Department and Credit Recovery. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Bank's overall strategy and risk appetite;
- To ensure that the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Bank monitors its credit exposures either on a portfolio or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain parts of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

Management of Credit Risk (continued)

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration to a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counter parties limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

Maximum exposure to credit risk

The following table presents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Cash and short-term funds	2,881,669	3,164,628	2,877,738	3,164,402
Deposits and placements with banks and other financial institutions	100,577	104,725	100,577	104,725
Financial assets held-for- trading	423,973	921,629	418,718	916,539
Derivative financial assets	119,259	62,541	119,259	62,541
Financial assets available- for-sale	9,937,716	10,236,663	9,938,173	10,237,120
Financial assets held-to- maturity	59,352	60,752	59,352	60,752
Financing, advances and others	34,294,690	29,524,571	34,294,690	29,524,571
Sub-total	<u>47,817,236</u>	<u>44,075,509</u>	<u>47,808,507</u>	<u>44,070,650</u>
Credit related obligation: Credit commitments	9,506,449	9,000,815	9,506,449	9,000,815
Sub-total	<u>9,506,449</u>	<u>9,000,815</u>	<u>9,506,449</u>	<u>9,000,815</u>
Total credit exposures	<u>57,323,685</u>	<u>53,076,324</u>	<u>57,314,956</u>	<u>53,071,465</u>

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank

Group As at 31 December 2015	Cash and short- term funds and deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Financial assets available- for-sale RM'000	Financial assets held-to- maturity RM'000	Financing, advances and others RM'000	On- Balance Sheets Total RM'000	Commitments and contingencies* RM'000
Primary agriculture	-	-	-	-	-	395,930	395,930	115,190
Mining and quarrying	-	-	-	-	-	12,834	12,834	411,404
Manufacturing (including agro-based)	-	-	953	50,327	-	916,497	967,777	1,103,518
Electricity, gas and water	-	5,030	-	2,070,842	-	671,307	2,747,179	573,917
Wholesale & retail trade, and hotels & restaurants	-	-	88	45,087	-	1,050,360	1,095,535	749,872
Construction	-	44,699	300	620,108	59,352	2,173,214	2,897,673	1,397,160
Real estate	-	-	901	220,637	-	1,071,698	1,293,236	280,828
Transport, storage and communications	-	20,725	-	1,213,064	-	369,858	1,603,647	369,211
Finance, insurance and business activities	2,189,654	353,519	116,865	5,717,651	-	1,319,296	9,696,985	1,055,373
Education, health and others	-	-	-	-	-	1,071,714	1,071,714	1,601,395
Household sectors	-	-	5	-	-	25,241,982	25,241,987	657,927
Other sectors	792,592	-	147	-	-	-	792,739	1,190,654
	2,982,246	423,973	119,259	9,937,716	59,352	34,294,690	47,817,236	9,506,449

* Commitments and contingencies excluding derivative financial assets

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Group As at 31 December 2014	Cash and short- term funds and deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Financial assets available- for-sale RM'000	Financial assets held-to- maturity RM'000	Financing, advances and others RM'000	On- Balance Sheets Total RM'000	Commitments and contingencies* RM'000
Primary agriculture	-	-	-	43,287	-	324,702	367,989	169,299
Mining and quarrying	-	-	-	-	-	20,207	20,207	413,682
Manufacturing (including agro-based)	-	-	2,511	5,078	-	987,551	995,140	886,879
Electricity, gas and water	-	70,126	-	2,951,743	-	539,790	3,561,659	452,626
Wholesale & retail trade, and hotels & restaurants	-	-	2,018	45,171	-	846,278	893,467	739,364
Construction	-	75,599	-	696,610	60,752	2,252,229	3,085,190	1,355,930
Real estate	-	-	947	230,850	-	685,631	917,428	248,245
Transport, storage and communications	-	-	-	1,459,015	-	514,173	1,973,188	347,280
Finance, insurance and business activities	2,495,900	775,904	21,831	4,804,909	-	845,889	8,944,433	1,004,094
Education, health and others	-	-	1	-	-	470,418	470,419	1,586,965
Household sectors	-	-	-	-	-	22,037,703	22,037,703	1,765,283
Other sectors	773,453	-	35,233	-	-	-	808,686	31,168
	<u>3,269,353</u>	<u>921,629</u>	<u>62,541</u>	<u>10,236,663</u>	<u>60,752</u>	<u>29,524,571</u>	<u>44,075,509</u>	<u>9,000,815</u>

* Commitments and contingencies excluding derivative financial assets

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank As at 31 December 2015	Cash and short- term funds and deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Financial assets available- for-sale RM'000	Financial assets held-to- maturity RM'000	Financing, advances and others RM'000	On- Balance Sheets Total RM'000	Commitments and contingencies* RM'000
Primary agriculture	-	-	-	-	-	395,930	395,930	115,190
Mining and quarrying	-	-	-	-	-	12,834	12,834	411,404
Manufacturing (including agro-based)	-	-	953	50,327	-	916,497	967,777	1,103,518
Electricity, gas and water	-	5,030	-	2,070,842	-	671,307	2,747,179	573,917
Wholesale & retail trade, and hotels & restaurants	-	-	88	45,087	-	1,050,360	1,095,535	749,872
Construction	-	44,699	300	620,108	59,352	2,173,214	2,897,673	1,397,160
Real estate	-	-	901	220,637	-	1,071,698	1,293,236	280,828
Transport, storage and communications	-	20,725	-	1,213,064	-	369,858	1,603,647	369,211
Finance, insurance and business activities	2,189,653	348,264	116,865	5,718,108	-	1,319,296	9,692,186	1,055,373
Education, health and others	-	-	-	-	-	1,071,714	1,071,714	1,601,395
Household sectors	-	-	5	-	-	25,241,982	25,241,987	657,927
Other sectors	788,662	-	147	-	-	-	788,809	1,190,654
	2,978,315	418,718	119,259	9,938,173	59,352	34,294,690	47,808,507	9,506,449

* Commitments and contingencies excluding derivative financial assets

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank As at 31 December 2014	Cash and short- term funds and deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Financial assets available- for-sale RM'000	Financial assets held-to- maturity RM'000	Financing, advances and others RM'000	On- Balance Sheets Total RM'000	Commitments and contingencies* RM'000
Primary agriculture	-	-	-	43,287	-	324,702	367,989	169,299
Mining and quarrying	-	-	-	-	-	20,207	20,207	413,682
Manufacturing (including agro-based)	-	-	2,511	5,078	-	987,551	995,140	886,879
Electricity, gas and water	-	70,126	-	2,951,743	-	539,790	3,561,659	452,626
Wholesale & retail trade, and hotels & restaurants	-	-	2,018	45,171	-	846,278	893,467	739,364
Construction	-	75,599	-	696,610	60,752	2,252,229	3,085,190	1,355,930
Real estate	-	-	947	230,850	-	685,631	917,428	248,245
Transport, storage and communications	-	-	-	1,459,015	-	514,173	1,973,188	347,280
Finance, insurance and business activities	2,495,855	770,814	21,831	4,805,366	-	845,889	8,939,755	1,004,094
Education, health and others	-	-	1	-	-	470,418	470,419	1,586,965
Household sectors	-	-	-	-	-	22,037,703	22,037,703	1,765,283
Other sectors	773,272	-	35,233	-	-	-	808,505	31,168
	<u>3,269,127</u>	<u>916,539</u>	<u>62,541</u>	<u>10,237,120</u>	<u>60,752</u>	<u>29,524,571</u>	<u>44,070,650</u>	<u>9,000,815</u>

* Commitments and contingencies excluding derivative financial assets

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate the credit risk are as follows:

- For residential mortgages – charges over residential properties
- For commercial property financing – charges over the properties being financed
- For vehicle financing – ownership claims over the vehicles financed
- For other financing and advances – charges over business assets such as premises, inventories, trade receivables and/or deposits

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified as follows:

- Neither past due nor impaired financing
Financing for which the borrower has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment
- Past due but not impaired financing
Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank
- Impaired financing
Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit quality of gross financing and advances (continued)

The table below summarises the credit quality of the Group's and the Bank's gross financing according to the above classifications.

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Neither past due nor impaired	33,797,333	29,346,053
Past due but not impaired	781,623	421,120
Impaired	381,270	344,539
	<u>34,960,226</u>	<u>30,111,712</u>
Allowance for impaired financing, advances and others		
- collective assessment allowance	(541,065)	(444,388)
- individual assessment allowance	(124,471)	(142,753)
	<u>34,294,690</u>	<u>29,524,571</u>

Neither past due nor impaired financing

	Group and Bank	
	31.12.2015	31.12.2014
	RM'000	RM'000
Excellent to good	27,422,414	23,196,518
Satisfactory	5,968,683	5,741,808
Fair	406,236	407,727
	<u>33,797,333</u>	<u>29,346,053</u>

Internal rating definition:-

Excellent to Good: Sound financial position with no difficulty in meeting its obligations.

Satisfactory: Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.

Fair: High risks on payment obligations. Financial performance may continue to deteriorate.

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit quality of gross financing and advances (continued)

Past due but not impaired financing

	Group and Bank			
	31.12.2015		31.12.2014	
	RM'000	% to gross financing	RM'000	% to gross financing
By ageing				
<i>Month-in-arrears 1</i>	596,525	1.71%	274,624	0.91%
<i>Month-in-arrears 2</i>	185,098	0.53%	146,496	0.49%
	<u>781,623</u>	<u>2.24%</u>	<u>421,120</u>	<u>1.40%</u>

Impaired financing

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Individually assessed	211,198	215,552
<i>of which:</i>		
<i>Month-in-arrears 0</i>	38,490	95,853
<i>Month-in-arrears 1</i>	28,259	1,705
<i>Month-in-arrears 2</i>	13,235	6,847
<i>Month-in-arrears 3 and above</i>	131,214	111,147
Collectively assessed	170,072	128,987
	<u>381,270</u>	<u>344,539</u>

Impaired financing of which rescheduled and restructured financing

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Consumer	38,592	64,488
Business	72,030	60,144
	<u>110,622</u>	<u>124,632</u>

Rescheduled and restructured financings are financings that have been rescheduled or restructured due to deterioration in the borrowers' financial positions and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to performing.

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit quality of gross financing and advances (continued)

Financing, advances and others by line of business assessed by reference to the Bank's internal rating system:

Group and Bank As at 31 December 2015	Consumer RM'000	Business RM'000	Total RM'000
Excellent to good	20,401,560	7,020,854	27,422,414
Satisfactory	4,013,318	1,955,365	5,968,683
Fair	404,473	1,763	406,236
Past due but not impaired	606,586	175,037	781,623
Impaired	185,542	195,728	381,270
Total	<u>25,611,479</u>	<u>9,348,747</u>	<u>34,960,226</u>

Group and Bank As at 31 December 2014	Consumer RM'000	Business RM'000	Total RM'000
Excellent to good	17,744,014	5,452,504	23,196,518
Satisfactory	3,693,530	2,048,278	5,741,808
Fair	406,741	986	407,727
Past due but not impaired	368,417	52,703	421,120
Impaired	144,491	200,048	344,539
Total	<u>22,357,193</u>	<u>7,754,519</u>	<u>30,111,712</u>

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets

Credit quality of other financial assets by external rating is as follows:

Bank As at 31 December 2015	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Financial assets available -for-sale RM'000	Financial assets held-to- maturity RM'000	Total RM'000
Government bonds and treasury bills	241,717	-	3,183,371	-	3,425,088
Islamic debts securities					
Rated AAA	96,112	-	2,457,979	-	2,554,091
Rated AA1 to AA3	-	-	1,207,996	-	1,207,996
Rated A1 to A3	-	-	45,968	-	45,968
Unrated – Government guaranteed bonds	80,889	-	2,993,736	-	3,074,625
Unrated – Quasi-government	-	-	-	-	-
Unrated – Others	-	-	49,123	59,352	108,475
Derivative financial assets					
Bank and financial institution counterparties	-	116,865	-	-	116,865
Corporate	-	2,394	-	-	2,394
	418,718	119,259	9,938,173	59,352	10,535,502

Note: The Group's financial assets are not materially different from the Bank's financial assets.

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39. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets (continued)

Credit quality of other financial assets by external rating is as follows (continued):

Bank As at 31 December 2014	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Financial assets available -for-sale RM'000	Financial assets held-to- maturity RM'000	Total RM'000
Government bonds and treasury bills	445,576	-	1,855,796	-	2,301,372
Islamic debts securities					
Rated AAA	50,493	-	3,141,369	-	3,191,862
Rated AA1 to AA3	275,160	-	1,292,901	-	1,568,061
Rated A1 to A3	49,858	-	56,540	-	106,398
Unrated – Government guaranteed bonds	95,452	-	3,639,815	-	3,735,267
Unrated – Quasi-government	-	-	209,137	-	209,137
Unrated – Others	-	-	41,562	60,752	102,314
Derivative financial assets					
Bank and financial institution counterparties	-	57,078	-	-	57,078
Corporate	-	5,463	-	-	5,463
	916,539	62,541	10,237,120	60,752	11,276,952

Note: The Group's financial assets are not materially different from the Bank's financial assets.

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39. Financial Risk Management (continued)

(c) Market risk

Overview

All the Bank's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Bank. Furthermore, significant or sudden movements in rates could affect the Bank's liquidity/funding position. The Bank is exposed to the following main market/liquidity risk factors:

- **Rate of Return or Profit Rate Risk:** the potential impact on the Bank's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/borrower specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Bank's currency positions;
- **Equity Investment Risk:** the profitability impact on the Bank's equity positions or investments caused by changes in equity prices or values;
- **Commodity Inventory Risk:** the risk of loss due to movements in commodity prices;
- **Liquidity Risk:** the potential inability of the Bank to meet its funding requirements at a reasonable cost (funding liquidity risk) or its inability to liquidate positions quickly at a reasonable price (market liquidity risk).

The objective of the Bank's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Bank's approved risk appetite.

The Bank separates exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions so designated as per the approved Trading Book Policy Statements. Non-trading portfolios primarily arise from the Bank's customer driven assets and liabilities and from the Bank's investment of its surplus funds.

Market risk governance

The management of market risk is principally carried out by using risk limits approved by the BRC, guided by the Risk Appetite Statement approved by the Board of Directors.

The Asset and Liability Management Committee ("ALCO") is responsible under the authority delegated by the BRC for managing market risk at strategic level.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

Management of market risk

All market risk exposures are managed by Treasury. The aim is to ensure that all market risks are consolidated at Treasury, who have the necessary skills, tools, management and governance to manage such risks professionally. Limits are set for portfolios, products and risk types, with market liquidity and credit quality being the principal factors in determining the level of limits set.

The Market Risk Management Department (“MRMD”) is the independent risk control function and is responsible for ensuring efficient implementation of market risk management policies. MRMD is also responsible for developing the Bank’s market risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits are reported immediately to the Senior Management. Strict escalation procedures are well documented and approved by the BRC. In addition, the market risk exposures and limits are regularly reported to the ALCO and the BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and a list of permissible instruments that can be traded. Stress test results are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Bank’s profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

(i) Profit rate risk

The table below summarises the Group’s and the Bank’s exposure to profit rate risk. The table indicates average profit rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group	← Non trading book →					Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 31 December 2015									
<i>Assets</i>									
Cash, balances and placements with banks	2,189,653	-	-	-	-	792,593	-	2,982,246	2.31
Financial assets held-for-trading	-	-	-	-	-	-	423,973	423,973	3.70
Derivative financial assets	-	-	-	-	-	-	119,259	119,259	3.74
Financial assets available-for-sale	464,693	159,507	1,225,106	5,787,501	2,300,909	-	-	9,937,716	4.02
Financial assets held-to-maturity	-	-	-	-	59,352	-	-	59,352	7.94
Financing, advances and others									
- non-impaired	27,020,445	826,661	399,167	1,448,247	4,884,436	-	-	34,578,956	6.07
- impaired net of allowances *	-	-	-	-	-	(284,266)	-	(284,266)	-
Other assets	-	-	-	-	-	1,946,483	-	1,946,483	-
Total assets	29,674,791	986,168	1,624,273	7,235,748	7,244,697	2,454,810	543,232	49,763,719	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group	←		Non trading book		→		Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000			
As at 31 December 2015									
Liabilities									
Deposits from customers	17,705,682	5,322,685	5,097,995	79,254	-	15,350,734	-	43,556,350	2.48
Investment accounts of customers	175,916	38,877	-	-	-	461,312	-	676,105	1.28
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	101,913	101,913	3.20
Bills and acceptance payable	-	-	-	-	-	122,577	-	122,577	-
Subordinated Sukuk Murabahah	-	-	-	-	700,000	4,380	-	704,380	5.61
Other liabilities	-	-	-	-	-	569,826	-	569,826	-
Total liabilities	17,881,598	5,361,562	5,097,995	79,254	700,000	16,508,829	101,913	45,731,151	
Equity									
Equity attributable to equity holder of the Bank	-	-	-	-	-	4,032,568	-	4,032,568	
Total equity	-	-	-	-	-	4,032,568	-	4,032,568	
Total liabilities and shareholders' equity	17,881,598	5,361,562	5,097,995	79,254	700,000	20,541,397	101,913	49,763,719	

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group	Non trading book						Trading book RM'000	Total RM'000
	← Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	→ Non profit sensitive RM'000		
As at 31 December 2015								
On-balance sheet profit sensitivity gap	11,793,193	(4,375,394)	(3,473,722)	7,156,494	6,544,697	(18,086,587)	441,319	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	-	(600,000)	-	-	-	-
Total profit sensitivity gap	12,093,193	(4,075,394)	(3,473,722)	6,556,494	6,544,697	(18,086,587)	441,319	-

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group	Non trading book						Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000					
As at 31 December 2014										
<i>Assets</i>										
Cash, balances and placements with banks	2,391,792	104,108	-	-	-	773,453	-	3,269,353	2.40	
Financial assets held-for-trading	-	-	-	-	-	-	921,629	921,629	3.80	
Derivative financial assets	-	-	-	-	-	-	62,541	62,541	1.99	
Financial assets available-for-sale	56,394	124,169	1,799,758	5,396,262	2,860,080	-	-	10,236,663	4.14	
Financial assets held-to-maturity	-	-	-	-	60,752	-	-	60,752	8.44	
Financing, advances and others										
- non-impaired	22,300,734	607,877	314,917	1,361,446	5,182,199	-	-	29,767,173	6.01	
- impaired net of allowances *	-	-	-	-	-	(242,602)	-	(242,602)	-	
Other assets	-	-	-	-	-	1,745,173	-	1,745,173	-	
Total assets	24,748,920	836,154	2,114,675	6,757,708	8,103,031	2,276,024	984,170	45,820,682		

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group	←		Non trading book		→		Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000			
As at 31 December 2014									
<i>Liabilities</i>									
Deposits from customers	18,070,797	4,317,866	2,852,504	55,698	-	15,713,467	-	41,010,332	2.19
Investment accounts of customers	-	-	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	200,000	100,000	-	-	-	-	-	300,000	2.99
Derivative financial liabilities	-	-	-	-	-	-	32,407	32,407	1.03
Bills and acceptance payable	-	-	-	-	-	127,524	-	127,524	-
Subordinated Sukuk Murabahah	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	620,829	-	620,829	-
Total liabilities	18,270,797	4,417,866	2,852,504	55,698	-	16,461,820	32,407	42,091,092	
<i>Equity</i>									
Equity attributable to equity holder of the Bank	-	-	-	-	-	3,729,590	-	3,729,590	
Total equity	-	-	-	-	-	3,729,590	-	3,729,590	
Total liabilities and shareholders' equity	18,270,797	4,417,866	2,852,504	55,698	-	20,191,410	32,407	45,820,682	

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group	Non trading book						Trading book RM'000	Total RM'000
	← Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	→ Non profit sensitive RM'000		
As at 31 December 2014								
On-balance sheet profit sensitivity gap	6,478,123	(3,581,712)	(737,829)	6,702,010	8,103,031	(17,915,386)	951,763	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	-	(600,000)	-	-	-	-
Total profit sensitivity gap	6,778,123	(3,281,712)	(737,829)	6,102,010	8,103,031	(17,915,386)	951,763	-

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank	←		Non trading book		→		Trading book	Total	Effective Profit rate %
	Up to 1 month	>1-3 months	>3-12 months	1-5 years	Over 5 years	Non profit sensitive			
As at 31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<i>Assets</i>									
Cash, balances and placements with banks	2,189,653	-	-	-	-	788,662	-	2,978,315	2.61
Financial assets held-for-trading	-	-	-	-	-	-	418,718	418,718	4.20
Derivative financial assets	-	-	-	-	-	-	119,259	119,259	3.74
Financial assets available-for-sale	465,150	159,507	1,225,106	5,787,501	2,300,909	-	-	9,938,173	4.06
Financial assets held-to-maturity	-	-	-	-	59,352	-	-	59,352	7.95
Financing, advances and others									
- non-impaired	27,020,445	826,661	399,167	1,448,247	4,884,436	-	-	34,578,956	5.95
- impaired net of allowances*	-	-	-	-	-	(284,266)	-	(284,266)	-
Other assets	-	-	-	-	-	1,958,560	-	1,958,560	-
Total assets	29,675,248	986,168	1,624,273	7,235,748	7,244,697	2,462,956	537,977	49,767,067	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank	←		Non trading book		→		Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	1-5 years	Over 5 years	Non profit sensitive			
As at 31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities									
Deposits from customers	17,708,475	5,326,031	5,098,876	79,254	-	15,382,311	-	43,594,947	2.48
Investment accounts of customers	175,916	38,877	-	-	-	461,312	-	676,105	1.28
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	101,913	101,913	3.20
Bills and acceptance payable	-	-	-	-	-	122,577	-	122,577	-
Subordinated Sukuk Murabahah	-	-	-	-	700,000	4,380	-	704,380	5.61
Other liabilities	-	-	-	-	-	534,092	-	534,092	-
Total liabilities	17,884,391	5,364,908	5,098,876	79,254	700,000	16,504,672	101,913	45,734,014	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,033,053	-	4,033,053	
Total equity	-	-	-	-	-	4,033,053	-	4,033,053	
Total liabilities and shareholders' equity	17,884,391	5,364,908	5,098,876	79,254	700,000	20,537,725	101,913	49,767,067	

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank	← Non trading book →						Trading book	Total
	Up to 1 month	>1-3 months	>3-12 months	1-5 years	Over 5 years	Non profit sensitive		
As at 31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-balance sheet profit sensitivity gap	11,790,857	(4,378,740)	(3,474,603)	7,156,494	6,544,697	(18,074,769)	436,064	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	-	(600,000)	-	-	-	-
Total profit sensitivity gap	12,090,857	(4,078,740)	(3,474,603)	6,556,494	6,544,697	(18,074,769)	436,064	-

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank	Non trading book					Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective Profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 31 December 2014									
<i>Assets</i>									
Cash, balances and placements with banks	2,391,747	104,108	-	-	-	773,272	-	3,269,127	2.40
Financial assets held-for-trading	-	-	-	-	-	-	916,539	916,539	3.80
Derivative financial assets	-	-	-	-	-	-	62,541	62,541	1.99
Financial assets available-for-sale	56,851	124,169	1,799,758	5,396,262	2,860,080	-	-	10,237,120	4.14
Financial assets held-to-maturity	-	-	-	-	60,752	-	-	60,752	8.44
Financing, advances and others									
- non-impaired	22,300,734	607,877	314,917	1,361,446	5,182,199	-	-	29,767,173	6.01
- impaired net of allowances*	-	-	-	-	-	(242,602)	-	(242,602)	-
Other assets	-	-	-	-	-	1,758,637	-	1,758,637	-
Total assets	24,749,332	836,154	2,114,675	6,757,708	8,103,031	2,289,307	979,080	45,829,287	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank	←		Non trading book		→		Trading book	Total	Effective profit rate %
	Up to 1 month	>1-3 months	>3-12 months	1-5 years	Over 5 years	Non profit sensitive			
As at 31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	18,076,815	4,317,866	2,853,054	55,698	-	15,718,123	-	41,021,556	2.19
Investment accounts of customers	-	-	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	200,000	100,000	-	-	-	-	-	300,000	2.99
Derivative financial liabilities	-	-	-	-	-	-	32,407	32,407	1.03
Bills and acceptance payable	-	-	-	-	-	127,524	-	127,524	-
Subordinated Sukuk Murabahah	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	617,172	-	617,172	-
Total liabilities	18,276,815	4,417,866	2,853,054	55,698	-	16,462,819	32,407	42,098,659	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	3,730,628	-	3,730,628	
Total equity	-	-	-	-	-	3,730,628	-	3,730,628	
Total liabilities and shareholders' equity	18,276,815	4,417,866	2,853,054	55,698	-	20,193,447	32,407	45,829,287	

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank	Non trading book						Trading book RM'000	Total RM'000
	← Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	→ Non profit sensitive RM'000		
As at 31 December 2014								
On-balance sheet profit sensitivity gap	6,472,517	(3,581,712)	(738,379)	6,702,010	8,103,031	(17,904,140)	946,673	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	-	(600,000)	-	-	-	-
Total profit sensitivity gap	6,772,517	(3,281,712)	(738,379)	6,102,010	8,103,031	(17,904,140)	946,673	-

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Profit rate risk in the non-trading portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as economic value of equity (“EVE”) and earnings-at-risk (“EaR”). EVE and EaR limits are approved by the BRC and independently monitored by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

The Bank manages market risk in non-trading portfolios by monitoring the sensitivity of projected EaR and EVE under varying profit rate scenarios (simulation modeling). For simulation modeling, a combination of standard scenarios and non-standard scenarios relevant to the local market are used. The standard scenarios monitored monthly include a 100 and 200 basis points parallel fall or rise in the profit rate yield curve and historical simulation of past events. The scenarios assume no management action. Hence, they do not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimise net revenues. The nature of the hedging and risk mitigation strategies corresponds to the market instruments available. These strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the projected sensitivity to a 100 basis points parallel shift to profit rates across all maturities applied on the Group’s and Bank’s profit rate sensitivity gap as at reporting date.

	2015		2014	
	-100bps	+100bps	-100bps	+100bps
	Increase/(Decrease)			
	RM	RM	RM	RM
	million	million	million	million
Bank				
Impact on EaR	(10.38)	10.38	22.45	(22.45)
Impact on EVE	326.12	(326.12)	397.43	(397.43)

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Profit rate risk in the non-trading portfolio (continued)

Other controls to contain profit rate risk in the non-trading portfolio include stress testing and applying sensitivity limits to the available-for-sale financial assets. Sensitivity is measured by the present value of a 1 basis point change (“PV01”) and is independently monitored by the MRMD on a daily basis against limits approved by the BRC. PV01 exposures and limits are regularly discussed and reported to the ALCO and the BRC.

(ii) Market risk in the Trading Portfolio

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk (“VaR”). VaR limit is approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

Value-at-Risk

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by the Bank are based on historical simulation. These models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as profit rates and foreign exchange rates. The historical simulation models used by the Bank incorporate the following features:

- Potential market movements are calculated with reference to data from the past four years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates;
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period. The nature of the VaR model means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions; and
- The dataset is updated on daily basis.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Market risk in the Trading Portfolio (continued)

Value-at-Risk (continued)

Statistically, the Bank would expect to see losses in excess of VaR only 1 per cent of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the models are performing.

A summary of the VaR position of the Bank's trading portfolios at the reporting date is as follows:

	As at	1.1.2015 to 31.12.2015		
	31.12.2015 RM million	Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	1.81	1.69	4.61	0.40
Foreign exchange risk	0.17	0.14	0.94	0.01
Overall	1.98	1.83	4.77	0.48

	As at	1.1.2014 to 31.12.2014		
	31.12.2014 RM million	Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	0.67	1.62	2.83	0.63
Foreign exchange risk	0.11	0.22	2.08	0.01
Overall	0.78	1.84	4.71	0.68

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- The use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect the loss potential on exposures that might arise under significant market movements.

The Bank recognises these limitations by augmenting the VaR limits with other limits such as maximum loss limits, position limits and PV01 limits. These limits are approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Market risk in the Trading Portfolio (continued)

Value-at-Risk (continued)

Other controls to contain market risk at an acceptable level are through stress testing, rigorous new product approval processes and a list of permissible instruments to be traded. Stress tests are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other main economic indicators on the Group's and the Bank's profitability, capital adequacy and liquidity. The stress-testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

(iii) Foreign exchange risk

Trading positions

In addition to VaR and stress-testing, the Bank controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

Overall (trading and non-trading positions)

The Bank controls the overall foreign exchange risk by limiting the open exposure to non-Ringgit positions on an aggregate basis.

Foreign exchange limits are approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

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39. Financial Risk Management (continued)

(c) Market risk (continued)

(iii) Foreign exchange risk (continued)

Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and Bank as at reporting date is summarised as follows (only exposures in currencies that account for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2015		2014	
	-1%	+1%	-1%	+1%
	Depreciation	Appreciation	Depreciation	Appreciation
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
US Dollar	(5,414)	5,414	(4,855)	4,855
Euro	4,916	(4,916)	5,268	(5,268)
Others	224	(224)	861	(861)

(d) Liquidity risk

Overview

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms when required.

The Bank maintains a diversified and stable funding base comprising core retail, commercial, corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Bank's funding, and the Bank places considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositor confidence in the Bank and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Overview (continued)

The management of liquidity and funding is primarily carried out in accordance with the Bank Negara Malaysia's requirements and practices and limits and triggers approved by the BRC and the ALCO. These limits and triggers vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The Bank's liquidity and funding management process includes:

- Daily projection of cash flows and ensuring that the Bank has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

Liquidity and funding risk governance

The management of liquidity and funding risk is principally undertaken using risk limit mandates approved by the BRC and management action triggers assigned by the ALCO.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity and funding risk at strategic level.

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Management of liquidity and funding risk

All liquidity risk exposures are managed by Treasury. The aim is to ensure that liquidity and funding risks are consolidated at Treasury, who have the necessary skills, tools, management and governance to manage such risks professionally. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

The MRMD is the independent risk control function and is responsible for ensuring efficient implementation of liquidity and funding risk management policies. The MRMD is also responsible for developing the Bank's liquidity and funding risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits and triggers are reported immediately to the Senior Management. Strict escalation procedures are documented and approved by the BRC, with proper authorities to ratify or approve the excess. In addition, the market risk exposures and limits are regularly reported to the ALCO and the BRC.

Another control to ensure that liquidity and funding risk exposures remain within tolerable level is stress testing. Stress testing and scenario analysis are important tools in the Bank's liquidity management framework. Stress test results are produced monthly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Bank.

A final key control feature of the Bank's liquidity and funding risk management are the approved and documented liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications to the Bank.

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis

The table below summarises the Group's and Bank's assets and liabilities based on remaining contractual maturities.

Group As at 31 December 2015	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash, balances and placements with banks	792,593	2,189,653	-	-	-	-	2,982,246
Securities portfolio	-	536,669	159,507	680,974	554,331	8,489,560	10,421,041
Derivatives financial assets	2,648	8,618	94,809	327	-	12,857	119,259
Financing and advances	-	774,128	1,548,207	393,573	735,472	30,843,310	34,294,690
Other assets	-	-	-	-	-	1,946,483	1,946,483
Total assets	795,241	3,509,068	1,802,523	1,074,874	1,289,803	41,292,210	49,763,719
Liabilities							
Deposits from customers	15,350,734	17,705,682	5,322,685	2,846,530	2,251,465	79,254	43,556,350
Investment accounts of customers	461,312	175,916	38,877	-	-	-	676,105
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-
Derivative financial liabilities	2,746	20,500	74,932	415	-	3,320	101,913
Subordinated Sukuk Murabahah	-	-	-	-	4,380	700,000	704,380
Other liabilities	-	-	-	-	-	692,403	692,403
Total liabilities	15,814,792	17,902,098	5,436,494	2,846,945	2,255,845	1,474,977	45,731,151

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Group As at 31 December 2015	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,032,568	4,032,568
On Balance Sheet Net liquidity gap	(15,019,551)	(14,393,030)	(3,633,971)	(1,772,071)	(966,042)	35,784,665	-
Commitments and contingencies	2,469,997	1,340,825	2,652,505	1,795,806	1,606,570	2,826,600	12,692,303
Net liquidity gap	(17,489,548)	(15,733,855)	(6,286,476)	(3,567,877)	(2,572,612)	32,958,065	(12,692,303)

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Group As at 31 December 2014	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash, balances and placements with banks	773,453	2,391,792	104,108	-	-	-	3,269,353
Securities portfolio	-	490,709	259,457	730,579	1,229,869	8,508,430	11,219,044
Derivatives financial assets	-	4,323	8,250	26,970	6,328	16,670	62,541
Financing and advances	-	1,048,140	1,210,137	509,343	267,918	26,489,033	29,524,571
Other assets	-	-	-	-	-	1,745,173	1,745,173
Total assets	773,453	3,934,964	1,581,952	1,266,892	1,504,115	36,759,306	45,820,682
Liabilities							
Deposits from customers	15,713,467	18,070,797	4,317,866	1,860,673	991,831	55,698	41,010,332
Investment accounts of customers	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	-	200,000	100,000	-	-	-	300,000
Derivative financial liabilities	-	2,108	17,720	4,310	4,985	3,284	32,407
Subordinated Sukuk Murabahah	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	748,353	748,353
Total liabilities	15,713,467	18,272,905	4,435,586	1,864,983	996,816	807,335	42,091,092

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Group As at 31 December 2014	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	3,729,590	3,729,590
On Balance Sheet Net liquidity gap	(14,940,014)	(14,337,941)	(2,853,634)	(598,091)	507,299	32,222,381	-
Commitments and contingencies	2,410,036	1,676,783	1,434,560	1,434,375	2,372,617	2,807,596	12,135,967
Net liquidity gap	(17,350,050)	(16,014,724)	(4,288,194)	(2,032,466)	(1,865,318)	29,414,785	(12,135,967)

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2015	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash, balances and placements with banks	788,662	2,189,653	-	-	-	-	2,978,315
Securities portfolio	-	531,871	159,507	680,974	554,331	8,489,560	10,416,243
Derivatives financial assets	2,648	8,618	94,809	327	-	12,857	119,259
Financing and advances	-	774,128	1,548,207	393,573	735,472	30,843,310	34,294,690
Other assets	-	-	-	-	-	1,958,560	1,958,560
Total assets	791,310	3,504,270	1,802,523	1,074,874	1,289,803	41,304,287	49,767,067
Liabilities							
Deposits from customers	15,382,311	17,708,475	5,326,031	2,846,845	2,252,031	79,254	43,594,947
Investment accounts of customers	461,312	175,916	38,877	-	-	-	676,105
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-
Derivative financial liabilities	2,746	20,500	74,932	415	-	3,320	101,913
Subordinated Sukuk Murabahah	-	-	-	-	4,380	700,000	704,380
Other liabilities	-	-	-	-	-	656,669	656,669
Total liabilities	15,846,369	17,904,891	5,439,840	2,847,260	2,256,411	1,439,243	45,734,014

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2015	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,033,053	4,033,053
On Balance Sheet Net liquidity gap	(15,055,059)	(14,400,621)	(3,637,317)	(1,772,386)	(966,608)	35,831,991	-
Commitments and contingencies	2,469,997	1,340,825	2,652,505	1,795,806	1,606,570	2,826,600	12,692,303
Net liquidity gap	(17,525,056)	(15,741,446)	(6,289,822)	(3,568,192)	(2,573,178)	33,005,391	(12,692,303)

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2014	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash, balances and placements with banks	773,272	2,391,747	104,108	-	-	-	3,269,127
Securities portfolio	-	486,076	259,457	730,579	1,229,869	8,508,430	11,214,411
Derivatives financial assets	-	4,323	8,250	26,970	6,328	16,670	62,541
Financing and advances	-	1,048,140	1,210,137	509,343	267,918	26,489,033	29,524,571
Other assets	-	-	-	-	-	1,758,637	1,758,637
Total assets	773,272	3,930,286	1,581,952	1,266,892	1,504,115	36,772,770	45,829,287
Liabilities							
Deposits from customers	15,718,123	18,076,815	4,317,866	1,860,673	992,381	55,698	41,021,556
Deposits and placements of banks and other financial institutions	-	200,000	100,000	-	-	-	300,000
Derivative financial liabilities	-	2,108	17,720	4,310	4,985	3,284	32,407
Other liabilities	-	-	-	-	-	744,696	744,696
Total liabilities	15,718,123	18,278,923	4,435,586	1,864,983	997,366	803,678	42,098,659

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2014	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	3,730,628	3,730,628
On Balance Sheet Net liquidity gap	(14,944,851)	(14,348,637)	(2,853,634)	(598,091)	506,749	32,238,464	-
Commitments and contingencies	2,410,036	1,676,783	1,434,560	1,434,375	2,372,617	2,807,596	12,135,967
Net liquidity gap	(17,354,887)	(16,025,420)	(4,288,194)	(2,032,466)	(1,865,868)	29,430,868	(12,135,967)

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows:

Bank As at 31 December 2015	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
<u>Financial Liabilities</u>						
Deposit from customers	33,039,670	5,995,394	2,632,430	1,965,003	83,882	43,716,379
Investment accounts of customers	637,570	39,042	-	-	-	676,612
Deposit from placements of banks and other financial institutions	-	-	-	-	-	-
Derivatives financial liabilities	5,555	21,007	74,936	415	-	101,913
<i>Forward contract</i>	2,746	20,496	74,936	415	-	98,593
<i>Islamic Profit Rate Swap</i>	2,809	511	-	-	-	3,320
<i>Structured deposits</i>	-	-	-	-	-	-
Bills and acceptance payable	122,577	-	-	-	-	122,577
Subordinated Sukuk Murabahah	-	-	-	8,649	1,084,174	1,092,823
Other liabilities	534,092	-	-	-	-	534,092
	34,339,464	6,055,443	2,707,366	1,974,067	1,168,056	46,244,396
<u>Commitment and Contingencies</u>						
Direct credit substitutes	53,897	13,690	30,175	115,142	124,109	337,013
Transaction related contingent items	59,394	126,479	104,411	185,896	480,641	956,821
Short term self liquidating trade related contingencies	185,386	108,685	16,702	12,553	25,115	348,441
	298,677	248,854	151,288	313,591	629,865	1,642,275

The Group's figures are not materially different from the Bank's figures.

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39. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank As at 31 December 2014	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
<u>Financial Liabilities</u>						
Deposit from customers	33,747,231	4,287,385	1,939,086	1,020,742	59,025	41,053,469
Investment accounts of customers	-	-	-	-	-	-
Deposit from placements of banks and other financial institutions	200,425	100,409	-	-	-	300,834
Derivatives financial liabilities	4,925	18,202	4,310	4,985	15	32,437
<i>Forward contract</i>	2,123	17,410	4,310	4,985	-	28,828
<i>Islamic Profit Rate Swap</i>	2,802	792	-	-	-	3,594
<i>Structured deposits</i>	-	-	-	-	15	15
Bills and acceptance payable	127,524	-	-	-	-	127,524
Subordinated Sukuk Murabahah	-	-	-	-	-	-
Other liabilities	579,259	-	-	-	-	579,259
	34,659,364	4,405,996	1,943,396	1,025,727	59,040	42,093,523
<u>Commitment and Contingencies</u>						
Direct credit substitutes	37,603	81,510	56,237	123,881	61,202	360,433
Transaction related contingent items	114,274	74,499	89,310	248,546	499,636	1,026,265
Short term self liquidating trade related contingencies	158,699	32,308	-	3,117	42,750	236,874
	310,576	188,317	145,547	375,544	603,588	1,623,572

The Group's figures are not materially different from the Bank's figures.

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39. Financial Risk Management (continued)

(e) Operational Risk (“OpRisk”)

Overview

Operational Risk (“OpRisk”) is defined as the “risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and shariah compliance risk but excludes strategic and reputational risk”.

Management of OpRisk

The Bank recognises and emphasises the importance of operational risk management (“ORM”) and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established OpRisk guidelines, procedures and limits.

The Bank’s overall governance approach in managing OpRisk is premised on the Three Lines of Defence Approach:

- a) **1st line of defence** – the risk owner or risk taking unit i.e. Business or Support Unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of OpRisk. To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Bank.
- b) **2nd line of defence** – The Operational Risk Management Department (“ORMD”) is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of OpRisk, monitoring the effectiveness of ORM, assessing OpRisk issues from the risk owner and escalating OpRisk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Bank.

Both Shariah Risk Management (“SRM”) and Compliance Division complement the role of ORM as the second line of defence. SRM is responsible for managing the Shariah compliance risk (“SCR”) by establishing & maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling & monitoring SCR and promoting SCR awareness.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programmes as well as conducting training that promotes awareness creation.

- c) **3rd line of defence** – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

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40. Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7, "Financial Instruments: Disclosure and Presentation" which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Financial assets held-for-trading, available-for-sale and held-to-maturity

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities. The fair values are represented by their carrying value, net of impairment loss, being the recoverable amount.

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40. Fair value of financial instruments (continued)

The fair values are based on the following methodologies and assumptions (continued):

Deposits from customers and investment accounts of customers

The fair values of deposits and investment accounts are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

Bills and acceptance payable

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

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 financials assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

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40. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Group 31 December 2015 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 held-for-trading	-	423,973	-	423,973	-	423,973	423,973
Derivative financial assets	-	119,259	-	119,259	-	119,259	119,259
Financial assets available-for-sale	29,807	9,902,589	-	9,932,396	5,320	9,937,716	9,937,716
Financial assets held-to-maturity	-	-	-	-	59,352	59,352	59,352
Financing, advances and others	-	-	-	-	34,334,821	34,334,821	34,294,690
<i>Financial liabilities</i>							
Derivative financial liabilities	-	101,913	-	101,913	-	101,913	101,913
Subordinated Sukuk Murabahah	-	-	-	-	712,983	712,983	704,380

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40. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Group 31 December 2014 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	-	921,629	-	921,629	-	921,629	921,629
Derivative financial assets	-	62,541	-	62,541	-	62,541	62,541
Financial assets available-for-sale	22,564	10,200,434	4,620	10,227,618	9,045	10,236,663	10,236,663
Financial assets held-to-maturity	-	-	-	-	60,752	60,752	60,752
Financing, advances and others	-	-	-	-	29,527,807	29,527,807	29,524,571
<i>Financial liabilities</i>							
Derivative financial liabilities	-	32,407	-	32,407	-	32,407	32,407
Subordinated Sukuk Murabahah	-	-	-	-	-	-	-

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40. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Bank 31 December 2015 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	-	418,718	-	418,718	-	418,718	418,718
Derivative financial assets	-	119,259	-	119,259	-	119,259	119,259
Financial assets available-for-sale	29,807	9,903,046	-	9,932,853	5,320	9,938,173	9,938,173
Financial assets held-to-maturity	-	-	-	-	59,352	59,352	59,352
Financing, advances and others	-	-	-	-	34,334,821	34,334,821	34,294,690
<i>Financial liabilities</i>							
Derivative financial liabilities	-	101,913	-	101,913	-	101,913	101,913
Subordinated Sukuk Murabahah	-	-	-	-	712,983	712,983	704,380

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40. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Bank 31 December 2014 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	-	916,539	-	916,539	-	916,539	916,539
Derivative financial assets	-	62,541	-	62,541	-	62,541	62,541
Financial assets available-for-sale	22,564	10,200,891	4,620	10,228,075	9,045	10,237,120	10,237,120
Financial assets held-to-maturity	-	-	-	-	60,752	60,752	60,752
Financing, advances and others	-	-	-	-	29,527,807	29,527,807	29,524,571
<i>Financial liabilities</i>							
Derivative financial liabilities	-	32,407	-	32,407	-	32,407	32,407
Subordinated Sukuk Murabahah	-	-	-	-	-	-	-

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40. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2015 for the Group and the Bank:

	2015 RM'000	2014 RM'000
<i>Financial assets available-for-sale</i>		
At 1 January	4,620	4,620
Allowance for impairment	(4,620)	-
At 31 December	<u>-</u>	<u>4,620</u>

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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40. Fair value of financial instruments (continued)

Unobservable inputs used in measuring fair value (continued)

(b) Financial instruments not carried at fair value (continued)

(iii) Subordinated Sukuk Murabahah

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

41. Lease commitments

The Group and the Bank have lease commitments in respect of equipment on hire and rental of premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments are as follows:

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Within one year	45,276	45,204	44,881	44,817
Between one and five years	119,885	119,763	119,656	119,262
More than five years	284,477	304,209	284,477	304,209
	<u>449,638</u>	<u>469,176</u>	<u>449,014</u>	<u>468,288</u>

Included in the above are lease rentals with the ultimate holding entity amounting to RM404,184,000 (2014: RM423,588,000)

42. Capital commitments

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Property and equipment		
Contracted but not provided for in the financial statements	70,142	47,651
Approved but not contracted for and provided for in the financial statements	18,938	20,427
	<u>89,080</u>	<u>68,078</u>

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43. Commitments and contingencies

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows:

31 December 2015

Nature of item	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	343,731		343,731	301,001
Assets sold with recourse	2		2	2
Transaction related contingent items	956,822		478,411	413,964
Short term self-liquidating trade related contingencies	374,892		74,978	72,446
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	2,014		403	403
- exceeding one year	837,455		418,728	333,700
Unutilised credit card lines	1,169,445		233,889	176,494
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	5,822,088		-	-
	9,506,449		1,550,142	1,298,010
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	2,323,286	106,402	139,771	67,272
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	600,000	9,200	20,504	4,101
- five years and above	262,568	3,657	24,048	13,688
Equity related contracts				
- one year to less than five years	-	-	-	-
	3,185,854	119,259	184,323	85,061
Total	12,692,303	119,259	1,734,465	1,383,071

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43. Commitments and contingencies (continued)

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows (continued):

31 December 2014

Nature of item	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	360,433		360,433	355,715
Assets sold with recourse	2		2	2
Transaction related contingent items	1,026,265		513,132	451,601
Short term self-liquidating trade related contingencies	236,874		47,375	45,832
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	6,165		1,233	1,215
- exceeding one year	942,851		471,425	378,793
Unutilised credit card lines	1,023,337		204,668	153,502
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	5,404,888		-	-
	<u>9,000,815</u>		<u>1,598,268</u>	<u>1,386,660</u>
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	1,840,778	45,508	65,406	36,492
Profit rate related contracts				
- less than one year	300,000	348	308	62
- one year to less than five years	600,000	12,278	20,153	4,031
- five years and above	287,694	4,392	12,996	12,996
Equity related contracts				
- one year to less than five years	106,680	15	6,401	3,200
	<u>3,135,152</u>	<u>62,541</u>	<u>105,264</u>	<u>56,781</u>
Total	<u><u>12,135,967</u></u>	<u><u>62,541</u></u>	<u><u>1,703,532</u></u>	<u><u>1,443,441</u></u>

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44. 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) issued on 28 November 2012. The minimum regulatory capital adequacy ratios requirement for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively for year 2015. 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	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Common Equity Tier I ("CET I") Capital Ratio	12.087%	12.240%	12.049%	12.201%
Total Capital Ratio	15.320%	13.355%	15.284%	13.316%

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

	Group		Bank	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Paid-up share capital	2,363,283	2,319,907	2,363,283	2,319,907
Share premium	175,452	90,981	175,452	90,981
Retained earnings	385,913	388,923	386,580	390,019
Other reserves	1,107,920	929,779	1,107,738	929,721
Less: Deferred tax assets	(35,182)	(31,220)	(35,182)	(31,220)
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>3,997,386</u>	<u>3,698,370</u>	<u>3,982,346</u>	<u>3,683,883</u>
Sukuk Murabahah	700,000	-	700,000	-
Collective assessment allowance ^	369,414	336,850	369,357	336,819
Total Tier II Capital	<u>1,069,414</u>	<u>336,850</u>	<u>1,069,357</u>	<u>336,819</u>
Total Capital	<u>5,066,800</u>	<u>4,035,220</u>	<u>5,051,703</u>	<u>4,020,702</u>

^ Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets.

	Group		Bank	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Credit risk	29,841,140	26,947,994	29,836,588	26,945,514
Less: Credit risk absorbed by unrestricted investment accounts	(288,030)	-	(288,030)	-
Market risk	668,158	542,910	668,158	542,910
Operational risk	2,851,129	2,724,074	2,834,709	2,705,152
	<u>33,072,397</u>	<u>30,214,978</u>	<u>33,051,425</u>	<u>30,193,576</u>

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45. Related party transactions

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 13) and substantial shareholders of the holding company.

- (a) The significant related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows:

	Group		Bank	
	Transactions amount for	Transactions amount for	Transactions amount for	Transactions amount for
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<i>Ultimate holding entity</i>				
Gain on forex transaction	239	95	239	95
Profit attributable on deposits placed	94,232	84,996	94,232	84,996
Dividend attributable on Sukuk Murabahah	4,001	-	4,001	-
Rental of premises paid	22,610	21,608	22,610	21,608
Other rental	617	292	617	292
Wakalah incentive fee	400	-	400	-
Office rental received	40	17	40	17
Fees and commission received	-	1	-	1
<i>Holding company</i>				
Profit attributable on deposits placed	3,697	3,220	3,697	3,220
Profit attributable on investment accounts	2,478	-	2,478	-
Office rental received	976	929	976	929
Others	19	20	19	20
<i>Subsidiaries</i>				
Fees and commission received	-	-	4,854	7,798
Fees and commission paid	-	-	2,240	1,853
Dividend	-	-	-	800
Profit attributable on deposits placed	-	-	253	512
Net gain on forex transaction	-	-	1	-
Office rental received	-	-	383	325
Others	-	-	808	1,064

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45. Related party transactions (continued)

- (a) The significant related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows (continued):

	Group		Bank	
	Transactions amount for		Transactions amount for	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<i>Other related companies</i>				
Income received from financing, advances and others	22	14	22	14
Fees and commission received	193	39	193	39
Net (loss)/gain on forex transaction	(111)	1,181	(111)	1,181
Income from Bancatakaful service fee	22,637	22,972	22,637	22,972
Profit attributable on deposits placed	12,427	9,178	12,427	9,178
Dividend attributable on Sukuk Murabahah	128	-	128	-
Office rental received	9	-	9	-
Office rental paid	3,086	3,261	3,086	3,261
Other rental	40	37	40	37
Takaful fee paid	1,866	1,886	1,782	1,797
Others	7	50	7	50
<i>Co-operative society in which the employees have interest</i>				
Income received from financing, advances and others	1,696	832	1,696	832
Rental of equipment paid	2,414	324	2,414	324
Others	132	102	132	102

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45. Related party transactions (continued)

(b) The significant outstanding balances of the Group and the Bank with related party, are as follows:

	Group		Bank	
	Net balance outstanding as at		Net balance outstanding as at	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
<i>Ultimate holding entity</i>				
Amount due from				
Others	6	-	6	-
Amount due to				
Demand and investment deposits	673,712	2,639,396	673,712	2,639,396
Subordinated Sukuk Murabahah	100,000	-	100,000	-
Dividend Payable on Sukuk Murabahah	1,118	-	1,118	-
Profit payable to investment deposit	5,201	3,347	5,201	3,347
Commitment and contingencies	127	187	127	187
<i>Holding company</i>				
Amount due from				
Others	215	-	215	-
Amount due to				
Demand and investment deposits	214,446	123,834	214,446	123,834
Profit payable to investment deposit	966	472	966	472
Others	65	-	65	-
<i>Subsidiaries</i>				
Amount due from				
Redeemable non-cumulative preference shares	-	-	2,011	2,011
Others	-	-	188	192
Amount due to				
Demand and investment deposits	-	-	38,082	11,224
Others	-	-	19	178

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45. Related party transactions (continued)

(b) The significant outstanding balances of the Group and the Bank with related party, are as follows (continued):

	Group		Bank	
	Net balance outstanding as at		Net balance outstanding as at	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
<i>Other related companies</i>				
Amount due from				
Financing, advances and others	442	205	442	205
Others	7	-	7	-
Amount due to				
Demand and investment deposits	444,969	830,437	444,969	830,437
Subordinated Sukuk Murabahah	50,000	-	50,000	-
Dividend Payable on Sukuk Murabahah	128	-	128	-
Profit payable to investment deposit	569	808	569	808
Commitment and contingencies	7,163	5,299	7,163	5,299
<i>Co-operative society in which the employees have interest</i>				
Amount due from				
Financing, advances and others	38,436	19,258	38,436	19,258
Amount due to				
Demand and investment deposits	435	539	435	539

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46. Credit transactions and exposures with Connected Parties

	Group and Bank	
	31.12.2015 RM'000	31.12.2014 RM'000
Outstanding credit exposures with connected parties	1,095,130	1,623,424
% of outstanding credit exposures to connected parties as a proportion of total credit exposures	3.13%	5.39%
% of outstanding credit exposures with connected parties which is non-performing or in default	0.001%	0.002%

The above disclosure on Credit Transaction and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.

47. Subsequent event

On 21 January 2016, BNM announced the reduction of the Statutory Reserve Requirement ("SRR") ratio from 4.00% to 3.50% effective from 1 February 2016.