

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

Statements of Financial Position as at 30 June 2011

	Note	Group		Bank	
		30.06.2011 RM'000	31.12.2010 RM'000	30.06.2011 RM'000	31.12.2010 RM'000
Assets					
Cash and short-term funds	9	1,541,881	2,519,695	1,525,931	2,509,483
Deposits and placements with banks and other financial institutions	10	200,021	352,798	200,021	352,798
Financial assets held-for-trading	11	1,370,260	2,279,447	1,370,260	2,279,447
Derivative financial assets	12	39,241	44,326	39,241	44,326
Financial assets available-for-sale	13	11,031,531	12,763,020	11,033,542	12,765,031
Financial assets held-to-maturity	14	214,467	215,944	214,467	215,944
Financing, advances and others	15	12,792,975	11,860,631	12,815,400	11,859,140
Other assets	16	90,551	39,091	59,254	37,792
Statutory deposits with Bank Negara Malaysia		245,000	10,000	245,000	10,000
Current tax assets		54,472	39,605	53,016	38,500
Deferred tax assets		47,096	44,224	47,096	44,198
Investments in subsidiary companies		-	-	27,127	27,127
Investments in associated company		22,409	-	22,563	-
Property and equipment		186,828	181,489	185,344	180,380
Total assets		27,836,732	30,350,270	27,838,262	30,364,166
Liabilities and equity					
Deposits from customers	17	24,035,898	26,866,555	24,045,579	26,888,250
Deposits and placements of banks and other financial institutions	18	473,504	378,129	473,504	378,129
Derivative financial liabilities	12	51,394	30,926	51,394	30,926
Bills and acceptance payable		211,173	163,191	213,325	165,532
Other liabilities	19	410,124	364,084	408,502	362,786
Zakat and taxation		2,748	11,632	2,545	11,575
Deferred tax liabilities		1	-	-	-
Total liabilities		25,184,842	27,814,517	25,194,849	27,837,198

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Statements of Financial Position as at 30 June 2011 (continued)

	Note	Group		Bank	
		30.06.2011 RM'000	31.12.2010 RM'000	30.06.2011 RM'000	31.12.2010 RM'000
Equity					
Share capital		2,265,490	2,265,490	2,265,490	2,265,490
Reserves		385,899	269,788	377,923	261,478
Equity attributable to equity holders of the Bank		2,651,389	2,535,278	2,643,413	2,526,968
Minority interest		501	475	-	-
Total equity		2,651,890	2,535,753	2,643,413	2,526,968
Total liabilities and equity		27,836,732	30,350,270	27,838,262	30,364,166
Commitment & Contingencies	31	11,525,881	13,081,292	11,525,881	13,081,292
Capital adequacy					
<u>Before proposed dividend</u>					
Tier 1 Capital Ratio		15.62%	15.75%	15.64%	15.73%
Risk-Weighted Capital Ratio		16.75%	16.99%	16.60%	16.78%
<u>After proposed dividend</u>					
Tier 1 Capital Ratio		15.33%	15.21%	15.35%	15.18%
Risk-Weighted Capital Ratio		16.47%	16.44%	16.31%	16.23%

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the 18 months financial period ended 31 December 2010.

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Income Statements for the financial half year ended 30 June 2011

Group	Note	3 months ended		Half year ended	
		30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
Income derived from investment of depositors' funds	20	345,518	302,335	679,583	584,117
Income derived from investment of shareholders' funds	21	64,888	55,765	131,430	101,303
Allowances for impairment on financing and advances	22	4,764	(24,421)	(2,782)	(40,789)
Allowances for impairment on investments		1,414	-	1,414	(234)
Provision for contingent liability		(5,952)	-	(15,231)	-
Direct expenses		(6,395)	(5,134)	(11,231)	(9,201)
Total distributable income		404,237	328,545	783,183	635,196
Income attributable to the depositors	23	(117,285)	(103,803)	(239,404)	(189,919)
Total net income		286,952	224,742	543,779	445,277
Personnel expenses	24	(82,633)	(78,033)	(162,380)	(148,272)
Other overhead expenses	25	(71,365)	(70,084)	(140,480)	(141,467)
		132,954	76,625	240,919	155,538
Share of results in associated company		(154)	-	(154)	-
Profit before zakat and tax		132,800	76,625	240,765	155,538
Zakat		(978)	(2,584)	(1,895)	(4,861)
Tax expense		(27,477)	(27,374)	(60,412)	(53,632)
Profit for the period		104,345	46,667	178,458	97,045
Attributable to:					
Equity holders of the Bank		104,367	46,663	178,432	97,041
Minority interests		(22)	4	26	4
Profit for the period		104,345	46,667	178,458	97,045
Earnings per share (sen)				7.88	4.52

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the 18 months financial period ended 31 December 2010.

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Statements of Comprehensive Income
for the financial half year ended 30 June 2011

Group	3 months ended		Half year ended	
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
Profit for the period	<u>104,345</u>	<u>46,667</u>	<u>178,458</u>	<u>97,045</u>
Other comprehensive income				
Currency translation differences in respect of foreign operations	855	2,352	6,662	17,010
Net (loss)/gain on revaluation of financial assets available-for-sale	(3,895)	45,302	11,725	32,479
Other comprehensive income for the period, net of tax	<u>(3,040)</u>	<u>47,654</u>	<u>18,387</u>	<u>49,489</u>
Total comprehensive income for the period	<u>101,305</u>	<u>94,321</u>	<u>196,845</u>	<u>146,534</u>
Attributable to:				
Equity holders of the Bank	101,327	94,317	196,819	146,530
Minority interests	(22)	4	26	4
Total comprehensive income for the period	<u>101,305</u>	<u>94,321</u>	<u>196,845</u>	<u>146,534</u>

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the 18 months financial period ended 31 December 2010.

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Income Statements for the financial half year ended 30 June 2011

Bank	Note	3 months ended		Half year ended	
		30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
Income derived from investment of depositors' funds	20	345,993	302,347	680,320	584,134
Income derived from investment of shareholders' funds	21	62,080	52,874	125,700	96,637
Allowances for impairment on financing and advances	22	4,764	(24,421)	(2,782)	(40,789)
Allowances for impairment on investments		1,414	-	1,414	(234)
Provision for contingent liability		(5,952)	-	(15,231)	-
Direct expenses		(6,395)	(5,134)	(11,231)	(9,201)
Total distributable income		401,904	325,666	778,190	630,547
Income attributable to the depositors	23	(117,346)	(103,851)	(239,537)	(190,005)
Total net income		284,558	221,815	538,653	440,542
Personnel expenses	24	(81,478)	(76,889)	(160,204)	(146,148)
Other overhead expenses	25	(69,967)	(69,442)	(137,556)	(140,213)
Profit before zakat and tax		133,113	75,484	240,893	154,181
Zakat		(900)	(2,226)	(1,800)	(4,453)
Tax expense		(27,519)	(27,071)	(60,331)	(53,179)
Profit for the period		104,694	46,187	178,762	96,549

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the 18 months financial period ended 31 December 2010.

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Statements of Comprehensive Income
for the financial half year ended 30 June 2011

Bank	3 months ended		Half year ended	
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
Profit for the period	<u>104,694</u>	<u>46,187</u>	<u>178,762</u>	<u>96,549</u>
Other comprehensive income				
Currency translation differences in respect of foreign operations	856	2,356	6,666	17,004
Net (loss)/ gain on revaluation of financial assets available-for-sale	<u>(3,895)</u>	<u>45,302</u>	<u>11,725</u>	<u>32,479</u>
Other comprehensive income for the period, net of tax	<u>(3,039)</u>	<u>47,658</u>	<u>18,391</u>	<u>49,483</u>
Total comprehensive income for the period	<u>101,655</u>	<u>93,845</u>	<u>197,153</u>	<u>146,032</u>

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the 18 months financial period ended 31 December 2010.

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Consolidated Statement of Changes in Equity for the financial half year ended 30 June 2011

Group	← Attributable to equity holders of the Bank →				Total RM'000	Minority interests RM'000	Total equity RM'000
	← Non-distributable →			Accumulated losses RM'000			
	Share capital RM'000	Share premium RM'000	Other reserves RM'000				
At 1 January 2011	2,265,490	500,020	954,900	(1,185,132)	2,535,278	475	2,535,753
Profit for the period	-	-	-	178,432	178,432	26	178,458
Other comprehensive income	-	-	18,387	-	18,387	-	18,387
Total comprehensive income for the period	-	-	18,387	178,432	196,819	26	196,845
Transfer to statutory reserve	-	-	89,381	(89,381)	-	-	-
Dividends paid on ordinary shares	-	-	-	(80,708)	(80,708)	-	(80,708)
At 30 June 2011	2,265,490	500,020	1,062,668	(1,176,789)	2,651,389	501	2,651,890
At 1 January 2010	2,265,490	500,020	658,128	(1,193,127)	2,230,511	-	2,230,511
Profit for the period	-	-	-	97,041	97,041	4	97,045
Other comprehensive income	-	-	49,489	-	49,489	-	49,489
Total comprehensive income for the period	-	-	49,489	97,041	146,530	4	146,534
Transfer to statutory reserve	-	-	97,368	(97,368)	-	-	-
Dividends paid on Convertible Redeemable Non-Cumulative Preference Shares (CRNCPS)	-	-	-	(19,115)	(19,115)	-	(19,115)
Minority interests' subscription of shares of a subsidiary	-	-	-	-	-	526	526
At 30 June 2010	2,265,490	500,020	804,985	(1,212,569)	2,357,926	530	2,358,456

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Statement of Changes in Equity for the financial half year ended 30 June 2011

Bank	Non-distributable			Accumulated losses	Total equity
	Share capital	Share premium	Other reserves		
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	2,265,490	500,020	955,310	(1,193,852)	2,526,968
Profit for the period	-	-	-	178,762	178,762
Other comprehensive income	-	-	18,391	-	18,391
Total comprehensive income for the period	-	-	18,391	178,762	197,153
Transfer to statutory reserve	-	-	89,381	(89,381)	-
Dividends paid on ordinary shares	-	-	-	(80,708)	(80,708)
At 30 June 2011	2,265,490	500,020	1,063,082	(1,185,179)	2,643,413
At 1 January 2010	2,265,490	500,020	658,236	(1,203,796)	2,219,950
Profit for the period	-	-	-	96,549	96,549
Other comprehensive income	-	-	49,483	-	49,483
Total comprehensive income for the period	-	-	49,483	96,549	146,032
Transfer to statutory reserve	-	-	97,368	(97,368)	-
Dividends paid on Convertible Redeemable Non-Cumulative Preference Shares (CRNCPS)	-	-	-	(19,115)	(19,115)
At 30 June 2010	2,265,490	500,020	805,087	(1,223,730)	2,346,867

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the 18 months financial period ended 31 December 2010.

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Condensed Statements of Cash Flow
for the financial half year ended 30 June 2011

	Group		Bank	
	6 months ended		6 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	240,765	155,538	240,893	154,181
Adjustment for non-cash items	14,344	49,940	13,404	49,750
Operating profit before working capital changes	255,109	205,478	254,297	203,931
Changes in working capital:				
Net changes in operating assets	(1,137,099)	(857,975)	(1,131,017)	(851,369)
Net changes in operating liabilities	(2,716,167)	3,398,787	(2,728,694)	3,396,946
Cash used in operations	(3,598,157)	2,746,290	(3,605,414)	2,749,508
Zakat and tax paid	(88,929)	(28,697)	(88,575)	(28,694)
Tax refund	-	395	-	-
Net cash used in operating activities	(3,687,086)	2,717,988	(3,693,989)	2,720,814
Net cash generated from investing activities	2,630,541	(707,477)	2,631,702	(709,286)
Net cash used in financing activities	(80,708)	-	(80,708)	-
Net increase in cash and cash equivalents	(1,137,253)	2,010,511	(1,142,995)	2,011,528
Cash and cash equivalents at beginning of the period	2,872,493	3,935,323	2,862,281	3,919,773
Exchange difference on translation	6,662	17,018	6,666	17,006
Cash and cash equivalents at end of the period	1,741,902	5,962,852	1,725,952	5,948,307

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the 18 months financial period ended 31 December 2010.

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Notes to the unaudited interim financial statements for the financial half year ended 30 June 2011

1. Basis of preparation

The unaudited interim financial statements for the half year ended 30 June 2011 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 have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board (MASB), Bank Negara Malaysia (BNM) Guidelines, the provisions of the Companies Act, 1965 and Shariah requirements. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the 18 months financial period ended 31 December 2010. The explanatory notes attached to the 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 period ended 31 December 2010.

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 18 months financial period ended 31 December 2010, except for the adoption of the following Financial Reporting Standards (FRS), amendments to FRSs and IC Interpretations:

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*
- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Additional Exemptions for First-time Adopters
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

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1. Basis of preparation (continued)

The following new FRS and amendments to IC interpretations have been issued by the MASB and are not yet effective, and have yet to be adopted by the Group:

Effective for annual periods commencing on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

Effective for annual periods commencing on or after 1 January 2012

- FRS 124, *Related Party Disclosures*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the 18 months financial period ended 31 December 2010 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 financial half year ended 30 June 2011.

4. Unusual items

There were no unusual items in the financial half year ended 30 June 2011.

5. Changes in accounting estimates

There were no material changes in estimates of amount reported in the prior financial years that have a material effect to the financial half year ended 30 June 2011.

6. Debt and equity securities

There was no issuance or repayment of debt and equity securities or share buy-back during the financial half year ended 30 June 2011.

7. Significant event during the half year ended 30 June 2011

On 7 February 2011, the Bank completed the share subscription exercise for the 20% stake in Sri Lanka based Amana Bank Ltd. The 20% stake was acquired via the subscription of Amana Bank's new shares for a total consideration of about RM21.3 million and a share swap of Bank Islam's existing shareholdings in Amana Investment Ltd for Amana Bank's shares. The total cost of investment is RM22.6 million. At Group level, including the Bank's share of the post acquisition loss of RM154k, the investment in associate is RM22.4m as at 30 June 2011.

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8. Dividends

During the financial half year ended 30 June 2011, dividend of 4.75%, less of 25% tax in respect of the 18 months financial period ended 31 December 2010, amounting to RM80,708,081 was paid on 20 May 2011.

The Bank is proposing to payout an interim dividend for the financial half year ended 30 June 2011 of RM44.687 million (net of tax). This represents a gross interim dividend of 2.63% per ordinary share.

9. Cash and short-term funds

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	586,825	833,127	571,171	823,153
Money at call and interbank placements with remaining maturity not exceeding one month	955,056	1,686,568	954,760	1,686,330
	<u>1,541,881</u>	<u>2,519,695</u>	<u>1,525,931</u>	<u>2,509,483</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	30.06.2011	31.12.2010
	RM'000	RM'000
Bank Negara Malaysia	-	250,000
Licensed Islamic banks	200,021	100,000
Other financial institutions	-	2,798
	<u>200,021</u>	<u>352,798</u>

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11. Financial assets held-for-trading

	Group and Bank	
	30.06.2011	31.12.2010
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	101,365	50,573
Negotiable Islamic Debt Certificates	199,675	-
Bank Negara Negotiable Notes	918,803	2,202,117
Islamic Debt Securities	141,311	26,757
Accepted Bills	9,106	-
	<u>1,370,260</u>	<u>2,279,447</u>

12. Derivative financial assets/liabilities

The following tables summarise the contractual or underlying principal amounts of derivatives financial instruments held at fair value through income statements and hedging purposes. The principal or contractual amount 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 in derivative financial assets and liabilities respectively.

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
30.06.2011	RM'000	RM'000	RM'000
Forward contract	3,843,128	198	(12,701)
Cross currency profit rate swap	85,870	65	-
Profit rate swap	500,000	1,539	(1,254)
Structured deposits	462,035	37,439	(37,439)
	<u>4,891,033</u>	<u>39,241</u>	<u>(51,394)</u>

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
31.12.2010	RM'000	RM'000	RM'000
Forward contract	5,208,060	15,496	-
Cross currency profit rate swap	85,870	91	-
Profit rate swap	500,000	970	(3,157)
Structured deposits	462,995	27,769	(27,769)
	<u>6,256,925</u>	<u>44,326</u>	<u>(30,926)</u>

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13. Financial assets available-for-sale

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
At fair value				
Unit trust	3,229	3,229	3,229	3,229
At fair value				
Malaysian Government Investment Issues	2,963,203	4,444,171	2,963,203	4,444,171
Negotiable Islamic Debt Certificates	822,665	2,277,443	822,665	2,277,443
Islamic Debt Securities	6,506,700	4,614,882	6,508,711	4,616,893
Promissory notes	5,108	5,108	5,108	5,108
Bank Negara Negotiable Notes	-	149,364	-	149,364
Islamic Commercial Papers	376,171	872,867	376,171	872,867
Accepted Bills	342,654	384,155	342,654	384,155
	<u>11,016,501</u>	<u>12,747,990</u>	<u>11,018,512</u>	<u>12,750,001</u>
At fair value				
Islamic Development Bank Unit Trust	1,923	1,923	1,923	1,923
At cost				
Unquoted shares in Malaysia	21,780	22,061	21,780	22,061
Less: Accumulated impairment loss	(13,590)	(13,871)	(13,590)	(13,871)
	<u>8,190</u>	<u>8,190</u>	<u>8,190</u>	<u>8,190</u>
At cost				
Unquoted shares outside Malaysia	1,688	1,688	1,688	1,688
	<u>11,031,531</u>	<u>12,763,020</u>	<u>11,033,542</u>	<u>12,765,031</u>

14. Financial assets held-to-maturity

	Group and Bank	
	30.06.2011	31.12.2010
	RM'000	RM'000
At amortised cost		
Quoted securities outside Malaysia:		
Bond	60,400	61,650
Unquoted securities in Malaysia:		
Islamic Debt Securities	175,720	177,361
Less: Accumulated impairment loss	(21,653)	(23,067)
	<u>154,067</u>	<u>154,294</u>
	<u>214,467</u>	<u>215,944</u>

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15. Financing, advances and others

(a) By type

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Cash line	608,081	520,835	655,237	533,241
Term financing				
House financing	10,133,613	9,461,194	10,133,613	9,461,194
Syndicated financing	393,603	356,238	393,603	356,238
Leasing financing	611,841	632,741	611,841	632,741
Bridging financing	229,238	361,215	229,238	361,215
Personal financing	5,747,186	5,127,450	5,747,186	5,127,450
Other term financing	4,042,309	3,636,239	4,042,309	3,636,239
Staff financing	314,658	298,667	314,658	298,667
Credit cards	445,009	450,542	445,009	450,542
Trade bills discounted	1,371,859	1,067,736	1,371,859	1,067,736
Trust receipts	44,119	60,969	44,119	60,969
Pawn broking	24,731	13,897	-	-
	23,966,247	21,987,723	23,988,672	21,986,232
Less: Unearned income	(10,735,717)	(9,702,990)	(10,735,717)	(9,702,990)
Gross financing, advances and others	13,230,530	12,284,733	13,252,955	12,283,242
Allowance for impaired financing, advances and others				
- collective assessment allowance	(358,252)	(345,041)	(358,252)	(345,041)
- individual assessment allowance	(79,303)	(79,061)	(79,303)	(79,061)
Net financing, advances and others	12,792,975	11,860,631	12,815,400	11,859,140

(b) By contract

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	6,648,786	6,209,417	6,648,786	6,209,417
Ijarah	308,351	334,106	308,351	334,106
Ijarah Muntahiah Bit-Tamleek	21,499	11,657	21,499	11,657
Mudharabah	6,000	6,000	6,000	6,000
Murabahah	1,407,782	1,120,380	1,407,782	1,120,380
At-Tawarruq	3,019,770	2,573,328	3,019,770	2,573,328
Bai Al-Inah	1,528,353	1,662,823	1,575,509	1,675,229
Istisna'	265,258	353,125	265,258	353,125
Ar-Rahn	24,731	13,897	-	-
	13,230,530	12,284,733	13,252,955	12,283,242

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15. Financing, advances and others (continued)

(c) By type of customer

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	22,816	1,218	45,241	13,624
Domestic business enterprise	2,295,453	2,082,941	2,295,453	2,082,941
Small medium industries	430,917	401,119	430,917	401,119
Government & statutory	170,164	151,526	170,164	151,526
Individuals	10,014,300	9,324,459	10,014,300	9,310,562
Other domestic entities	42,072	57,741	42,072	57,741
Foreign entities	254,808	265,729	254,808	265,729
	<u>13,230,530</u>	<u>12,284,733</u>	<u>13,252,955</u>	<u>12,283,242</u>

(d) By profit rate sensitivity

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
House financing	2,234,290	2,198,946	2,234,290	2,198,946
Others	8,478,476	8,005,296	8,500,901	8,003,805
Floating rate				
Others	2,517,764	2,080,491	2,517,764	2,080,491
	<u>13,230,530</u>	<u>12,284,733</u>	<u>13,252,955</u>	<u>12,283,242</u>

(e) By remaining contractual maturity

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	2,481,157	2,071,456	2,456,426	2,057,559
More than one year to three years	1,007,928	705,542	1,007,928	705,542
More than three years to five years	935,078	1,385,004	982,234	1,397,410
More than five years	8,806,367	8,122,731	8,806,367	8,122,731
	<u>13,230,530</u>	<u>12,284,733</u>	<u>13,252,955</u>	<u>12,283,242</u>

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15. Financing, advances and others (continued)

(f) By sector

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Primary agriculture	178,394	182,111	178,394	182,111
Mining and quarrying	43	897	43	897
Manufacturing (including agro-based)	917,231	791,995	917,231	791,995
Electricity, gas and water	13,955	150,860	13,955	150,860
Wholesale & retail trade, and hotels & restaurants	578,781	479,868	578,781	479,868
Construction	598,490	508,293	598,490	508,293
Real estate	294,460	187,445	294,460	187,445
Transport, storage and communications	289,491	408,349	289,491	408,349
Finance, insurance and business activities	161,933	154,408	209,089	166,814
Education, health and others	84,475	85,375	84,475	85,375
Household sectors	10,022,795	9,321,823	9,998,064	9,307,926
Other sectors	90,482	13,309	90,482	13,309
	<u>13,230,530</u>	<u>12,284,733</u>	<u>13,252,955</u>	<u>12,283,242</u>

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

	Group and Bank	
	30.06.2011	31.12.2010
	RM'000	RM'000
At 1 January 2011/1 July 2009	552,221	2,035,518
Classified as impaired during the period	340,269	315,241
Reclassified as not impaired during the period	(148,953)	(362,279)
Amount recovered	(115,804)	(311,447)
Amount written off	(71,126)	(1,079,122)
Exchange differences	(1,032)	(45,690)
At 30 June 2011/31 December 2010	<u>555,575</u>	<u>552,221</u>
Gross impaired financing as a percentage of gross financing advances and others	<u>4.19%</u>	<u>4.50%</u>

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15. Financing, advances and others (continued)

(h) Impaired financing by sector

	Group and Bank	
	30.06.2011	31.12.2010
	RM'000	RM'000
Primary agriculture	10,656	10,947
Mining and quarrying	-	851
Manufacturing (including agro-based)	77,783	83,810
Wholesale & retail trade, and hotels & restaurants	47,917	42,729
Construction	108,497	130,925
Real estate	1,228	1,263
Transport, storage and communications	1,280	1,538
Finance, insurance and business activities	55,692	-
Education, health and others	2,336	6,112
Household sectors	246,345	270,847
Other sectors	3,841	3,199
	<u>555,575</u>	<u>552,221</u>

(i) Movement of allowance for impaired financing

	Group and Bank	
	30.06.2011	31.12.2010
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2011/1 July 2009	345,041	504,927
Allowance made during the period	96,759	538,979
Amount recovered	(24,317)	(111,808)
Amount written off	(57,315)	(555,129)
Exchange differences	(1,916)	(31,928)
At 30 June 2011/31 December 2010	<u>358,252</u>	<u>345,041</u>
<u>Individual assessment allowance</u>		
At 1 January 2011/1 July 2009	79,061	859,374
Allowance made during the period	37,566	124,827
Amount recovered	(15,396)	(163,025)
Amount written off	(21,928)	(740,797)
Exchange differences	-	(1,318)
At 30 June 2011/31 December 2010	<u>79,303</u>	<u>79,061</u>

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16. Other assets

	Group		Bank	
	30.06.2011 RM'000	31.12.2010 RM'000	30.06.2011 RM'000	31.12.2010 RM'000
Bill receivable	40	306	40	306
Other receivables	62,753	13,898	31,546	12,936
Deposit and prepayments	26,728	23,851	25,981	23,382
Related companies	1,030	1,036	1,687	1,168
	<u>90,551</u>	<u>39,091</u>	<u>59,254</u>	<u>37,792</u>

17. Deposits from customers

a) By type of deposit

	Group		Bank	
	30.06.2011 RM'000	31.12.2010 RM'000	30.06.2011 RM'000	31.12.2010 RM'000
<i>Non-Mudharabah fund</i>				
Demand deposits	7,199,112	7,098,681	7,200,560	7,099,693
Saving deposits	2,374,109	2,576,870	2,374,109	2,576,870
Negotiable Islamic Debt Securities ("NIDC")	4,697,027	5,819,875	4,697,697	5,820,515
Others	84,991	78,923	84,991	78,923
	<u>14,355,239</u>	<u>15,574,349</u>	<u>14,357,357</u>	<u>15,576,001</u>
<i>Mudharabah fund</i>				
Saving deposits	1,086,383	987,346	1,086,383	987,346
General investment deposits	2,239,956	2,449,607	2,239,956	2,449,607
Special investment deposits	6,354,320	7,855,253	6,361,883	7,875,296
	<u>9,680,659</u>	<u>11,292,206</u>	<u>9,688,222</u>	<u>11,312,249</u>
	<u>24,035,898</u>	<u>26,866,555</u>	<u>24,045,579</u>	<u>26,888,250</u>

Maturity structure of investment deposits and NIDCs are as follows:

	Group		Bank	
	30.06.2011 RM'000	31.12.2010 RM'000	30.06.2011 RM'000	31.12.2010 RM'000
Due within six months	10,435,104	10,426,963	10,442,837	10,447,646
More than six months to one year	1,767,596	4,616,743	1,768,096	4,616,743
More than one year to three years	722,128	638,204	722,128	638,204
More than three years to five years	24,261	20,955	24,261	20,955
More than five years	342,214	421,870	342,214	421,870
	<u>13,291,303</u>	<u>16,124,735</u>	<u>13,299,536</u>	<u>16,145,418</u>

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17. Deposits from customers (continued)

b) By type of customer

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	6,862,759	6,795,607	6,862,759	6,795,607
Business enterprises	6,814,304	8,606,738	6,814,304	8,606,738
Individuals	4,421,319	4,510,064	4,421,319	4,510,064
Others	5,937,516	6,954,146	5,947,197	6,975,841
	<u>24,035,898</u>	<u>26,866,555</u>	<u>24,045,579</u>	<u>26,888,250</u>

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31.12.2010	31.12.2010
	RM'000	RM'000
Licensed Islamic banks	347,965	307,984
Other financial institutions	125,539	70,145
	<u>473,504</u>	<u>378,129</u>

19. Other liabilities

	Group		Bank	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Sundry creditors	410,124	364,084	408,502	362,786
	<u>410,124</u>	<u>364,084</u>	<u>408,502</u>	<u>362,786</u>

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20. Income derived from investment of depositors' funds

Group	3 months ended		Half year ended	
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
Income derived from investment of:				
(i) General investment deposits	33,687	34,718	68,352	66,154
(ii) Other deposits	311,831	267,617	611,231	517,963
	<u>345,518</u>	<u>302,335</u>	<u>679,583</u>	<u>584,117</u>

(i) Income derived from investment of general investment deposits

Group	3 months ended		Half year ended	
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	21,674	23,134	44,249	43,637
Financial assets:				
- held-for-trading	105	90	175	105
- available-for-sale	9,021	8,177	18,242	15,959
- held-to-maturity	99	51	204	152
Money at call and deposits with financial institutions	1,942	2,578	3,708	4,906
	<u>32,841</u>	<u>34,030</u>	<u>66,578</u>	<u>64,759</u>
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	341	(5)	338	6
Net gain on revaluation of financial assets held-for-trading	475	614	1,198	835
	<u>816</u>	<u>609</u>	<u>1,536</u>	<u>841</u>
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	30	78	238	553
	<u>30</u>	<u>78</u>	<u>238</u>	<u>553</u>
<i>Other income</i>				
Gain on disposal of leased assets	-	1	-	1
	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
	<u>33,687</u>	<u>34,718</u>	<u>68,352</u>	<u>66,154</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>1,003</u>	<u>-</u>	<u>2,111</u>	<u>-</u>

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

(ii) Income derived from investment of other deposits

Group	3 months ended		Half year ended	
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	200,465	178,251	395,313	341,408
Financial assets:				
- held-for-trading	977	694	1,588	813
- available-for-sale	83,545	63,085	163,348	125,167
- held-to-maturity	920	395	1,831	1,198
Money at call and deposits with financial institutions	17,990	19,885	33,187	38,419
	303,897	262,310	595,267	507,005
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	3,202	(38)	3,176	57
Net gain on revaluation of financial assets held-for-trading	4,438	4,733	10,651	6,500
	7,640	4,695	13,827	6,557
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	294	603	2,137	4,392
	294	603	2,137	4,392
<i>Other income</i>				
Gain on disposal of leased assets	-	9	-	9
	-	9	-	9
	311,831	267,617	611,231	517,963
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	9,298	-	18,852	-

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

Bank	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	33,665	34,695	68,311	66,100
(ii) Other deposits	312,328	267,652	612,009	518,034
	345,993	302,347	680,320	584,134

(i) Income derived from investment of general investment deposits

Bank	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	21,652	23,111	44,208	43,583
Financial assets:				
- held-for-trading	105	90	175	105
- available-for-sale	9,021	8,177	18,242	15,959
- held-to-maturity	99	51	204	152
Money at call and deposits with financial institutions	1,942	2,578	3,708	4,906
	32,819	34,007	66,537	64,705
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	341	(5)	338	6
Net gain on revaluation of financial assets held-for-trading	475	614	1,198	835
	816	609	1,536	841
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	30	78	238	553
	30	78	238	553
<i>Other income</i>				
Gain on disposal of leased assets	-	1	-	1
	-	1	-	1
	33,665	34,695	68,311	66,100
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	1,003	-	2,111	-

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

(ii) Income derived from investment of other deposits

Bank	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	200,962	178,286	396,091	341,479
Financial assets:				
- held-for-trading	977	694	1,588	813
- available-for-sale	83,545	63,085	163,348	125,167
- held-to-maturity	920	395	1,831	1,198
Money at call and deposits with financial institutions	17,990	19,885	33,187	38,419
	304,394	262,345	596,045	507,076
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	3,202	(38)	3,176	57
Net gain on revaluation of financial assets held-for-trading	4,438	4,733	10,651	6,500
	7,640	4,695	13,827	6,557
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	294	603	2,137	4,392
	294	603	2,137	4,392
<i>Other income</i>				
Gain on disposal of leased assets	-	9	-	9
	-	9	-	9
	312,328	267,652	612,009	518,034
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	9,298	-	18,852	-

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21. Income derived from investment of shareholders' funds

Group	3 months ended		Half year ended	
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	1,739	914	3,829	1,768
Financial assets available-for-sale	13,902	23,547	36,894	46,797
Money at call and deposits with financial institutions	2,452	1,850	6,036	3,173
	<u>18,093</u>	<u>26,311</u>	<u>46,759</u>	<u>51,738</u>
<i>Other dealing income</i>				
Net gain/(loss) from foreign exchange transactions	6,666	6,017	13,639	(1,377)
Net derivatives gain	(1,967)	(5,485)	850	(5,815)
	<u>4,699</u>	<u>532</u>	<u>14,489</u>	<u>(7,192)</u>
<i>Other operating income</i>				
Profit on sale of foreign currencies	622	1,747	954	2,511
Reversal of allowance for doubtful debts	60	60	120	120
Gross dividend income from securities				
- unit trust outside Malaysia	-	-	-	48
- unquoted in Malaysia	4,137	412	4,137	412
	<u>4,819</u>	<u>2,219</u>	<u>5,211</u>	<u>3,091</u>
<i>Fees and commission</i>				
Fees	16,408	9,859	27,221	18,396
Commission	13,922	13,480	27,709	26,602
Others	3,787	3,196	6,838	8,741
	<u>34,117</u>	<u>26,535</u>	<u>61,768</u>	<u>53,739</u>
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	3,018	(123)	3,022	(376)
Rental income	14	(17)	21	(34)
Other income	128	308	160	337
	<u>3,160</u>	<u>168</u>	<u>3,203</u>	<u>(73)</u>
	<u>64,888</u>	<u>55,765</u>	<u>131,430</u>	<u>101,303</u>

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

Bank	3 months ended		Half year ended	
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	964	885	1,894	1,739
Financial assets available-for-sale	13,902	23,547	36,894	46,797
Money at call and deposits with financial institutions	2,453	1,849	6,037	3,172
	<u>17,319</u>	<u>26,281</u>	<u>44,825</u>	<u>51,708</u>
<i>Other dealing income</i>				
Net gain/(loss) from foreign exchange transactions	6,666	6,017	13,639	(1,377)
Net derivatives gain	(1,967)	(5,485)	850	(5,815)
	<u>4,699</u>	<u>532</u>	<u>14,489</u>	<u>(7,192)</u>
<i>Other operating income</i>				
Gross dividend income from securities				
- unit trust outside Malaysia	-	-	-	48
- unquoted in Malaysia	4,137	412	4,137	412
	<u>4,137</u>	<u>412</u>	<u>4,137</u>	<u>460</u>
<i>Fees and commission</i>				
Fees	15,561	9,379	25,647	17,210
Commission	13,922	13,480	27,709	26,602
Others	3,403	2,913	5,843	8,225
	<u>32,886</u>	<u>25,772</u>	<u>59,199</u>	<u>52,037</u>
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	3,018	(123)	3,022	(376)
Rental income	14	-	21	-
Other income	7	-	7	-
	<u>3,039</u>	<u>(123)</u>	<u>3,050</u>	<u>(376)</u>
	<u>62,080</u>	<u>52,874</u>	<u>125,700</u>	<u>96,637</u>

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22. Allowances for impairment on financing, advances and others

Group and Bank	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Allowances for impaired financing, advances and others:				
- collective assessment allowance	58,114	-	96,759	-
- individual assessment allowance	15,805	-	37,566	-
- specific allowance	-	75,120	-	165,095
- general allowance	-	2,613	-	2,613
Impaired financing and advances recovered	(16,866)	(29,607)	(39,713)	(64,498)
Bad debts and financing recovered	(61,817)	(23,705)	(91,830)	(62,421)
	(4,764)	24,421	2,782	40,789

23. Income attributable to depositors

Group	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	62,796	64,883	131,906	115,032
- Non-Mudharabah fund	50,038	33,766	99,012	67,071
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	4,451	5,154	8,486	7,816
	117,285	103,803	239,404	189,919
Bank				
Deposits from customers				
- Mudharabah fund	62,848	64,915	132,025	115,095
- Non-Mudharabah fund	50,047	33,782	99,026	67,094
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	4,451	5,154	8,486	7,816
	117,346	103,851	239,537	190,005

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24. Personnel expenses

Group	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	66,123	62,876	131,590	121,086
Employees' Provident Fund	7,849	6,679	15,545	13,101
Other staff related cost	8,661	8,478	15,245	14,085
	82,633	78,033	162,380	148,272
Bank				
Salaries, allowances and bonuses	65,235	61,969	129,927	119,404
Employees' Provident Fund	7,717	6,544	15,292	12,854
Other staff related cost	8,526	8,376	14,985	13,890
	81,478	76,889	160,204	146,148

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25. Other overhead expenses

Group	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	2,954	2,811	4,316	5,850
Credit card expenses	4,295	2,351	9,588	5,096
Commissions	2,258	4,697	4,157	7,418
	9,507	9,859	18,061	18,364
<i>Establishment</i>				
Office rental	7,899	6,955	15,647	14,205
Depreciation of property and equipment	11,224	8,820	23,293	18,679
Information technology expenses	6,427	3,141	14,083	5,864
Rental equipment	848	1,210	1,637	2,578
Office maintenance	1,342	4,499	2,581	9,786
Utilities	2,718	2,590	5,248	5,010
Security services	3,559	2,411	6,571	5,257
Takaful and insurance	1,056	2,917	2,342	5,849
Others	20	-	295	275
	35,093	32,543	71,697	67,503
<i>General expenses</i>				
Professional fees	732	5,252	1,229	6,977
Office supplies	3,122	3,198	5,890	6,355
Outsourcing fees	10,138	7,306	19,564	14,206
Others	12,773	11,926	24,039	28,062
	26,765	27,682	50,722	55,600
	71,365	70,084	140,480	141,467

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25. Other overhead expenses (continued)

Bank	3 months ended		Half year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	2,929	2,705	4,278	5,718
Credit card expenses	4,295	2,351	9,588	5,096
Commissions	2,058	4,628	3,852	7,303
	9,282	9,684	17,718	18,117
<i>Establishment</i>				
Office rental	7,673	6,840	15,257	13,974
Depreciation of property and equipment	10,885	8,722	22,552	18,489
Information technology expenses	6,427	3,141	14,083	5,864
Rental equipment	838	1,181	1,616	2,520
Office maintenance	1,316	4,470	2,530	9,733
Utilities	2,681	2,569	5,157	4,967
Security services	3,459	2,397	6,346	5,230
Takaful and insurance	997	2,892	2,258	5,795
Others	20	-	295	273
	34,296	32,212	70,094	66,845
<i>General expenses</i>				
Professional fees	655	5,206	842	6,832
Office supplies	3,061	3,177	5,770	6,313
Outsourcing fees	10,138	7,306	19,564	14,206
Others	12,535	11,857	23,568	27,900
	26,389	27,546	49,744	55,251
	69,967	69,442	137,556	140,213

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26. Performance review for the financial half year ended 30 June 2011

For the financial half year ended 30 June 2011, Bank Islam achieved a Profit Before Zakat and Tax of RM240.9 million, a 56.2% or RM86.7 million increase compared to the corresponding period last year. The Bank's commendable performance is attributed to the strong growth in financing as well as continued improvement in the asset quality and the ability to maintain the core deposits, the lower cost current and savings deposits.

The strong performance translated to an annualised Return on Equity (ROE) of 18.2% which far exceeded the Islamic Banking System ROE of 14.5% as at December 2010.

The improved performance was from higher income contributed by both fund based income and non fund based income. The higher fund based income came mainly from financing assets and financial assets available-for-sale. Income on financing assets grew by 14.3% and was achieved on the back of net financing assets 6 months' growth of RM956 million or annualised growth of 16.1% to reach RM12.8 billion as at 30 June 2011. Consumer financing continued to contribute largely to the overall financing growth. As for income on financial assets available-for-sale, the growth was 16.3%.

Non fund based income growth was mainly from foreign exchange and derivative transactions as well as higher fees and commission. The Bank's non fund based income ratio of 12.2% as at 30 June 2011 compared favourably against the Islamic Banking System ratio of 8.6% as at December 2010.

The Bank's annualised Return on Assets (ROA) of 1.7% exceeded the Islamic Banking System ROA of 1.2% as at December 2010. This was a result of the continued reshaping of the Bank's balance sheet focusing on better product mix that maximises returns.

The Bank's asset quality continued to record significant improvements. The Bank's net impaired financing was RM118 million as at 30 June 2011 compared to net non-performing financing (NPF) of RM371 million as at 30 June 2010, an improvement of 68.2% or RM253 million. Consequently, the net impaired financing ratio of 0.9% was a commendable improvement from the net NPF ratio of 3.2% as at 30 June 2010.

Total customer deposits stood at RM24.0 billion as at 30 June 2011. With the reshaping of the balance sheet, the Bank has reduced the higher cost deposits whilst maintaining the core customer deposits of current and savings deposits at above industry levels. The current and savings deposits accounted for 44.3% of the Bank's total deposits as at 30 June 2011 compared to 39.7% as at 31 December 2010. Consequently, the Bank's Financing to Deposits ratio increased from 45.7% as at 31 December 2010 to 55.1% as at 30 June 2011.

The Bank's Risk Weighted Capital Ratio was a strong 16.6% as at 30 June 2011 compared to the Islamic Banking System average of 15.4% as at May 2011.

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27. Prospect for 2011

For 2011, the Bank is focusing on enhancing revenue generation potential and sustainability.

The strategy is to achieve a business composition of 70:30 between the high-yielding consumer and the corporate business with strong credit profile; the right balance between secured/collateralised and unsecured assets for both consumer and commercial portfolios as well as shift towards the floating rate product offerings.

To accelerate the growth in non-fund based income, the Bank is looking at the areas of corporate advisory and trade finance activities as well as by expanding the share of wallet of existing and future corporate customers.

The Bank will also continue to focus to grow its core deposits to maintain the liquid position and the cheaper funding cost.

To maintain the strong asset quality, the Bank will continue to enhance credit and risk management policies and systems.

28. Subsequent events

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements.

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29. Operating Segments

Half year ended 30 June 2011	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
Total Revenue	408,985	97,389	234,294	72,593	(2,248)	811,013
Net fund based income	261,433	110,232	(1,629)	99,937	(778)	469,195
Non-fund based income	51,652	12,652	25,266	14,181	(1,337)	102,414
Net income	313,085	122,884	23,637	114,118	(2,115)	571,609
Allowances for impairment	(41,906)	23,893	1,414	-	-	(16,599)
Profit before overheads, zakat & taxation	271,179	146,777	25,051	114,118	(2,115)	555,010
Operating expenses						(314,091)
						240,919
Share of results of associate company						(154)
Profit before zakat & taxation						240,765

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30. Capital adequacy

The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by BNM. The Bank was in compliance with all prescribed capital ratios throughout the period. The Bank's regulatory capital and capital adequacy ratios are determined according to the requirements of the Capital Adequacy Framework for Islamic Banks (CAFIB) as required under the Islamic Banking Act (IBA) 1983.

(a) The capital adequacy ratios of the Group and of the Bank:

	Group		Bank	
	30.06.2011 RM'000	31.12.2010 RM'000	30.06.2011 RM'000	31.12.2010 RM'000
<i>Before proposed dividend</i>				
Tier 1 Capital Ratio	15.62%	15.75%	15.64%	15.73%
Risk-Weighted Capital Ratio	16.75%	16.99%	16.60%	16.78%
<i>After proposed dividend</i>				
Tier 1 Capital Ratio	15.33%	15.21%	15.35%	15.18%
Risk-Weighted Capital Ratio	16.47%	16.44%	16.31%	16.23%

(b) Tier I and Tier II capital components of the Group and of the Bank:

	Group		Bank	
	30.06.2011 RM'000	31.12.2010 RM'000	30.06.2011 RM'000	31.12.2010 RM'000
<i>Tier I capital</i>				
Paid-up share capital	2,265,490	2,265,490	2,265,490	2,265,490
Share premium	500,020	500,020	500,020	500,020
Accumulated losses	(1,176,789)	(1,185,132)	(1,185,179)	(1,193,852)
Other reserves	884,394	795,013	884,394	795,013
Less: Deferred tax	(47,095)	(44,224)	(47,096)	(44,198)
Total Tier I capital	2,426,020	2,331,167	2,417,629	2,322,473
<i>Tier II capital</i>				
Collective assessment allowance #	198,302	182,452	198,302	182,452
Total Tier II capital	198,302	182,452	198,302	182,452
Total capital	2,624,322	2,513,619	2,615,931	2,504,925
Less: investment in subsidiaries	-	-	(27,127)	(27,127)
Less: investment in associate company	(22,409)	-	(22,563)	-
Capital base	2,601,913	2,513,619	2,566,241	2,477,798

Excludes collective assessment allowance restricted from Tier II capital by BNM amounting to RM 159,950,000 (December 2010: RM 162,590,000).

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30. Capital adequacy (continued)

(c) *The breakdown of risk-weighted assets by each major risk category are as follows:-*

Group As at 30 June 2011 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Sovereign/ Central Banks	3,768,428	3,768,428	-	-
Public Sector Entities	382,238	382,238	194,187	15,535
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,824,296	1,824,296	368,592	29,487
Corporate	9,206,640	9,158,422	3,386,603	270,928
Regulatory Retail	5,934,529	5,932,138	4,523,633	361,891
Residential Mortgages	3,852,589	3,852,296	2,186,252	174,900
Higher Risk Assets	21,537	21,537	32,305	2,584
Other Assets	1,182,053	1,181,387	499,140	39,931
Defaulted Exposures	499,676	496,938	663,614	53,089
Total for On-Balance Sheet Exposures	26,671,986	26,617,680	11,854,326	948,345
<i>Off-Balance Sheet Exposures</i>				
Credit-related Exposures	1,385,428	1,385,428	1,264,654	101,172
Derivative Financial Instruments	54,780	54,780	17,325	1,386
Other Treasury-related Exposures	29,500	29,500	29,500	2,360
Defaulted Exposures	15,418	15,418	23,086	1,847
Total for Off-Balance Sheet Exposures	1,485,126	1,485,126	1,334,565	106,765
Total for On and Off-Balance Sheet Exposures	28,157,112	28,102,806	13,188,891	1,055,110
Market Risk				
	Long position	Short position		
Benchmark Rate Risk	2,558,479	(2,372,943)	185,536	135,311
Foreign Exchange Risk	52,146	(336,621)	(284,475)	336,620
Inventory Risk	-	-	49,417	49,417
Total Market Risk	2,610,625	(2,709,564)	(49,522)	521,348
Operational Risk			1,819,390	145,551
Total RWA and Capital Requirements			15,529,629	1,242,369

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30. Capital adequacy (continued)

(c) *The breakdown of risk-weighted assets by each major risk category are as follows (continued):-*

Group As at 31 December 2010 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Sovereign/ Central Banks	6,211,397	6,211,397	-	-
Public Sector Entities	373,947	373,947	194,830	15,586
Banks, DFIs and MDBs	3,063,214	3,063,214	616,943	49,356
Corporate	7,667,290	7,621,689	3,270,903	261,672
Regulatory Retail	7,151,194	7,149,263	5,289,319	423,146
Residential Mortgages	1,903,832	1,903,752	755,297	60,424
Higher Risk Assets	25,066	25,066	37,600	3,008
Other Assets	988,497	988,497	376,376	30,110
Defaulted Exposures	634,755	478,430	630,783	50,463
Total for On-Balance Sheet Exposures	28,019,192	27,815,255	11,172,051	893,765
<i>Off-Balance Sheet Exposures</i>				
Credit-related Exposures	1,363,578	1,363,578	1,196,690	95,735
Derivative Financial Instruments	121,170	121,170	33,168	2,653
Other Treasury-related Exposures	37,500	37,500	37,500	3,000
Defaulted Exposures	45,450	45,450	68,087	5,447
Total for Off-Balance Sheet Exposures	1,567,698	1,567,698	1,335,445	106,835
Total for On and Off-Balance Sheet Exposures	29,586,890	29,382,953	12,507,496	1,000,600
Market Risk				
	Long position	Short position		
Benchmark Rate Risk	8,106,786	(5,879,692)	2,227,094	225,145
Foreign Exchange Risk	15,967	(268,501)	(252,534)	21,480
Inventory Risk	-	-	78,916	6,313
Total Market Risk	8,122,753	(6,148,193)	2,053,476	45,805
Operational Risk			1,718,698	137,496
Total RWA and Capital Requirements			14,798,756	1,183,901

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30. Capital adequacy (continued)

(c) *The breakdown of risk-weighted assets by each major risk category are as follows:-*

Bank As at 30 June 2011 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Sovereign/ Central Banks	3,768,428	3,768,428	-	-
Public Sector Entities	382,238	382,238	194,187	15,535
Banks, DFIs and MDBs	1,823,671	1,823,671	368,467	29,477
Corporate	9,206,640	9,158,422	3,386,603	270,928
Regulatory Retail	5,934,529	5,932,138	4,523,633	361,891
Residential Mortgages	3,852,589	3,852,296	2,186,252	174,900
Higher Risk Assets	21,537	21,537	32,305	2,584
Other Assets	1,106,345	1,105,678	438,757	35,101
Defaulted Exposures	499,676	496,938	663,614	53,089
Total for On-Balance Sheet Exposures	26,595,653	26,541,346	11,793,818	943,505
<i>Off-Balance Sheet Exposures</i>				
Credit-related Exposures	1,385,428	1,385,428	1,264,654	101,172
Derivative Financial Instruments	54,780	54,780	17,325	1,386
Other Treasury-related Exposures	29,500	29,500	29,500	2,360
Defaulted Exposures	15,418	15,418	23,086	1,847
Total for Off-Balance Sheet Exposures	1,485,126	1,485,126	1,334,565	106,765
Total for On and Off-Balance Sheet Exposures	28,080,779	28,026,472	13,128,383	1,050,270
Market Risk				
	Long position	Short position		
Benchmark Rate Risk	2,558,479	(2,372,943)	185,536	135,311
Foreign Exchange Risk	41,509	(340,495)	(298,986)	340,495
Inventory Risk	-	-	49,417	49,417
Total Market Risk	2,599,988	(2,713,438)	(64,033)	525,223
Operational Risk			1,804,762	144,381
Total RWA and Capital Requirements			15,458,368	1,236,669

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30. Capital adequacy (continued)

(c) *The breakdown of risk-weighted assets by each major risk category are as follows (continued):-*

Bank As at 31 December 2010 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Sovereign/ Central Banks	6,211,397	6,211,397	-	-
Public Sector Entities	373,947	373,947	194,830	15,586
Banks, DFIs and MDBs	3,062,855	3,062,855	616,943	49,356
Corporate	7,667,290	7,621,689	3,270,831	261,666
Regulatory Retail	7,151,194	7,149,263	5,289,319	423,146
Residential Mortgages	1,903,832	1,903,752	755,297	60,424
Higher Risk Assets	25,066	25,066	37,600	3,008
Other Assets	961,002	961,002	358,733	28,698
Defaulted Exposures	634,755	478,430	630,783	50,463
Total for On-Balance Sheet Exposures	27,991,338	27,787,401	11,154,336	892,347
<i>Off-Balance Sheet Exposures</i>				
Credit-related Exposures	1,363,578	1,363,578	1,196,690	95,735
Derivative Financial Instruments	121,170	121,170	33,168	2,653
Other Treasury-related Exposures	37,500	37,500	37,500	3,000
Defaulted Exposures	45,450	45,450	68,087	5,447
Total for Off-Balance Sheet Exposures	1,567,698	1,567,698	1,335,445	106,835
Total for On and Off-Balance Sheet Exposures	29,559,036	29,355,099	12,489,781	999,182
Market Risk				
	Long position	Short position		
Benchmark Rate Risk	8,106,786	(5,879,692)	2,227,094	225,145
Foreign Exchange Risk	11,022	(272,646)	(261,624)	272,646
Inventory Risk	-	-	78,916	78,916
Total Market Risk	8,117,808	(6,152,338)	2,044,386	576,707
Operational Risk			1,700,522	136,042
Total RWA and Capital Requirements			14,767,010	1,181,361

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30. Capital adequacy (continued)

(d) The breakdown of credit risk exposures by risk-weights are as follows:-

Group	Exposures after Netting & Credit Mitigation (CRM)							Higher Risk Assets	Other Assets	Total Exposures after Netting and CRM	Total Risk Weighted
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Corporate	Regulatory Retail	Residential Mortgages	RM'000				
As at 30 June 2011 Risk Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,768,440	86,725	141,757	2,875,148	23,647	-	-	682,908	7,578,625	-	
20%	-	126,657	1,617,348	3,534,219	17,612	16,679	-	-	5,312,515	1,062,503	
35%	-	-	-	-	-	1,371,933	-	-	1,371,933	480,176	
50%	-	-	116,942	223,115	199,036	646,137	-	-	1,185,230	592,615	
75%	-	-	-	126,689	5,336,243	1,839,071	-	-	7,302,003	5,476,502	
100%	-	216,131	5,641	3,571,904	506,866	74,121	-	528,647	4,903,310	4,903,310	
150%	-	36	-	93,739	76,055	238,081	41,279	-	449,190	673,785	
Total Exposures	3,768,440	429,549	1,881,688	10,424,814	6,159,459	4,186,022	41,279	1,211,555	28,102,806	13,188,891	
RWA by Exposures	-	241,516	387,582	4,625,930	4,726,171	2,617,127	61,918	528,647	13,188,891		
Average Risk Weight	0.0%	56.2%	20.6%	44.4%	76.7%	62.5%	150.0%	43.6%	46.9%		
Deduction from Capital Base											

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30. Capital adequacy (continued)

(d) The breakdown of credit risk exposures by risk-weights are as follows (continued):-

Group	Exposures after Netting & Credit Mitigation (CRM)								Total Exposures after Netting and CRM RM'000	Total Risk Weighted RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
As at 31 Dec 2010 Risk Weights										
0%	6,211,419	-	141,950	864,757	48,878	4,774	-	612,215	7,883,993	-
20%	-	223,897	2,916,487	4,344,124	3,103	-	-	-	7,487,611	1,497,522
35%	-	-	-	-	-	1,294,614	-	-	1,294,614	453,115
50%	-	-	118,840	263,518	192,994	604,589	-	-	1,179,941	589,971
75%	-	-	-	32,948	7,181,272	-	-	-	7,214,220	5,410,665
100%	-	190,534	5,437	3,260,648	6,103	2,928	-	389,625	3,855,275	3,855,275
150%	-	35	-	116,421	306,770	-	44,073	-	467,299	700,948
Total Exposures	6,211,419	414,466	3,182,714	8,882,416	7,739,120	1,906,905	44,073	1,001,840	29,382,953	12,507,496
RWA by Exposures	-	235,366	648,154	4,460,575	5,949,329	758,337	66,110	389,625	12,507,496	
Average Risk Weight	0.0%	46.0%	21.5%	55.4%	78.0%	40.8%	150.0%	52.4%	39.7%	
Deduction from Capital Base										

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30. Capital adequacy (continued)

(d) The breakdown of credit risk exposures by risk-weights are as follows (continued):-

Bank	Exposures after Netting & Credit Mitigation (CRM)								Total Exposures after Netting and CRM	Total Risk Weighted
	As at 30 June 2011 Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000		
0%	3,768,440	86,725	141,757	2,875,148	23,647	-	-	667,583	7,563,300	-
20%	-	126,657	1,616,723	3,534,219	17,612	16,679	-	-	5,311,890	1,062,379
35%	-	-	-	-	-	1,371,933	-	-	1,371,933	480,176
50%	-	-	116,942	223,115	199,036	646,137	-	-	1,185,230	592,615
75%	-	-	-	126,689	5,336,243	1,839,071	-	-	7,302,003	5,476,502
100%	-	216,131	5,641	3,571,904	506,866	74,121	-	468,263	4,842,926	4,842,926
150%	-	36	-	93,739	76,055	238,081	41,279	-	449,190	673,785
Total Exposures	3,768,440	429,549	1,881,063	10,424,814	6,159,459	4,186,022	41,279	1,135,846	28,026,472	13,128,383
RWA by Exposures	-	241,516	387,458	4,625,930	4,726,171	2,617,127	61,918	468,263	13,128,383	
Average Risk Weight	0.0%	56.2%	20.6%	44.4%	76.7%	62.5%	150.0%	41.2%	46.8%	
Deduction from Capital Base										

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30. Capital adequacy (continued)

(d) The breakdown of credit risk exposures by risk-weights are as follows (continued):-

Bank	Exposures after Netting & Credit Mitigation (CRM)								Total Exposures after Netting and CRM RM'000	Total Risk Weighted RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
As at 31 Dec 2010 Risk Weights										
0%	6,211,419	-	141,950	864,757	48,878	4,774	-	602,363	7,874,141	-
20%		223,897	2,916,128	4,344,124	3,103	-	-	-	7,487,252	1,497,450
35%		-	-	-	-	1,294,614	-	-	1,294,614	453,115
50%		-	118,840	263,518	192,994	604,589	-	-	1,179,941	589,971
75%		-	-	32,948	7,181,272	-	-	-	7,214,220	5,410,665
100%		190,534	5,437	3,260,648	6,103	2,928	-	371,982	3,837,632	3,837,632
150%		35	-	116,421	306,770	-	44,073	-	467,299	700,948
Total Exposures	6,211,419	414,466	3,182,355	8,882,416	7,739,120	1,906,905	44,073	974,345	29,355,099	12,489,781
RWA by Exposures	-	235,366	648,083	4,460,575	5,949,329	758,337	66,110	371,981	12,489,781	
Average Risk Weight	0.0%	56.8%	20.4%	50.1%	76.3%	39.7%	150.0%	31.1%	41.9%	
Deduction from Capital Base										

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31. Commitment and Contingencies

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

As at 30 June 2011	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	463,884		463,884	455,925
Assets sold with recourse	2		2	2
Transaction related contingent items	808,604		404,302	400,050
Short term self-liquidating trade related contingencies	367,069		73,414	71,978
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	1		-	-
- exceeding one year	603,660		301,830	241,723
Unutilised credit card lines	787,074		157,414	118,062
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	3,921,719		-	-
	6,952,013		1,400,846	1,287,740
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,793,028	12,828	28,860	9,165
- one year to less than five years	50,100	95	2,600	1,946
Profit rate related contracts				
- one year to less than five years	671,740	16	23,320	6,214
	4,514,868	12,939	54,780	17,325
<i>Other Treasury related exposures</i>				
Obligations under an on-going underwriting agreement	59,000		29,500	29,500
	59,000		29,500	29,500
Total	11,525,881	12,939	1,485,126	1,334,565

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31. 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 2010	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	459,840		459,840	439,315
Assets sold with recourse	242		242	242
Transaction related contingent items	846,719		423,360	396,877
Short term self-liquidating trade related contingencies	312,745		62,549	61,078
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	1,003		201	224
- exceeding one year	618,138		309,068	251,715
Unutilised credit card lines	768,840		153,768	115,326
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	4,118,965		-	-
	<u>7,126,492</u>		<u>1,409,028</u>	<u>1,264,777</u>
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	5,208,060	42,284	93,866	26,161
Profit rate related contracts				
- one year to less than five years	671,740	-	27,304	7,007
	<u>5,879,800</u>	<u>42,284</u>	<u>121,170</u>	<u>33,168</u>
<i>Other Treasury related exposures</i>				
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
	<u>75,000</u>		<u>37,500</u>	<u>37,500</u>
Total	<u>13,081,292</u>	<u>42,284</u>	<u>1,567,698</u>	<u>1,335,445</u>

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32. Credit Transactions and Exposures with Connected Parties

	Group and Bank	
	30.06.2011	31.12.2010
Outstanding credit exposures with connected parties (RM'000)	531,009	401,428
% of outstanding credit exposures to connected parties as a proportion of total credit exposures	4.01%	3.25%
% of outstanding credit exposures to connected parties which is non-performing or in default	0.002%	0.002%

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