

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

Statements of Financial Position as at 31 March 2016

	Note	Group		Bank	
		31.03.2016 RM'000	31.12.2015 RM'000	31.03.2016 RM'000	31.12.2015 RM'000
Assets					
Cash and short-term funds	9	1,205,661	2,881,669	1,205,275	2,877,738
Deposits and placements with banks and other financial institutions	10	-	100,577	-	100,577
Financial assets held-for-trading	11	504,989	423,973	499,689	418,718
Derivative financial assets	12	74,012	119,259	74,012	119,259
Financial assets available-for-sale	13	9,345,677	9,937,716	9,346,134	9,938,173
Financial assets held-to-maturity	14	58,487	59,352	58,487	59,352
Financing, advances and others	15	35,247,105	34,294,690	35,247,105	34,294,690
Other assets	16	48,340	70,796	46,260	68,235
Statutory deposits with Bank Negara Malaysia		1,347,240	1,591,460	1,347,240	1,591,460
Current tax assets		40,361	40,127	40,309	40,111
Deferred tax assets		17,276	35,182	17,276	35,182
Investments in subsidiary companies		-	-	15,525	15,525
Property and equipment		203,574	208,918	202,678	208,047
Total assets		48,092,722	49,763,719	48,099,990	49,767,067
Liabilities and equity					
Deposits from customers	17	40,579,815	43,556,350	40,600,247	43,594,947
Investment accounts of customers	18	907,917	676,105	907,917	676,105
Deposits and placements of banks and other financial institutions	19	499,962	-	499,962	-
Derivative financial liabilities	12	68,768	101,913	68,768	101,913
Bills and acceptance payable		485,543	122,577	485,543	122,577
Subordinated Sukuk Murabahah	20	714,273	704,380	714,273	704,380
Other liabilities	21	555,665	544,209	541,800	508,505
Zakat and taxation		23,018	25,617	22,978	25,587
Total liabilities		43,834,961	45,731,151	43,841,488	45,734,014

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Statements of Financial Position as at 31 March 2016 (continued)

		Group		Bank	
	Note	31.03.2016 RM'000	31.12.2015 RM'000	31.03.2016 RM'000	31.12.2015 RM'000
Equity					
Share capital		2,363,283	2,363,283	2,363,283	2,363,283
Reserves		1,894,478	1,669,285	1,895,219	1,669,770
Total equity		4,257,761	4,032,568	4,258,502	4,033,053
Total liabilities and equity		48,092,722	49,763,719	48,099,990	49,767,067
Restricted investment accounts					
	18	106,595	82,567	106,595	82,567
Total Islamic banking asset		48,199,317	49,846,286	48,206,585	49,849,634
Commitments and Contingencies					
	32	13,781,623	12,692,303	13,781,623	12,692,303

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 2015.

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2016**

	Note	Group 3 months ended		Bank 3 months ended	
		31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Income derived from investment of depositors' funds	22	591,361	542,283	591,361	542,283
Income derived from investment account funds	23	11,484	-	11,484	-
Income derived from investment of shareholders' funds	24	111,813	97,779	108,991	96,763
Allowances for impairment on financing and advances	25	(34,611)	(30,453)	(34,611)	(30,453)
Allowance for impairment on investments		(310)	-	(310)	-
Direct expenses		(5,768)	(6,792)	(5,768)	(6,792)
Total distributable income		673,969	602,817	671,147	601,801
Wakalah performance incentive fees from restricted investment accounts		1,002	-	1,002	-
Income attributable to depositors	26	(278,491)	(243,537)	(278,551)	(243,573)
Income attributable to investment account holders	27	(2,230)	-	(2,230)	-
Total net income		394,250	359,280	391,368	358,228
Personnel expenses	28	(123,592)	(111,856)	(121,819)	(110,441)
Other overhead expenses	29	(85,670)	(73,774)	(84,371)	(74,230)
Finance cost on Subordinated Sukuk Murabahah		(9,893)	-	(9,893)	-
Profit before zakat and tax		175,095	173,650	175,285	173,557
Zakat		(2,260)	(3,013)	(2,250)	(3,000)
Tax expense		(45,341)	(47,600)	(45,355)	(47,587)
Profit for the period		127,494	123,037	127,680	122,970

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2016 (continued)**

	Note	Group 3 months ended		Bank 3 months ended	
		31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Profit for the year		<u>127,494</u>	<u>123,037</u>	<u>127,680</u>	<u>122,970</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		40,998	(21,700)	41,068	(21,727)
Fair value reserve					
Net change in fair value		87,702	45,338	87,702	45,338
Net amount transferred to profit or loss		(13,095)	(2,229)	(13,095)	(2,229)
Income tax expense relating to components of other comprehensive income		(17,906)	-	(17,906)	-
Other comprehensive income for the period, net of tax		<u>97,699</u>	<u>21,409</u>	<u>97,769</u>	<u>21,382</u>
Total comprehensive income for the period		<u>225,193</u>	<u>144,446</u>	<u>225,449</u>	<u>144,352</u>
Earnings per share (sen)		<u>5.39</u>	<u>5.30</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 2015.

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Consolidated Statement of Changes in Equity for the three months ended 31 March 2016

Group	← Attributable to equity holders of the Bank →				
	← Non-distributable →			Distributable	
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016	2,363,283	175,452	1,107,920	385,913	4,032,568
Profit for the period	-	-	-	127,494	127,494
Currency translation difference in respect of foreign operations	-	-	40,998	-	40,998
Fair value reserve – Net change in fair value	-	-	87,702	-	87,702
– Net amount reclassified to profit or loss	-	-	(13,095)	-	(13,095)
Income tax expense relating to components of other comprehensive income	-	-	(17,906)	-	(17,906)
Total comprehensive income for the period	-	-	97,699	127,494	225,193
At 31 March 2016	2,363,283	175,452	1,205,619	513,407	4,257,761
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

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 2015.

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Statement of Changes in Equity for the three months ended 31 March 2016

Bank	← Attributable to equity holders of the Bank →				Total equity
	← Non-distributable	Share capital	Share premium	Other reserves	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	2,363,283	175,452	1,107,738	386,580	4,033,053
Profit for the period	-	-	-	127,680	127,680
Currency translation difference in respect of foreign operations	-	-	41,068	-	41,068
Fair value reserve – Net change in fair value	-	-	87,702	-	87,702
– Net amount reclassified to profit or loss	-	-	(13,095)	-	(13,095)
Income tax credit relating to components of other comprehensive income	-	-	(17,906)	-	(17,906)
Total comprehensive income for the period	-	-	97,769	127,680	225,449
At 31 March 2016	2,363,283	175,452	1,205,507	514,260	4,258,502
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

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 2015.

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Condensed Statements of Cash Flow
for the three months ended 31 March 2016

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	175,095	173,650	175,285	173,557
Adjustment for non-cash items	69,920	70,106	69,903	70,072
Operating profit before working capital changes	245,015	243,756	245,188	243,629
Changes in working capital:				
Net changes in operating assets	(202,683)	(456,758)	(203,164)	(455,080)
Net changes in operating liabilities	(2,416,335)	384,878	(2,412,661)	383,063
Net cash (used in)/generated from operations	(2,374,003)	171,876	(2,370,637)	171,612
Zakat and tax paid	(41,731)	(43,152)	(41,709)	(43,125)
Tax refund	-	6	-	-
Net cash (used in)/generated from operating activities	(2,415,734)	128,730	(2,412,346)	128,487
Net cash generated from investing activities	598,144	636,649	598,235	636,950
Net (decrease)/increase in cash and cash equivalents	(1,817,590)	765,379	(1,814,111)	765,437
Cash and cash equivalents at beginning of the period	2,982,246	3,269,353	2,978,315	3,269,127
Exchange difference on translation	41,005	(21,704)	41,071	(21,728)
Cash and cash equivalents at end of the period	1,205,661	4,013,028	1,205,275	4,012,836

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 2015.

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**Notes to the unaudited interim financial statements
for the three months ended 31 March 2016**

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2016 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 2015. 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 2015.

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 2015, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to MFRSs:

- 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 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)*

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1. Basis of preparation (continued)

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

MFRSs effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs effective for a date yet to be confirmed

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

The Group and the Bank plan to apply the abovementioned standards and amendments from the annual period beginning on 1 January 2018 for those accounting standards and amendments 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 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 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.

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 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 2016.

4. Unusual items

There were no unusual items in the three months ended 31 March 2016.

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5. Changes in accounting estimates

There was no material change in estimates of amounts reported in the prior financial year that has a material effect to the financial statements for the three months ended 31 March 2016.

6. Debt and equity securities

There was no issuance or repayment of debt and equity securities or share buy-back during the three months ended 31 March 2016.

7. Significant events during the three months ended 31 March 2016

There was no significant event during the three months ended 31 March 2016.

8. Dividends

There was no dividend payment during the three months ended 31 March 2016.

9. Cash and short-term funds

	Group		Bank	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	579,414	792,593	579,028	788,662
Money at call and interbank placements with remaining maturity not exceeding one month	626,247	2,089,076	626,247	2,089,076
	<u>1,205,661</u>	<u>2,881,669</u>	<u>1,205,275</u>	<u>2,877,738</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
Licensed Islamic banks	<u>-</u>	<u>100,577</u>

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11. Financial assets held-for-trading

	Group		Bank	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government				
Investment Issues	367,761	241,717	367,761	241,717
Islamic Debt Securities	131,928	177,001	131,928	177,001
Unit trust	5,300	5,255	-	-
	<u>504,989</u>	<u>423,973</u>	<u>499,689</u>	<u>418,718</u>

12. Derivative financial assets/liabilities

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

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

Group and Bank	31.03.2016		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,119,777	65,666	(65,208)
Profit rate swaps	856,069	8,346	(3,560)
	<u>3,975,846</u>	<u>74,012</u>	<u>(68,768)</u>
	31.12.2015		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	2,323,286	106,402	(98,593)
Profit rate swaps	862,568	12,857	(3,320)
	<u>3,185,854</u>	<u>119,259</u>	<u>(101,913)</u>

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13. Financial assets available-for-sale

	Group		Bank	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	2,213,226	2,556,539	2,213,226	2,556,539
Islamic Debt Securities	7,083,102	7,332,715	7,083,559	7,333,172
	<u>9,296,328</u>	<u>9,889,254</u>	<u>9,296,785</u>	<u>9,889,711</u>
At fair value				
Quoted shares				
- outside Malaysia	29,807	29,807	29,807	29,807
Quoted unit trust				
- in Malaysia	14,281	13,335	14,281	13,335
	<u>44,088</u>	<u>43,142</u>	<u>44,088</u>	<u>43,142</u>
At cost				
Unquoted shares in Malaysia	22,830	24,319	22,830	24,319
Less: Accumulated impairment loss *	(17,588)	(19,328)	(17,588)	(19,328)
	<u>5,242</u>	<u>4,991</u>	<u>5,242</u>	<u>4,991</u>
At cost				
Unquoted shares outside Malaysia	329	329	329	329
Less: Accumulated impairment loss	(310)	-	(310)	-
	<u>19</u>	<u>329</u>	<u>19</u>	<u>329</u>
	<u>9,345,677</u>	<u>9,937,716</u>	<u>9,346,134</u>	<u>9,938,173</u>

* Movement in accumulated impairment loss is due to translation difference

14. Financial assets held-to-maturity

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
At amortised cost		
Unquoted securities in Malaysia:		
Islamic Debt Securities	65,374	66,239
Less: Accumulated impairment loss	(6,887)	(6,887)
	<u>58,487</u>	<u>59,352</u>

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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 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost									
Cash line	-	-	56,997	913,137	-	-	-	-	970,134
Term financing									
House financing^	4,765,240	-	-	7,299,739	-	-	61,404	-	12,126,383
Syndicated financing	5,863	-	160,186	1,007,844	-	129,292	-	-	1,303,185
Leasing financing	-	-	-	-	84,179	1,533	-	-	85,712
Bridging financing	-	-	-	-	-	-	86,732	-	86,732
Personal financing	-	-	70,234	10,397,776	-	-	-	-	10,468,010
Other term financing	2,453,364	758,171	18,335	5,797,363	-	-	1,746	-	9,028,979
Staff financing	93,262	2,699	-	75,939	-	-	15,859	-	187,759
Credit cards	-	-	11,352	426,015	-	-	-	-	437,367
Trade bills discounted	-	1,137,286	-	-	-	-	-	-	1,137,286
Trust receipts	-	11,770	-	-	-	-	-	-	11,770
Pawn broking	-	-	-	-	-	-	-	75,072	75,072
	7,317,729	1,909,926	317,104	25,917,813	84,179	130,825	165,741	75,072	35,918,389
Allowance for impaired financing, advances and others									
- collective assessment allowance									(554,431)
- individual assessment allowance									(116,853)
Net financing, advances and others									35,247,105

^ Included in house financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting RM907,917,000 (2015: RM676,105,000) as disclosed in Note 18 of these financial statements.

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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 2015	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	-	-	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

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15. Financing, advances and others (continued)

(b) By type of customer

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
Domestic non-bank financial institutions	1,059,997	1,004,961
Domestic business enterprise	6,245,440	5,907,856
Small medium industries	806,672	939,552
Government and statutory bodies	900,450	897,923
Individuals	26,323,418	25,618,163
Other domestic entities	7,590	7,678
Foreign entities	574,822	584,093
	<u>35,918,389</u>	<u>34,960,226</u>

(c) By profit rate sensitivity

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
Fixed rate		
House financing	1,375,599	1,403,863
Others	4,474,628	4,855,968
Floating rate		
Others	30,068,162	28,700,395
	<u>35,918,389</u>	<u>34,960,226</u>

(d) By remaining contractual maturity

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
Maturity within one year	3,963,470	3,543,984
More than one year to three years	1,295,775	1,121,154
More than three years to five years	2,430,064	1,613,849
More than five years	28,229,080	28,681,239
	<u>35,918,389</u>	<u>34,960,226</u>

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15. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
Central Region	16,705,140	16,254,666
Eastern Region	6,002,031	5,856,505
Northern Region	5,468,945	5,297,531
Southern Region	4,884,081	4,725,173
East Malaysia Region	2,858,192	2,826,351
	<u>35,918,389</u>	<u>34,960,226</u>

(f) By sector

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
Primary agriculture	433,198	403,666
Mining and quarrying	12,938	13,494
Manufacturing (including agro-based)	855,760	930,013
Electricity, gas and water	677,503	681,984
Wholesale & retail trade, and hotels & restaurants	1,229,129	1,102,861
Construction	2,048,240	2,225,492
Real estate	1,281,198	1,088,961
Transport, storage and communications	322,996	395,914
Finance, insurance and business activities	1,629,136	1,406,399
Education, health and others	1,105,110	1,092,052
Household sectors	26,323,181	25,619,390
	<u>35,918,389</u>	<u>34,960,226</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	
	31.03.2016	31.12.2015
	RM’000	RM’000
At 1 January 2016/ 2015	381,270	344,539
Classified as impaired during the period/year	117,055	513,966
Reclassified as not impaired during the period/year	(60,582)	(205,690)
Amount recovered	(46,708)	(144,268)
Amount written off	(48,934)	(139,053)
Exchange differences	(5,796)	11,776
At 31 March 2016/ 31 December 2015	<u>336,305</u>	<u>381,270</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>0.94%</u>	<u>1.09%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	31.03.2016	31.12.2015
	RM’000	RM’000
Central Region	149,947	184,568
Eastern Region	47,415	47,369
Northern Region	35,195	35,880
Southern Region	26,734	29,892
East Malaysia Region	77,014	83,561
	<u>336,305</u>	<u>381,270</u>

(i) Impaired financing by sector

	Group and Bank	
	31.03.2016	31.12.2015
	RM’000	RM’000
Primary agriculture	1,307	1,307
Manufacturing (including agro-based)	4,724	6,650
Wholesale & retail trade, and hotels & restaurants	23,716	24,986
Construction	25,462	56,344
Transport, storage and communications	28,383	29,332
Finance, insurance and business activities	64,180	69,533
Education, health and others	7,243	7,502
Household sectors	181,290	185,616
	<u>336,305</u>	<u>381,270</u>

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15. Financing, advances and others (continued)

(j) **Movement of allowance for impaired financing**

	Group and Bank	
	31.03.2016	31.12.2015
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2016/ 2015	541,065	444,388
Allowance made during the period/year	61,767	189,391
Amount written off	(47,298)	(94,748)
Exchange differences	(1,103)	2,034
At 31 March 2016/ 31 December 2015	<u>554,431</u>	<u>541,065</u>
<u>Individual assessment allowance</u>		
At 1 January 2016/ 2015	124,471	142,753
Allowance made during the period/year	2,658	46,420
Amount recovered	(2,727)	(32,272)
Amount written off	(1,753)	(44,139)
Exchange differences	(5,796)	11,709
At 31 March 2016/ 31 December 2015	<u>116,853</u>	<u>124,471</u>

16. Other assets

	Group		Bank	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Other receivables	12,474	33,342	11,200	31,744
Deposit and prepayments	35,501	37,227	34,284	36,063
Related companies	365	227	776	428
	<u>48,340</u>	<u>70,796</u>	<u>46,260</u>	<u>68,235</u>

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17. Deposits from customers

a) By type of deposit

	Group		Bank	
	31.03.2016 RM'000	31.12.2015 RM'000	31.03.2016 RM'000	31.12.2015 RM'000
Saving Deposit	4,833,966	4,674,687	4,833,966	4,674,687
<i>Wadiah</i>	4,833,966	4,674,687	4,833,966	4,674,687
Demand Deposit				
<i>Wadiah</i>	10,110,950	10,581,603	10,124,327	10,613,180
Term Deposit	25,541,206	28,205,616	25,548,261	28,212,636
Special Investment Accounts				
<i>Mudharabah</i>	24,971	26,058	24,971	26,058
General Investment Accounts				
<i>Mudharabah</i>	447,135	478,802	447,135	478,802
Term & Special term deposit-i				
<i>Tawarruq</i>	22,564,832	24,406,269	22,571,887	24,413,289
Negotiable Islamic Debt Certificates (NIDC)	2,502,240	3,287,644	2,502,240	3,287,644
Waheed-i	2,028	6,843	2,028	6,843
Others	93,693	94,444	93,693	94,444
Total Deposits	<u>40,579,815</u>	<u>43,556,350</u>	<u>40,600,247</u>	<u>43,594,947</u>

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	31.03.2016 RM'000	31.12.2015 RM'000	31.03.2016 RM'000	31.12.2015 RM'000
Due within six months	19,910,642	23,218,044	19,916,907	23,224,498
More than six months to one year	4,353,072	4,000,106	4,353,862	4,000,672
More than one year to three years	1,235,951	946,690	1,235,951	946,690
More than three years to five years	41,541	40,776	41,541	40,776
	<u>25,541,206</u>	<u>28,205,616</u>	<u>25,548,261</u>	<u>28,212,636</u>

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17. Deposits from customers (continued)

c) By type of customer

	Group		Bank	
	31.03.2016 RM'000	31.12.2015 RM'000	31.03.2016 RM'000	31.12.2015 RM'000
Government and statutory bodies	6,307,425	7,419,397	6,307,425	7,419,397
Business enterprises	11,144,881	12,183,999	11,144,881	12,183,999
Individuals	5,729,784	5,576,637	5,729,784	5,576,637
Others	17,397,725	18,376,317	17,418,157	18,414,914
	<u>40,579,815</u>	<u>43,556,350</u>	<u>40,600,247</u>	<u>43,594,947</u>

18. Investment accounts of customers

	Group and Bank	
	31.12.2016 RM'000	31.12.2015 RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	691,169	461,312
With maturity		
<i>Wakalah</i>	216,748	214,793
	<u>907,917</u>	<u>676,105</u>
Restricted investment accounts ^		
With maturity		
<i>Wakalah</i>	<u>106,595</u>	<u>82,567</u>

^ Restricted investment accounts (“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 right and obligation in respect of the assets related to the RIA or to the residual cash flows from those assets except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31.03.2016 RM'000	31.12.2015 RM'000
<i>Mudharabah fund</i>		
Licensed Islamic banks	<u>499,962</u>	<u>-</u>

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20. Subordinated Sukuk Murabahah

	Note	Group and Bank	
		31.03.2016	31.12.2015
		RM'000	RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche, RM300 million			
5.75% due in 2025	(a)	307,703	303,355
Second tranche, RM400 million			
5.50% due in 2025	(b)	406,570	401,025
		<u>714,273</u>	<u>704,380</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.

21. Other liabilities

	Group		Bank	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Other payable	515,364	435,065	502,559	401,478
Accruals	40,301	109,144	39,241	107,027
	<u>555,665</u>	<u>544,209</u>	<u>541,800</u>	<u>508,505</u>

22. Income derived from investment of depositors' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	7,366	26,430	7,366	26,430
(ii) Other deposits	583,995	515,853	583,995	515,853
	<u>591,361</u>	<u>542,283</u>	<u>591,361</u>	<u>542,283</u>

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

(i) Income derived from investment of general investment deposits

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	4,853	21,420	4,853	21,420
Financial assets:				
- held-for-trading	137	377	137	377
- available-for-sale	1,623	3,414	1,623	3,414
- held-to-maturity	18	33	18	33
Money at call and deposits with financial institutions	170	776	170	776
	6,801	26,020	6,801	26,020
<i>Other dealing income</i>				
Net gain from sale of financial assets held-for-trading	93	179	93	179
Net gain on revaluation of financial assets held-for-trading	116	126	116	126
	209	305	209	305
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	356	105	356	105
	356	105	356	105
	7,366	26,430	7,366	26,430
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	211	362	211	362

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

(ii) Income derived from investment of other deposits

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	495,762	418,066	495,762	418,066
Financial assets:				
- held-for-trading	4,827	7,297	4,827	7,297
- available-for-sale	56,901	66,603	56,901	66,603
- held-to-maturity	617	650	617	650
Money at call and deposits with financial institutions	5,914	15,218	5,914	15,218
	564,021	507,834	564,021	507,834
<i>Other dealing income</i>				
Net gain from sale of financial assets held-for-trading	3,301	3,530	3,301	3,530
Net gain on revaluation of financial assets held-for-trading	3,934	2,365	3,934	2,365
	7,235	5,895	7,235	5,895
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	12,739	2,124	12,739	2,124
	12,739	2,124	12,739	2,124
	583,995	515,853	583,995	515,853
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	7,394	7,032	7,394	7,032

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23. Income derived from investment account funds

	Group and Bank	
	3 months ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
Finance income		
Unrestricted investment accounts		
- <i>Mudharabah</i>	9,069	-
- <i>Wakalah</i>	2,415	-
	<u>11,484</u>	<u>-</u>

24. Income derived from investment of shareholders' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	1,530	1,524	1,530	1,524
Financial assets available-for-sale	42,441	28,403	42,441	28,403
Money at call and deposits with financial institutions	733	2,889	733	2,889
	<u>44,704</u>	<u>32,816</u>	<u>44,704</u>	<u>32,816</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	18,477	27,685	18,477	27,685
Net derivatives loss	(4,186)	(4,220)	(4,186)	(4,220)
Net gain on revaluation of financial assets held-for-trading	45	31	-	-
	<u>14,336</u>	<u>23,496</u>	<u>14,291</u>	<u>23,465</u>
<i>Other operating income</i>				
Unit trust in Malaysia	881	-	881	-
<i>Fees and commission</i>				
Fees	40,815	33,437	38,936	32,337
Commission	4,577	4,948	5,890	4,948
Others	6,398	2,863	4,106	2,898
	<u>51,790</u>	<u>41,248</u>	<u>48,932</u>	<u>40,183</u>
<i>Other income</i>				
Net loss on disposal of property and equipment	(519)	(336)	(519)	(336)
Rental income	609	528	693	615
Other income	12	27	9	20
	<u>102</u>	<u>219</u>	<u>183</u>	<u>299</u>
	<u>111,813</u>	<u>97,779</u>	<u>108,991</u>	<u>96,763</u>

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25. Allowances for impairment on financing and advances

	Group and Bank	
	3 months ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
Allowances/(Reversal) for impaired financing, advances and others:		
- collective assessment allowance	61,767	37,306
- individual assessment allowance	(69)	21,248
Bad debts and financing recovered	(27,087)	(28,101)
	<u>34,611</u>	<u>30,453</u>

26. Income attributable to depositors

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	4,266	36,139	4,266	36,139
- Non-Mudharabah fund	268,270	205,851	268,330	205,887
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	1,547	-	1,547
- Non-Mudharabah fund	5,955	-	5,955	-
	<u>278,491</u>	<u>243,537</u>	<u>278,551</u>	<u>243,573</u>

27. Income attributable to investment account holders

	Group and Bank	
	3 months ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
Unrestricted investment accounts		
- <i>Mudharabah</i>	173	-
- <i>Wakalah</i>	2,057	-
	<u>2,230</u>	<u>-</u>

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28. Personnel expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	97,198	87,099	95,793	85,987
Employees' Provident Fund	12,660	11,532	12,442	11,369
Other staff related costs	13,734	13,225	13,584	13,085
	<u>123,592</u>	<u>111,856</u>	<u>121,819</u>	<u>110,441</u>

29. Other overhead expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	1,862	1,051	1,825	1,033
Credit and debit card expenses	6,089	4,744	6,089	4,744
Others	4,084	2,658	2,991	2,554
	<u>12,035</u>	<u>8,453</u>	<u>10,905</u>	<u>8,331</u>
<i>Establishment</i>				
Office rental	12,928	12,510	12,915	12,496
Depreciation of property and equipment	14,771	15,425	14,709	15,391
Information technology expenses	11,397	4,182	11,397	4,182
Rental of equipment	998	864	984	853
Office maintenance	2,199	3,097	2,170	3,051
Utilities	3,309	3,609	3,286	3,590
Security services	3,821	3,395	3,820	3,401
Takaful and insurance	450	2,191	401	2,162
Others	238	70	238	70
	<u>50,111</u>	<u>45,343</u>	<u>49,920</u>	<u>45,196</u>
<i>General expenses</i>				
Professional fees	766	(140)	739	(188)
Office supplies	2,328	2,161	2,287	2,141
Outsourcing fees	3,919	3,495	3,919	3,495
Others	16,511	14,462	16,601	15,255
	<u>23,524</u>	<u>19,978</u>	<u>23,546</u>	<u>20,703</u>
	<u>85,670</u>	<u>73,774</u>	<u>84,371</u>	<u>74,230</u>

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30. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>3 months ended 31 March 2016</u>						
Total Revenue	417,426	139,229	111,457	49,541	(1,993)	715,660
Net fund based income	213,963	100,464	(12,602)	44,465	-	346,290
Non-fund based income	34,661	9,893	40,010	6,018	(1,933)	88,649
Net income	248,624	110,357	27,408	50,483	(1,933)	434,939
Allowances for impairment	(39,078)	4,467	(310)	-	-	(34,921)
Profit before overheads, zakat & taxation	209,546	114,824	27,098	50,483	(1,933)	400,018
Operating expenses						(224,923)
Profit before zakat & taxation						175,095
<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

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 31 March 2016</u>						
Segment assets	25,949,647	9,297,458	10,604,569	45,257	(37,000)	45,859,931
Unallocated assets						2,232,791
Total assets						<u>48,092,772</u>
<u>At 31 December 2015</u>						
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						<u>49,763,719</u>

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31. Fair value of Financial Instruments

Fair value hierarchy

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

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

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

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 31 March 2016 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets held-for-trading	-	504,989	-	504,989	-	504,989	504,989
Derivative financial assets	-	74,012	-	74,012	-	74,012	74,012
Financial assets available-for-sale	28,743	9,310,609	-	9,339,352	6,325	9,345,677	9,345,677
Financial assets held-to-maturity	-	-	-	-	58,487	58,487	58,487
Financing, advances and others	-	-	-	-	32,291,900	32,291,900	35,247,105
Financial liabilities							
Derivative financial liabilities	-	68,768	-	68,768	-	68,768	68,768
Subordinated Sukuk Murabahah	-	-	-	-	727,513	727,513	714,273
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 Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
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
Financial liabilities							
Derivative financial liabilities	-	101,913	-	101,913	-	101,913	101,913
Subordinated Sukuk Murabahah	-	-	-	-	712,983	712,983	704,380

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 31 March 2016 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	499,689	-	499,689	-	499,689	499,689
Derivative financial assets	-	74,012	-	74,012	-	74,012	74,012
Financial assets available-for-sale	28,743	9,311,066	-	9,339,809	6,325	9,346,134	9,346,134
Financial assets held-to-maturity	-	-	-	-	58,487	58,487	58,487
Financing, advances and others	-	-	-	-	32,291,900	32,291,900	35,247,105
<i>Financial liabilities</i>							
Derivative financial liabilities	-	68,768	-	68,768	-	68,768	68,768
Subordinated Sukuk Murabahah	-	-	-	-	727,513	727,513	714,273
<i>Bank</i>							
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	6,325	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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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Unobservable inputs used in measuring fair value

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

(a) Financial instruments carried at fair value

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

(b) Financial instruments not carried at fair value

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

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

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

(ii) Financing and advances

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

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32. Commitment and Contingencies

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 31 March 2016				
<i>Credit related exposures</i>				
Direct credit substitutes	357,823		357,823	308,262
Assets sold with recourse	2		2	2
Transaction related contingent items	952,706		476,353	413,919
Short term self-liquidating trade related contingencies	385,689		77,138	74,875
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	506,371		101,275	79,585
- exceeding one year	1,960,674		980,337	773,686
Unutilised credit card lines	1,201,321		240,264	181,264
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,441,191		-	-
	9,805,777		2,233,192	1,831,593
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,059,837	65,666	96,555	42,666
- One year to less than five years	59,940	-	2,997	599
Profit rate related contracts				
- one year to less than five years	600,000	4,844	16,082	3,216
- five years and above	256,069	3,502	20,797	13,163
	3,975,846	74,012	136,431	59,644
Total	13,781,623	74,012	2,369,623	1,891,237

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32. Commitment and Contingencies (continued)

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

	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 December 2015				
<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		-	-
	<u>9,506,449</u>		<u>1,550,142</u>	<u>1,298,010</u>
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	2,323,286	106,402	139,771	67,272
- One year to less than five years	-	-	-	-
Profit rate related contracts				
- 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
	<u>3,185,854</u>	<u>119,259</u>	<u>184,323</u>	<u>85,061</u>
Total	<u>12,692,303</u>	<u>119,259</u>	<u>1,734,465</u>	<u>1,383,071</u>

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33. Capital adequacy

Total capital and capital adequacy ratios of the Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) 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	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
CET I & Tier I capital ratio	12.017%	12.087%	11.980%	12.049%
Total capital ratio	15.188%	15.320%	15.153%	15.284%

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

	Group		Bank	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,363,283	2,363,283	2,363,283	2,363,283
Share premium	175,452	175,452	175,452	175,452
Retained earnings	385,913	385,913	386,580	386,580
Other reserves	1,205,619	1,107,920	1,205,507	1,107,738
Less: Deferred tax assets	(17,276)	(35,182)	(17,276)	(35,182)
Less: 55% of fair value reserves	(18,506)	-	(18,506)	-
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>4,094,485</u>	<u>3,997,386</u>	<u>4,079,515</u>	<u>3,982,346</u>
Sukuk Murabahah	700,000	700,000	700,000	700,000
Collective assessment allowance ^	380,685	369,414	380,639	369,357
Total Tier II Capital	<u>1,080,685</u>	<u>1,069,414</u>	<u>1,080,639</u>	<u>1,069,357</u>
Total Capital	<u><u>5,175,170</u></u>	<u><u>5,066,800</u></u>	<u><u>5,160,154</u></u>	<u><u>5,051,703</u></u>

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

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33. Capital adequacy (continued)

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

	Group		Bank	
	31.03.2016 RM'000	31.12.2015 RM'000	31.03.2016 RM'000	31.12.2015 RM'000
Credit risk	30,840,781	29,841,140	30,837,057	29,836,588
Less : Credit risk absorbed by unrestricted investment accounts	(385,956)	(288,030)	(385,956)	(288,030)
Market risk	719,114	668,158	719,114	668,158
Operational risk	2,899,113	2,851,129	2,882,556	2,834,709
	<u>34,073,052</u>	<u>33,072,397</u>	<u>34,052,771</u>	<u>33,051,425</u>

34. Performance review for the three months ended 31 March 2016

The Group reported profit before zakat and tax of RM175.1 million or an increase of 0.8% for the three months ended 31 March 2016 compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM5.1 billion or 16.9% to reach RM35.2 billion as at end March 2016. Correspondingly, fund based income from financing also increased by RM72.6 million or 16.5%. Non fund based income was also higher by RM15.3 million or 20.8% and growth was mainly from investment income.

As at end of March 2016, customer deposits stood at RM40.6 billion with a year-on-year decrease of RM0.9 billion or 2.2%. However, the low cost current and savings accounts (CASA) reported a year-on-year increase of RM0.1 billion or 0.8%. The CASA ratio as at end March 2016 was 36.8% against the Islamic Banking Industry CASA ratio of 26.3% as at end February 2016.

The Group's gross impaired financing ratio was 0.94% while the net impaired financing ratio (less IA and CA) was a negative 0.95% as at end March 2016 compared to 1.09% and a negative 0.83% respectively as at 31 December 2015. The Banking System gross impaired ratio was 1.64% and the net impaired ratio was 0.12% (less IA and CA) as at end February 2016.

The key performance ratios as at end March 2016 also compared favourably against the Banking System ratios as at end December 2015. The Bank's return on equity and return on assets based on profit before tax (PBT) were 16.2% and 1.4% respectively against the Banking System's 12.4% and 1.3% respectively.

35. Prospect for 2016

The economy grew 4.5% year-on-year in the fourth quarter of 2015 primarily driven by private consumption which posted 4.9% growth after moderating to 4.1% in the previous quarter. Similarly, external demand showed favourable contribution to growth with net exports growing by 4.2% (3Q2015: 3.3%). On the whole, despite the challenging economic environment in 2015, GDP recorded a 5.0% growth from 6% achieved in the previous year supported by continued expansion in domestic demand particularly from the private sector. Modest improvements in external demand in the second half of 2015 also provided additional impetus to economic growth.

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35. Prospect for 2016 (continued)

For 2016, the prospects of the Malaysian economy will continue to be influenced by the international economic and financial landscape. Some of the factors impacting the economy are low commodity prices, policy shifts in major economies and slowing momentum of global growth. At this point, the outlook remains challenging. Domestic demand will still be the principal driver of growth, albeit at a moderating pace, on the back of private sector spending. With this, it is widely reported that GDP should grow between 4.0% and 4.5% in 2016.

Despite the adversity in the operating environment, the banking sector should remain resilient. The latest move to cut the EPF members' contribution by three percentage points commencing March this year should be a mitigating factor for the prevailing weak consumer sentiment. The reduction in Overnight Policy Rate (OPR) also looks more compelling at this juncture in an effort to rejuvenate certain industries although BNM seems not inclined to provide additional stimulus at the moment apart from the latest cut in the Statutory Reserve Requirement (SRR) by 50 basis points in January 2016. In addition, the Bank believe that competition in the banking sector will continue to intensify as banks compete to acquire customer deposits.

The Bank continues to be conscious of the fact that economic headwinds remain a concern. In spite of the challenges, the Bank plans to sustain business momentum by focusing on (1) robust liability management, (2) adopting proactive risk management stance especially where asset quality is concerned and (3) capitalising on the new opportunities such as those presented by the introduction of the investment account framework under Islamic Financial Services Act, 2013. In fact, the Bank is one of the four founding banks of the first bank-intermediated financial technology platform - Investment Account Platform (IAP), a strategic initiative of the Islamic finance industry to promote investment accounts and serves as a central market place to finance small and medium-sized businesses. With all these strategies in place, the Bank also strives to ensure quality of service is not compromised amid cost rationalisation measures and to strengthen loyalty and satisfaction of customers.

36. Subsequent events

Proposed dividend payment

The Bank has proposed a final single tier dividend of 5.49 sen per ordinary share amounting to RM129.744 million for the financial year ended 31 December 2015. Approximately 50% of the final dividend amounting to RM64.870 million is to be in the form of cash dividend and the remaining 50% of the proposed final dividend, that is, RM64.874 million will be reinvested for acquisition of 20,927,000 new ordinary shares of Bank Islam at RM3.10 per ordinary share under the Dividend Reinvestment Plan (DRP). The dividend has been approved by the shareholder at an annual general meeting held on 21 April 2016.