

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

Statements of Financial Position as at 31 March 2015

	Note	Group		Bank	
		31.03.2015 RM'000	31.12.2014 RM'000	31.03.2015 RM'000	31.12.2014 RM'000
Assets					
Cash and short-term funds	9	3,915,192	3,164,628	3,915,000	3,164,402
Deposits and placements with banks and other financial institutions	10	97,836	104,725	97,836	104,725
Financial assets held-for-trading	11	648,211	921,629	643,091	916,539
Derivative financial assets	12	73,768	62,541	73,768	62,541
Financial assets available-for-sale	13	9,904,740	10,236,663	9,905,197	10,237,120
Financial assets held-to-maturity	14	59,879	60,752	59,879	60,752
Financing, advances and others	15	30,148,860	29,524,571	30,148,860	29,524,571
Other assets	16	124,508	126,535	121,197	124,902
Statutory deposits with Bank Negara Malaysia		1,418,000	1,335,000	1,418,000	1,335,000
Current tax assets		40,531	40,523	40,468	40,468
Deferred tax assets		31,220	31,220	31,220	31,220
Investments in subsidiary companies		-	-	15,525	15,525
Property and equipment		217,710	211,895	217,097	211,522
Total assets		46,680,455	45,820,682	46,687,138	45,829,287
Liabilities and equity					
Deposits from customers	17	41,486,800	41,010,332	41,496,375	41,021,556
Deposits and placements of banks and other financial institutions	18	618,754	300,000	618,754	300,000
Derivative financial liabilities	12	33,103	32,407	33,103	32,407
Bills and acceptance payable		127,125	127,524	127,125	127,524
Other liabilities	19	488,541	576,228	484,746	572,599
Zakat and taxation		52,096	44,601	52,055	44,573
Total liabilities		42,806,419	42,091,092	42,812,158	42,098,659

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

		Group		Bank	
	Note	31.03.2015 RM'000	31.12.2014 RM'000	31.03.2015 RM'000	31.12.2014 RM'000
Equity					
Share capital		2,319,907	2,319,907	2,319,907	2,319,907
Reserves		<u>1,554,129</u>	<u>1,409,683</u>	<u>1,555,073</u>	<u>1,410,721</u>
Total equity		<u>3,874,036</u>	<u>3,729,590</u>	<u>3,874,980</u>	<u>3,730,628</u>
Total liabilities and equity		<u>46,680,455</u>	<u>45,820,682</u>	<u>46,687,138</u>	<u>45,829,287</u>
Commitments and Contingencies	28	<u>12,148,510</u>	<u>12,135,967</u>	<u>12,148,510</u>	<u>12,135,967</u>

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2014.

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2015**

	Note	Group		Bank	
		3 months ended		3 months ended	
		31.03.2015	31.03.2014	31.03.2014	31.03.2013
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	20	542,283	473,639	542,283	473,639
Income derived from investment of shareholders' funds	21	97,779	101,451	96,763	99,929
Allowances for impairment on financing and advances	22	(30,453)	(16,632)	(30,453)	(16,632)
Direct expenses		(6,792)	(3,792)	(6,792)	(3,792)
Total distributable income		602,817	554,666	601,801	553,144
Income attributable to depositors	23	(243,537)	(192,689)	(243,573)	(192,796)
Total net income		359,280	361,977	358,228	360,348
Personnel expenses	24	(111,856)	(112,321)	(110,441)	(110,854)
Other overhead expenses	25	(73,774)	(82,615)	(74,230)	(82,883)
Profit before zakat and tax		173,650	167,041	173,557	166,611
Zakat		(3,013)	(2,270)	(3,000)	(2,259)
Tax expense		(47,600)	(44,504)	(47,587)	(44,509)
Profit for the period		123,037	120,267	122,970	119,843
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		(21,700)	2,542	(21,727)	2,543
Fair value reserve					
Net change in fair value		45,338	(23,740)	45,338	(23,740)
Net amount transferred to profit or loss		(2,229)	1,729	(2,229)	1,729
Other comprehensive income for the period, net of tax		21,409	(19,469)	21,382	(19,468)
Total comprehensive income for the period		144,446	100,798	144,352	100,375
Earnings per share (sen)		5.30	5.23		

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2014.

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Consolidated Statement of Changes in Equity for the three months ended 31 March 2015

Group	← Attributable to equity holders of the Bank →				Total equity RM'000
	← Non-distributable →		Other reserves RM'000	Distributable Retained earnings RM'000	
	Share capital RM'000	Share premium RM'000			
At 1 January 2015	2,319,907	90,981	929,779	388,923	3,729,590
Profit for the period	-	-	-	123,037	123,037
Currency translation difference in respect of foreign operations	-	-	(21,700)	-	(21,700)
Fair value reserve – Net change in fair value	-	-	45,338	-	45,338
– Net amount reclassified to profit or loss	-	-	(2,229)	-	(2,229)
Total comprehensive income for the period	-	-	21,409	123,037	144,446
At 31 March 2015	2,319,907	90,981	951,188	511,960	3,874,036
At 1 January 2014	2,298,165	52,281	722,567	253,822	3,326,835
Profit for the period	-	-	-	120,267	120,267
Currency translation difference in respect of foreign operations	-	-	2,542	-	2,542
Fair value reserve – Net change in fair value	-	-	(23,740)	-	(23,740)
– Net amount reclassified to profit or loss	-	-	1,729	-	1,729
Total comprehensive income for the period	-	-	(19,469)	120,267	100,798
Transfer to statutory reserve	-	-	59,921	(59,921)	-
At 31 March 2014	2,298,165	52,281	763,019	314,168	3,427,633

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2014.

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Statement of Changes in Equity for the three months ended 31 March 2015

Bank	← Attributable to equity holders of the Bank →				Total equity RM'000
	← Non-distributable →		Distributable		
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2015	2,319,907	90,981	929,721	390,019	3,730,628
Profit for the period	-	-	-	122,970	122,970
Currency translation difference in respect of foreign operations	-	-	(21,727)	-	(21,727)
Fair value reserve – Net change in fair value	-	-	45,338	-	45,338
– Net amount reclassified to profit or loss	-	-	(2,229)	-	(2,229)
Total comprehensive income for the period	-	-	21,382	122,970	144,352
At 31 March 2015	2,319,907	90,981	951,103	512,989	3,874,980
At 1 January 2014	2,298,165	52,281	722,539	256,389	3,329,374
Profit for the period	-	-	-	119,843	119,843
Currency translation difference in respect of foreign operations	-	-	2,543	-	2,543
Fair value reserve – Net change in fair value	-	-	(23,740)	-	(23,740)
– Net amount reclassified to profit or loss	-	-	1,729	-	1,729
Total comprehensive income for the period	-	-	(19,468)	119,843	100,375
Transfer to statutory reserve	-	-	59,921	(59,921)	-
At 31 March 2014	2,298,165	52,281	762,992	316,311	3,429,749

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2014.

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Condensed Statements of Cash Flow
for the three months ended 31 March 2015

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	173,650	167,041	173,557	166,611
Adjustment for non-cash items	70,106	58,160	70,072	58,136
Operating profit before working capital changes	243,756	225,201	243,629	224,747
Changes in working capital:				
Net changes in operating assets	(456,758)	(1,245,487)	(455,080)	(1,246,073)
Net changes in operating liabilities	384,878	(1,145,319)	383,063	(1,152,296)
Net cash generated from/ (used in) operations	171,876	(2,165,605)	171,612	(2,173,622)
Zakat and tax paid	(43,152)	(45,583)	(43,125)	(45,541)
Tax refund	6	112	-	-
Net cash generated from/ (used in) operating activities	128,730	(2,211,076)	128,487	(2,219,163)
Net cash generated from/ (used in) investing activities	636,649	(121,000)	636,950	(120,962)
Net cash generated from financing activities	-	-	-	7,400
Net increase/ (decrease) in cash and cash equivalents	765,379	(2,332,076)	765,437	(2,332,725)
Cash and cash equivalents at beginning of the period	3,269,353	3,730,923	3,269,127	3,728,658
Exchange difference on translation	(21,704)	2,542	(21,728)	2,543
Cash and cash equivalents at end of the period	4,013,028	1,401,389	4,012,836	1,398,476

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2014.

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**Notes to the unaudited interim financial statements
for the three months ended 31 March 2015**

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2015 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act, 1965 and Shariah requirements.

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

The unaudited interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2014.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to MFRSs:

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

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

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

- 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* 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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1. Basis of preparation (continued)

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

- 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*
- MFRS 14, *Regulatory Deferral Accounts*
- 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 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 9, *Financial Instruments (2014)*

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 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- 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.

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1. Basis of preparation (continued)

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact 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 MFRS 139, *Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets*. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Bank's investment in unquoted shares will be measured at fair value through comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2014 was not qualified.

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the three months ended 31 March 2015.

4. Unusual items

There were no unusual items in the three months ended 31 March 2015.

5. Changes in accounting estimates

There was no material changes in estimates of amounts reported in the prior financial year that has a material effect to the financial statements for the three months ended 31 March 2015.

6. Debt and equity securities

There were no issuance or repayment of debt and equity securities or share buy-back during the three months ended 31 March 2015.

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7. Significant events during the three months ended 31 March 2015

There was no significant event during the three months ended 31 March 2015.

8. Dividends

There was no dividend payment during the three months ended 31 March 2015.

9. Cash and short-term funds

	Group		Bank	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	567,045	773,453	566,900	773,272
Money at call and interbank placements with remaining maturity not exceeding one month	3,348,147	2,391,175	3,348,100	2,391,130
	<u>3,915,192</u>	<u>3,164,628</u>	<u>3,915,000</u>	<u>3,164,402</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
Licensed Islamic banks	97,836	104,725
	<u>97,836</u>	<u>104,725</u>

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11. Financial assets held-for-trading

	Group		Bank	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government				
Investment Issues	143,837	50,767	143,837	50,767
Bank Negara Negotiable Notes	170,446	394,808	170,446	394,808
Islamic Debt Securities	328,808	191,336	328,808	191,336
Unit Trust	5,120	5,090	-	-
Negotiable Islamic Debt				
Certificates	-	279,628	-	279,628
	<u>648,211</u>	<u>921,629</u>	<u>643,091</u>	<u>916,539</u>

12. Derivative financial assets/liabilities

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

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

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
31.03.2015	RM'000	RM'000	RM'000
Forward contracts	2,107,143	62,333	(29,731)
Profit rate swaps	881,541	11,435	(3,372)
Structured deposits	-	-	-
	<u>2,988,684</u>	<u>73,768</u>	<u>(33,103)</u>

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
31.12.2014	RM'000	RM'000	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)
	<u>3,135,152</u>	<u>62,541</u>	<u>(32,407)</u>

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13. Financial assets available-for-sale

	Group		Bank	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Unit trust	<u>3,229</u>	<u>3,229</u>	<u>3,229</u>	<u>3,229</u>
At fair value				
Malaysian Government				
Investment Issues	1,178,126	1,202,058	1,178,126	1,202,058
Islamic Debt Securities	<u>8,690,129</u>	<u>8,998,120</u>	<u>8,690,586</u>	<u>8,998,577</u>
	9,868,255	10,200,178	9,868,712	10,200,635
At fair value				
Islamic Development Bank				
Unit Trust	<u>1,647</u>	<u>1,647</u>	<u>1,647</u>	<u>1,647</u>
At cost				
Unquoted shares in Malaysia	25,355	24,450	25,355	24,450
Less: Accumulated impairment loss *	<u>(16,639)</u>	<u>(15,734)</u>	<u>(16,639)</u>	<u>(15,734)</u>
	8,716	8,716	8,716	8,716
At cost				
Unquoted shares outside Malaysia	<u>22,893</u>	<u>22,893</u>	<u>22,893</u>	<u>22,893</u>
	9,904,740	10,236,663	9,905,197	10,237,120

* Movement in accumulated impairment loss is due to translation difference

14. Financial assets held-to-maturity

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
At amortised cost		
Unquoted securities in Malaysia:		
Islamic Debt Securities	66,898	67,771
Less: Accumulated impairment loss	<u>(7,019)</u>	<u>(7,019)</u>
	59,879	60,752

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15. Financing, advances and others

(a) By type and Shariah contract

Group & Bank	Bai' Bithaman Ajil	Murabahah	Bai Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek	Ijarah Thumma Al-Bai'	Istisna'	Ar-Rahnu	Total
31 March 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost									
Cash line	-	-	97,409	828,566	-	-	-	-	925,975
Term financing									
House financing	5,122,375	-	-	4,503,581	-	-	65,155	-	9,691,111
Syndicated financing	17,083	-	176,615	987,163	-	150,410	-	-	1,331,271
Leasing financing	-	-	-	-	71,348	3,924	-	-	75,272
Bridging financing	-	-	-	-	-	-	77,749	-	77,749
Personal financing	-	-	250,582	9,445,213	-	-	-	-	9,695,795
Other term financing	3,008,804	495,381	20,815	3,595,326	-	-	1,808	-	7,122,134
Staff financing	107,809	-	22	48,781	-	-	17,850	-	174,462
Credit cards	-	-	45,107	379,592	-	-	-	-	424,699
Trade bills discounted	-	1,115,261	-	-	-	-	-	-	1,115,261
Trust receipts	-	24,654	-	-	-	-	-	-	24,654
Pawn broking	-	-	-	-	-	-	-	83,053	83,053
	8,256,071	1,635,296	590,550	19,788,222	71,348	154,334	162,562	83,053	30,741,436
Allowance for impaired financing, advances and others									
- collective assessment allowance									(460,597)
- individual assessment allowance									(131,979)
Net financing, advances and others									30,148,860

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group & Bank	Bai'		Bai		Ijarah		Istisna'	Ar-Rahnu	Total
31 December 2014	Bithaman	Murabahah	Al-Inah	At-Tawarruq	Muntahiah	Ijarah	RM'000	RM'000	RM'000
	Ajil	RM'000	RM'000	RM'000	Bit-Tamleek	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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15. Financing, advances and others (continued)

(b) By type of customer

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
Domestic non-bank financial institutions	492,383	471,181
Domestic business enterprise	5,678,906	5,884,575
Small medium industries	663,098	658,763
Government and statutory bodies	284,430	292,201
Individuals	23,060,857	22,336,404
Other domestic entities	7,902	8,230
Foreign entities	553,860	460,358
	<u>30,741,436</u>	<u>30,111,712</u>

(c) By profit rate sensitivity

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
Fixed rate		
House financing	1,518,120	1,563,643
Others	5,445,922	7,553,928
Floating rate		
Others	23,777,394	20,994,141
	<u>30,741,436</u>	<u>30,111,712</u>

(d) By remaining contractual maturity

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
Maturity within one year	3,129,195	3,147,023
More than one year to three years	1,269,597	992,088
More than three years to five years	1,732,545	1,468,082
More than five years	24,610,099	24,504,519
	<u>30,741,436</u>	<u>30,111,712</u>

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15. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
Central Region	13,905,247	13,567,565
Eastern Region	5,201,727	5,037,536
Northern Region	4,848,221	4,722,950
Southern Region	4,248,002	4,411,954
East Malaysia Region	2,538,239	2,371,707
	<u>30,741,436</u>	<u>30,111,712</u>

(f) By sector

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
Primary agriculture	373,472	331,524
Mining and quarrying	22,381	20,481
Manufacturing (including agro-based)	929,468	1,011,749
Electricity, gas and water	599,564	549,284
Wholesale & retail trade, and hotels & restaurants	1,078,443	879,627
Construction	2,145,271	2,316,754
Real estate	776,457	693,563
Transport, storage and communications	318,998	563,955
Finance, insurance and business activities	937,855	924,120
Education, health and others	498,302	483,863
Household sectors	23,061,225	22,336,792
	<u>30,741,436</u>	<u>30,111,712</u>

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15. Financing, advances and others (continued)

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

	Group and Bank	
	31.03.2015	31.12.2014
	RM’000	RM’000
At 1 January 2015/ 2014	344,539	285,302
Classified as impaired during the period/year	151,664	438,837
Reclassified as not impaired during the period/year	(52,825)	(194,739)
Amount recovered	(20,877)	(72,983)
Amount written off	(56,464)	(115,145)
Exchange differences	2,949	3,267
At 31 March 2015/ 31 December 2014	<u>368,986</u>	<u>344,539</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.20%</u>	<u>1.14%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	31.03.2015	31.12.2014
	RM’000	RM’000
Central Region	151,599	148,240
Eastern Region	41,424	44,509
Northern Region	33,587	30,618
Southern Region	26,443	13,307
East Malaysia Region	115,933	107,865
	<u>368,986</u>	<u>344,539</u>

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15. Financing, advances and others (continued)

(i) Impaired financing by sector

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
Primary agriculture	6,425	1,854
Manufacturing (including agro-based)	8,873	7,669
Electricity, gas and water	47	54
Wholesale & retail trade, and hotels & restaurants	13,825	14,732
Construction	66,723	72,192
Transport, storage and communications	47,377	42,689
Finance, insurance and business activities	62,244	60,258
Education, health and others	3,739	590
Household sectors	159,733	144,501
	368,986	344,539

(j) Movement of allowance for impaired financing

	Group and Bank	
	31.03.2015	31.12.2014
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2015/ 2014	444,388	365,375
Allowance made during the period/year	37,306	162,878
Amount written off	(21,500)	(84,416)
Exchange differences	403	551
At 31 March 2015/ 31 December 2014	460,597	444,388
<u>Individual assessment allowance</u>		
At 1 January 2015/ 2014	142,753	136,197
Allowance made during the period/year	21,248	34,055
Amount written off	(34,965)	(30,802)
Exchange differences	2,943	3,303
At 31 March 2015/ 31 December 2014	131,979	142,753

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16. Other assets

	Group		Bank	
	31.03.2015 RM'000	31.12.2014 RM'000	31.03.2015 RM'000	31.12.2014 RM'000
Other receivables	88,893	90,027	86,359	89,068
Deposit and prepayments	35,615	36,508	34,408	35,637
Related companies	-	-	430	197
	<u>124,508</u>	<u>126,535</u>	<u>121,197</u>	<u>124,902</u>

17. Deposits from customers

a) By type of deposit

	Group		Bank	
	31.03.2015 RM'000	31.12.2014 RM'000	31.03.2015 RM'000	31.12.2014 RM'000
Saving Deposit	5,276,673	5,091,650	5,276,673	5,091,650
<i>Wadiah</i>	3,218,779	3,052,428	3,218,779	3,052,428
<i>Mudharabah</i>	2,057,894	2,039,222	2,057,894	2,039,222
Demand Deposit				
<i>Wadiah</i>	9,556,727	10,535,088	9,559,459	10,539,744
Term Deposit	26,564,913	25,296,865	26,571,756	25,303,433
Special Investment Accounts				
<i>Mudharabah</i>	2,986,963	5,022,921	2,986,963	5,025,258
General Investment Accounts				
<i>Mudharabah</i>	673,129	919,816	673,129	919,816
Term & Special term deposit-i				
<i>Tawarruq</i>	20,741,870	17,895,591	20,748,713	17,899,695
Negotiable Islamic Debt Certificates (NIDC)				
Waheed-i	78,175	134,453	78,175	134,580
Ziyad	-	95,059	-	95,059
Others	88,487	86,729	88,487	86,729
Total Deposits	<u>41,486,800</u>	<u>41,010,332</u>	<u>41,496,375</u>	<u>41,021,556</u>

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17. Deposits from customers (continued)

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	31.03.2015 RM'000	31.12.2014 RM'000	31.03.2015 RM'000	31.12.2014 RM'000
Due within six months	22,012,314	22,201,248	22,018,588	22,207,468
More than six months to one year	4,239,915	2,834,535	4,240,484	2,834,883
More than one year to three years	276,381	224,132	276,381	224,132
More than three years to five years	36,303	36,950	36,303	36,950
	26,564,913	25,296,865	26,571,756	25,303,433

c) By type of customer

	Group		Bank	
	31.03.2015 RM'000	31.12.2014 RM'000	31.03.2015 RM'000	31.12.2014 RM'000
Government and statutory bodies	7,296,263	7,022,205	7,296,263	7,022,205
Business enterprises	9,718,397	9,970,005	9,718,397	9,970,005
Individuals	5,867,533	5,565,494	5,867,533	5,565,494
Others	18,604,607	18,452,628	18,614,182	18,463,852
	41,486,800	41,010,332	41,496,375	41,021,556

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31.03.2015 RM'000	31.12.2014 RM'000
<i>Mudharabah fund</i>		
Licensed Islamic banks	418,754	280,000
Other financial institutions	200,000	20,000
	618,754	300,000

19. Other liabilities

	Group		Bank	
	31.03.2015 RM'000	31.12.2014 RM'000	31.03.2015 RM'000	31.12.2014 RM'000
Other payable	443,307	455,931	440,193	453,384
Accruals	45,234	120,297	44,553	119,215
	488,541	576,228	484,746	572,599

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20. Income derived from investment of depositors' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	26,430	28,483	26,430	28,483
(ii) Other deposits	515,853	445,156	515,853	445,156
	<u>542,283</u>	<u>473,639</u>	<u>542,283</u>	<u>473,639</u>

(i) Income derived from investment of general investment deposits

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	21,420	21,855	21,420	21,855
Financial assets:				
- held-for-trading	377	660	377	660
- available-for-sale	3,414	5,531	3,414	5,531
- held-to-maturity	33	43	33	43
Money at call and deposits with financial institutions	776	434	776	434
	<u>26,020</u>	<u>28,523</u>	<u>26,020</u>	<u>28,523</u>
<i>Other dealing income</i>				
Net gain/ (loss) from sale of financial assets held-for-trading	179	(169)	179	(169)
Net gain on revaluation of financial assets held-for-trading	126	213	126	213
	<u>305</u>	<u>44</u>	<u>305</u>	<u>44</u>
<i>Other operating income</i>				
Net gain/ (loss) from sale of financial assets available-for-sale	105	(84)	105	(84)
	<u>105</u>	<u>(84)</u>	<u>105</u>	<u>(84)</u>
	<u>26,430</u>	<u>28,483</u>	<u>26,430</u>	<u>28,483</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>362</u>	<u>327</u>	<u>362</u>	<u>327</u>

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

(ii) Income derived from investment of other deposits

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	418,066	341,580	418,066	341,580
Financial assets:				
- held-for-trading	7,297	10,319	7,297	10,319
- available-for-sale	66,603	86,450	66,603	86,450
- held-to-maturity	650	665	650	665
Money at call and deposits with financial institutions	15,218	6,756	15,218	6,756
	507,834	445,770	507,834	445,770
<i>Other dealing income</i>				
Net gain/ (loss) from sale of financial assets held-for-trading	3,530	(2,607)	3,530	(2,607)
Net gain on revaluation of financial assets held-for-trading	2,365	3,322	2,365	3,322
	5,895	715	5,895	715
<i>Other operating income</i>				
Net gain/ (loss) from sale of financial assets available-for-sale	2,124	(1,329)	2,124	(1,329)
	2,124	(1,329)	2,124	(1,329)
	515,853	445,156	515,853	445,156
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	7,032	5,105	7,032	5,105

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21. Income derived from investment of shareholders' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	1,524	1,517	1,524	1,517
Financial assets available-for-sale	28,403	26,260	28,403	26,260
Money at call and deposits with financial institutions	2,889	3,930	2,889	3,931
	32,816	31,707	32,816	31,708
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	27,685	31,846	27,685	31,846
Net derivatives loss	(4,220)	(1,878)	(4,220)	(1,878)
Net gain on revaluation of financial assets held-for-trading	31	-	-	-
	23,496	29,968	23,465	29,968
<i>Other operating income</i>				
Net loss from sale of financial assets available-for-sale	-	(316)	-	(316)
	-	(316)	-	(316)
<i>Fees and commission</i>				
Fees	33,437	31,739	32,337	30,187
Commission	4,948	5,957	4,948	5,957
Others	2,863	2,423	2,898	2,384
	41,248	40,119	40,183	38,528
<i>Other income</i>				
Net loss on disposal of property and equipment	(336)	(852)	(336)	(852)
Rental income	528	780	615	857
Other income	27	45	20	36
	219	(27)	299	41
	97,779	101,451	96,763	99,929

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22. Allowances for impairment on financing and advances

	Group and Bank	
	3 months ended	
	31.03.2015	31.03.2014
	RM'000	RM'000
Allowances for impaired financing, advances and others:		
- collective assessment allowance	37,306	33,977
- individual assessment allowance	21,248	8,527
Bad debts and financing recovered	(28,101)	(25,872)
	<u>30,453</u>	<u>16,632</u>

23. Income attributable to depositors

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	36,139	161,316	36,139	161,420
- Non-Mudharabah fund	205,851	24,744	205,887	24,747
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	1,547	6,475	1,547	6,475
- Non-Mudharabah fund	-	154	-	154
	<u>243,537</u>	<u>192,689</u>	<u>243,573</u>	<u>192,796</u>

24. Personnel expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	87,099	91,323	85,987	90,142
Employees' Provident Fund	11,532	10,758	11,369	10,583
Other staff related costs	13,225	10,240	13,085	10,129
	<u>111,856</u>	<u>112,321</u>	<u>110,441</u>	<u>110,854</u>

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25. Other overhead expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	1,051	1,211	1,033	1,198
Credit and debit card expenses	4,744	4,721	4,744	4,721
Others	2,658	2,140	2,554	1,907
	8,453	8,072	8,331	7,826
<i>Establishment</i>				
Office rental	12,510	11,737	12,496	11,709
Depreciation of property and equipment	15,425	11,956	15,391	11,932
Information technology expenses	4,182	7,028	4,182	7,028
Rental equipment	864	913	853	900
Office maintenance	3,097	2,062	3,051	2,021
Utilities	3,609	3,350	3,590	3,330
Security services	3,395	3,438	3,401	3,436
Takaful and insurance	2,191	1,939	2,162	1,919
Others	70	269	70	269
	45,343	42,692	45,196	42,544
<i>General expenses</i>				
Professional fees	(140)	1,034	(188)	982
Office supplies	2,161	2,108	2,141	2,092
Outsourcing fees	3,495	11,104	3,495	11,104
Others	14,462	17,605	15,255	18,335
	19,978	31,851	20,703	32,513
	73,774	82,615	74,230	82,883

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26. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>3 months ended 31 March 2015</u>						
Total Revenue	366,332	108,807	130,344	36,774	(2,195)	640,062
Net fund based income	199,828	92,007	(5,393)	36,688	-	323,130
Non-fund based income	27,795	7,859	36,389	3,511	(2,159)	73,395
Net income	227,623	99,866	30,996	40,199	(2,159)	396,525
Allowances for impairment	(19,787)	(10,666)	-	-	-	(30,453)
Profit before overheads, zakat & taxation	207,836	89,200	30,996	40,199	(2,159)	366,072
Operating expenses						(192,422)
Profit before zakat & taxation						173,650
<u>3 months ended 31 March 2014</u>						
Total Revenue	316,585	81,692	143,457	36,044	(2,688)	575,090
Net fund based income	175,900	70,487	3,968	62,955	-	313,310
Non-fund based income	28,031	6,728	33,084	3,829	(2,581)	69,091
Net income	203,931	77,215	37,052	66,784	(2,581)	382,401
Allowances for impairment	(18,131)	1,499	-	-	-	(16,632)
Profit before overheads, zakat & taxation	185,800	78,714	37,052	66,784	(2,581)	365,769
Operating expenses						(198,728)
Profit before zakat & taxation						167,041

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 31 March 2015</u>						
Segment assets	22,761,749	7,387,110	14,127,871	34,886	(26,044)	44,285,572
Unallocated assets						2,394,883
Total assets						<u>46,680,455</u>
<u>At 31 December 2014</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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27. Fair value of Financial Instruments

Fair value hierarchy

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

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

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

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27. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 31 March 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	-	648,211	-	648,211	-	648,211	648,211
Derivative financial assets	-	73,768	-	73,768	-	73,768	73,768
Financial assets available-for-sale	-	9,868,511	4,620	9,873,131	31,609	9,904,740	9,904,740
Financial assets held-to-maturity	-	-	-	-	59,879	59,879	59,879
Financing, advances and others	-	-	-	-	30,238,045	30,238,045	30,148,860
<i>Financial liabilities</i>							
Derivative financial liabilities	-	33,103	-	33,103	-	33,103	33,103
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	-	10,200,434	4,620	10,207,054	31,609	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

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27. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 31 March 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	-	643,091	-	643,091	-	643,091	643,091
Derivative financial assets	-	73,768	-	73,768	-	73,768	73,768
Financial assets available-for-sale	-	9,868,511	4,620	9,873,131	32,066	9,905,197	9,905,197
Financial assets held-to-maturity	-	-	-	-	59,879	59,879	59,879
Financing, advances and others	-	-	-	-	30,238,045	30,238,045	30,148,860
<i>Financial liabilities</i>							
Derivative financial liabilities	-	33,103	-	33,103	-	33,103	33,103

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	-	10,200,434	4,620	10,205,054	32,066	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

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27. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

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

	31.03.2015	31.12.2014
	RM'000	RM'000
<i>Financial assets available-for-sale</i>		
At 1 January 2015/2014	4,620	4,620
Allowance for impairment	-	-
Settlement	-	-
At 31 March 2015/31 December 2014	<u>4,620</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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28. Commitment and Contingencies

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 31 March 2015				
<i>Credit related exposures</i>				
Direct credit substitutes	340,195		340,195	336,710
Assets sold with recourse	2		2	2
Transaction related contingent items	1,033,741		516,870	455,457
Short term self-liquidating trade related contingencies	222,212		44,442	43,722
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	2,185		437	429
- exceeding one year	937,005		468,503	376,051
Unutilised credit card lines	1,067,361		213,472	160,103
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	5,557,125		-	-
	9,159,826		1,583,921	1,372,474
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	2,107,143	62,333	80,196	40,864
Profit rate related contracts				
- one year to less than five years	600,000	7,082	20,208	4,042
- five years and above	281,541	4,353	11,317	11,317
	2,988,684	73,768	111,721	56,223
Total	12,148,510	73,768	1,695,642	1,428,697

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28. Commitment and Contingencies (continued)

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

As at 31 December 2014	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		-	-
	9,000,815		1,598,268	1,386,660
<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				
- less than one year	106,680	15	6,401	3,200
	3,135,152	62,541	105,264	56,781
Total	12,135,967	62,541	1,703,532	1,443,441

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29. 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 Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

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

	Group		Bank	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
CET I & Tier I capital ratio	12.003%	12.240%	11.965%	12.201%
Total capital ratio	13.111%	13.355%	13.073%	13.316%

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

	Group		Bank	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,319,907	2,319,907	2,319,907	2,319,907
Share premium	90,981	90,981	90,981	90,981
Retained earnings	388,923	388,923	390,019	390,019
Other reserves	945,455	929,779	945,370	929,721
Less: Deferred tax assets	(31,220)	(31,220)	(31,220)	(31,220)
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>3,714,046</u>	<u>3,698,370</u>	<u>3,699,532</u>	<u>3,683,883</u>
Collective assessment allowance ^	342,605	336,850	342,549	336,819
Total Tier II Capital	<u>342,605</u>	<u>336,850</u>	<u>342,549</u>	<u>336,819</u>
Total Capital	<u>4,056,651</u>	<u>4,035,220</u>	<u>4,042,081</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.

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

	Group		Bank	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	27,408,406	26,947,994	27,403,893	26,945,514
Market risk	763,523	542,910	763,523	542,910
Operational risk	2,769,837	2,724,074	2,752,228	2,705,152
	<u>30,941,766</u>	<u>30,214,978</u>	<u>30,919,644</u>	<u>30,193,576</u>

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30. Performance review for the three months ended 31 March 2015

The Group reported profit before zakat and tax of RM173.7 million or an increase of 4.0% for the three months ended 31 March 2015 compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM5.2 billion or 20.8% to reach RM30.1 billion as at end March 2015. Correspondingly, fund based income from financing also increased by RM76.0 million or 20.8%. Non fund based income was also higher by RM4.3 million or 6.2% and growth was mainly from investment income.

As at end of March 2015, customer deposits stood at RM41.5 billion with a year-on-year increase of RM5.3 billion or 14.7%, and the low cost current and savings accounts (CASA) reported a year-on-year increase of RM0.6 billion or 3.9%. The CASA ratio as at end March 2015 was 35.8% against the Islamic Banking Industry CASA ratio of 24.8% as at end February 2015.

The Group's gross impaired financing ratio was 1.20% while the net impaired financing ratio (less IA and CA) was a negative 0.74% as at end March 2015 compared to 1.14% and a negative 0.82% respectively as at 31 December 2014. The Banking System gross impaired ratio was 1.67% and the net impaired ratio was 0.04% (less IA and CA) as at end February 2015.

The key performance ratios as at end March 2015 also compared favourably against the Banking System ratios as at end December 2014. The Bank's return on equity based on profit before tax (PBT) was 17.6% against the Banking System's 15.2%. The return on assets (based on PBT) was similar to the Banking System's 1.5%.

31. Prospect for 2015

The global economy is anticipated to be more challenging in 2015. The diversity in monetary policy action among the advanced countries suggest that capital flows are likely to remain volatile while lower prices in key commodities such as crude oil and, to some extent, crude palm oil would exert downward pressures to Malaysia's external revenues. Thus far, policy prescription by the advanced economies has been geared towards supporting growth.

Notwithstanding that, the US Dollar continues to chart multi-year highs as anticipation for the interest rate hike gathers momentum. In this regard, the Malaysian Ringgit (MYR) saw a sharp decline, losing by as much as 3.6% since the start of the year. In addition, the implementation of Goods and Services Tax (GST) on April 1 is expected to impact consumer spending especially in the immediate term as households brace for higher prices.

Going forward, the Malaysian economy is able to withstand challenges brought by moderating external demand. For one, industries such as Electrical and Electronics and Tourism are likely to benefit from the weakening of MYR as export becomes increasingly more competitive. Apart from that, stable labour market condition, continued income growth and the presence of direct transfers program such as BR1M would underpin private consumption during the course of 2015.

Meanwhile, government's development expenditure will translate into more activities in the construction and manufacturing sector due to the implementation of infrastructure projects. This would include the construction of Pan Borneo Highway in East Malaysia, the Penang Transport Masterplan (PTMP), MRT 2 and LRT extension which are all slated to be implemented in 2016 onwards. Against such backdrop, the Malaysian economy is poised to grow in 2015, albeit at a slower pace of 5.3% compared to 6.0% growth in 2014.

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31. Prospect for 2015 (continued)

At Bank Islam, we are now at the tail end of our third corporate master plan since 2007, Hijrah to Excellence “H2E” (2013-2015). The operating environment for the banking industry sees moderate economic growth, rising inflation rate, implementation of Goods and Service Tax (GST), coupled with enhancement to regulatory framework such as Islamic Financial Services Act (IFSA 2013) and Basel III.

We expect to sustain our growth momentum albeit with a cautious stance, taking into consideration of the current economic condition. In a rising interest rate environment, we foresee an increase in bilateral financing as a means to raise funds by corporates rather than going out to the capital market. Structured financing products for specific assets, infrastructure projects and project financing for state government related entities continue to be the main focus in driving secured financing for better asset quality.

Likewise, we want to remain aggressive and dynamic with key measures to drive low cost funding, continuous product innovation and expand the value chain through cross marketing. Additionally, we intend to further expand the Bank’s branch network to capture higher deposits and widen its reach to new potential markets. Currently, Bank Islam has the widest dedicated Islamic banking network of 141 branches nationwide and aims to achieve the optimal number of 150 branches by the end of 2015. These initiatives will be supported by the ongoing emphasis on service excellence to improve customer experience.

32. Subsequent events

Issuance of Subordinated Sukuk Murabahah Tranche 1/ Dividend payment

The Bank is to issue the Tranche 1 of the Subordinated Sukuk Murabahah (Sukuk) of RM300.0 million on 22 April 2015.

Following the issuance, the Bank will distribute the proposed final single tier dividend of 5.75 sen per ordinary share amounting to RM133.395 for the financial year ended 31 December 2014. Approximately 50% of the final dividend amounting to RM67.277 million is to be in the form of cash dividend and the remaining 50% of the proposed final dividend, that is, RM66.117 million will be reinvested for acquisition of 22,799,000 new ordinary shares of Bank Islam at RM2.90 per ordinary share under the Dividend Reinvestment Plan (DRP).

With the issuance of the Sukuk and payment of proposed final dividend and DRP, the Bank’s total capital ratio is expected to increase to 13.83% for the position as at 31 March 2015.