

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

Statements of Financial Position as at 31 March 2014

	Note	Group		Bank	
		31.03.2014 RM'000	31.12.2013 RM'000	31.03.2014 RM'000	31.12.2013 RM'000
Assets					
Cash and short-term funds	9	1,290,780	3,600,343	1,287,867	3,598,078
Deposits and placements with banks and other financial institutions	10	110,609	130,580	110,609	130,580
Financial assets held-for-trading	11	1,265,112	1,216,895	1,265,112	1,216,895
Derivative financial assets	12	19,981	29,118	19,981	29,118
Financial assets available-for-sale	13	12,458,727	12,416,921	12,460,738	12,418,932
Financial assets held-to-maturity	14	62,432	63,327	62,432	63,327
Financing, advances and others	15	24,962,517	23,740,948	24,962,517	23,740,948
Other assets	16	77,223	41,384	75,592	39,167
Statutory deposits with Bank Negara Malaysia		1,401,000	1,297,100	1,401,000	1,297,100
Current tax assets		40,510	40,588	40,468	40,468
Deferred tax assets		24,613	24,613	24,613	24,613
Investments in subsidiary companies		-	-	20,627	28,027
Property and equipment		206,122	209,554	205,832	209,278
Total assets		41,919,626	42,811,371	41,937,388	42,836,531
Liabilities and equity					
Deposits from customers	17	36,158,757	37,245,002	36,178,290	37,272,452
Deposits and placements of banks and other financial institutions	18	1,679,648	1,529,975	1,679,648	1,529,975
Derivative financial liabilities	12	7,565	13,565	7,565	13,565
Bills and acceptance payable		135,954	170,598	135,954	170,598
Other liabilities	19	464,850	481,402	461,014	476,626
Zakat and taxation		45,219	43,994	45,168	43,941
Total liabilities		38,491,993	39,484,536	38,507,639	39,507,157

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

Statements of Financial Position as at 31 March 2014 (continued)

	Note	Group		Bank	
		31.03.2014 RM'000	31.12.2013 RM'000	31.03.2014 RM'000	31.12.2013 RM'000
Equity					
Share capital		2,298,165	2,298,165	2,298,165	2,298,165
Reserves		<u>1,129,468</u>	<u>1,028,670</u>	<u>1,131,584</u>	<u>1,031,209</u>
Total equity		<u>3,427,633</u>	<u>3,326,835</u>	<u>3,429,749</u>	<u>3,329,374</u>
Total liabilities and equity		<u>41,919,626</u>	<u>42,811,371</u>	<u>41,937,388</u>	<u>42,836,531</u>
Commitments and Contingencies	28	<u>10,761,203</u>	<u>11,211,680</u>	<u>10,761,203</u>	<u>11,211,680</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 2013.

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

**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2014**

	Note	Group		Bank	
		3 months ended		3 months ended	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	20	473,639	447,167	473,639	447,178
Income derived from investment of shareholders' funds	21	101,451	82,625	99,929	81,010
Allowances for impairment on financing and advances	22	(16,632)	807	(16,632)	807
Direct expenses		(3,792)	(6,188)	(3,792)	(6,188)
Total distributable income		554,666	524,411	553,144	522,807
Income attributable to depositors	23	(192,689)	(181,980)	(192,796)	(182,169)
Total net income		361,977	342,431	360,348	340,638
Personnel expenses	24	(112,321)	(111,871)	(110,854)	(110,724)
Other overhead expenses	25	(82,615)	(79,882)	(82,883)	(78,395)
		167,041	150,678	166,611	151,519
Share of results of associate company		-	(352)	-	-
Profit before zakat and tax		167,041	150,326	166,611	151,519
Zakat		(2,270)	(2,272)	(2,259)	(2,259)
Tax expense		(44,504)	(37,722)	(44,509)	(37,677)
Profit for the period		120,267	110,332	119,843	111,583
Earnings per share (sen)		5.23	4.87		

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

**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2014 (continued)**

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>120,267</u>	<u>110,332</u>	<u>119,843</u>	<u>111,583</u>
Other comprehensive income:				
Currency translation differences in respect of foreign operations	2,542	(3,583)	2,543	(3,588)
Fair value reserve				
Net change in fair value	(23,740)	(8,051)	(23,740)	(8,051)
Net amount transferred to profit or loss	1,729	(1,826)	1,729	(1,826)
Other comprehensive income for the period, net of tax	<u>(19,469)</u>	<u>(13,460)</u>	<u>(19,468)</u>	<u>(13,465)</u>
Total comprehensive income for the period	<u>100,798</u>	<u>96,872</u>	<u>100,375</u>	<u>98,118</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 2013.

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

Consolidated Statement of Changes in Equity for the three months ended 31 March 2014

Group	← Attributable to equity holders of the Bank →				Total equity RM'000
	← Non-distributable →		Other reserves RM'000	Distributable Retained earnings RM'000	
	Share capital RM'000	Share premium RM'000			
At 1 January 2014	2,298,165	52,281	722,567	253,822	3,326,835
Profit for the period	-	-	-	120,267	120,267
Currency translation difference in respect of foreign operations	-	-	2,542	-	2,542
Fair value reserve – Net change in fair value	-	-	(23,740)	-	(23,740)
– Net amount reclassified to profit or loss	-	-	1,729	-	1,729
Total comprehensive income for the period	-	-	(19,469)	120,267	100,798
Transfer to statutory reserve	-	-	59,921	(59,921)	-
At 31 March 2014	2,298,165	52,281	763,019	314,168	3,427,633
At 1 January 2013	2,265,490	-	628,157	209,318	3,102,965
Profit for the period	-	-	-	110,332	110,332
Currency translation difference in respect of foreign operations	-	-	(3,583)	-	(3,583)
Fair value reserve – Net change in fair value	-	-	(8,051)	-	(8,051)
– Net amount reclassified to profit or loss	-	-	(1,826)	-	(1,826)
Total comprehensive income for the period	-	-	(13,460)	110,332	96,872
At 31 March 2013	2,265,490	-	614,697	319,650	3,199,837

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 2013.

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

Statement of Changes in Equity for the three months ended 31 March 2014

Bank	← Non-distributable →		Other reserves	Distributable	Total equity
	Share capital	Share premium		Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	2,298,165	52,281	722,539	256,389	3,329,374
Profit for the period	-	-	-	119,843	119,843
Currency translation difference in respect of foreign operations	-	-	2,543	-	2,543
Fair value reserve – Net change in fair value	-	-	(23,740)	-	(23,740)
– Net amount reclassified to profit or loss	-	-	1,729	-	1,729
Total comprehensive income for the period	-	-	(19,468)	119,843	100,375
Transfer to statutory reserve	-	-	59,921	(59,921)	-
At 31 March 2014	2,298,165	52,281	762,992	316,311	3,429,749
At 1 January 2013	2,265,490	-	628,159	205,966	3,099,615
Profit for the period	-	-	-	111,583	111,583
Currency translation difference in respect of foreign operations	-	-	(3,588)	-	(3,588)
Fair value reserve – Net change in fair value	-	-	(8,051)	-	(8,051)
– Net amount reclassified to profit or loss	-	-	(1,826)	-	(1,826)
Total comprehensive income for the period	-	-	(13,465)	111,583	98,118
At 31 March 2013	2,265,490	-	614,694	317,549	3,197,733

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 2013.

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

Condensed Statements of Cash Flow
for the three months ended 31 March 2014

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	167,041	150,326	166,611	151,519
Adjustment for non-cash items	58,160	70,869	58,136	70,115
Operating profit before working capital changes	225,201	221,195	224,747	221,634
Changes in working capital:				
Net changes in operating assets	(1,245,487)	(1,089,983)	(1,246,073)	(1,088,896)
Net changes in operating liabilities	(1,145,319)	3,670,332	(1,152,296)	3,668,920
Cash (used in)/generated from operations	(2,165,605)	2,801,544	(2,173,622)	2,801,658
Zakat and tax paid	(45,583)	(26,367)	(45,541)	(26,333)
Tax refund	112	-	-	-
Net (used in)/cash generated from operating activities	(2,211,076)	2,775,177	(2,219,163)	2,775,325
Net (used in)/cash generated from investing activities	(121,000)	282,866	(120,962)	282,715
Net cash generated from financing activities	-	-	7,400	-
Net (decrease)/increase in cash and cash equivalents	(2,332,076)	3,058,043	(2,332,725)	3,058,040
Cash and cash equivalents at beginning of the period	3,730,923	1,695,908	3,728,658	1,695,442
Exchange difference on translation	2,542	(3,583)	2,543	(3,588)
Cash and cash equivalents at end of the period	1,401,389	4,750,368	1,398,476	4,749,894

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 2013.

Bank Islam Malaysia Berhad (98127-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

Notes to the unaudited interim financial statements for the three months ended 31 March 2014

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2014 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 2013. 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 2013.

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 2013, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to MFRSs:

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosures of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)

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

1. Basis of preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014 (continued)

- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

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

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2013 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 2014.

4. Unusual items

There were no unusual items in the three months ended 31 March 2014.

5. Changes in accounting estimates

There was no material changes in estimates of amounts reported in the prior financial year that has a material effect to the financial statements for the three months ended 31 March 2014.

6. Debt and equity securities

There were no issuance or repayment of debt and equity securities or share buy-back during the three months ended 31 March 2014.

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

7. Significant events during the three months ended 31 March 2014

- i) On 24 February 2014, the Bank received RM5 million, from its subsidiary, BIMB Foreign Currency Clearing Agency Sdn. Bhd. (BIFCA) which is under liquidation.
- ii) On 14 March 2014, Farihan Corporation Sdn. Bhd., a subsidiary of the Bank, has made capital repayment to the Bank amounting to RM2.4 million.

There was no other significant event during the three months ended 31 March 2014.

8. Dividends

There was no dividend payment during the three months ended 31 March 2014.

9. Cash and short-term funds

	Group		Bank	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	535,570	616,133	532,737	613,948
Money at call and interbank placements with remaining maturity not exceeding one month	755,210	2,984,210	755,130	2,984,130
	<u>1,290,780</u>	<u>3,600,343</u>	<u>1,287,867</u>	<u>3,598,078</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
Licensed Islamic banks	110,609	130,580
	<u>110,609</u>	<u>130,580</u>

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

11. Financial assets held-for-trading

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	551,642	726,353
Bank Negara Negotiable Notes	248,782	178,058
Islamic Debt Securities	464,688	312,484
	<u>1,265,112</u>	<u>1,216,895</u>

12. Derivative financial assets/liabilities

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

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

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
31.03.2014	RM'000	RM'000	RM'000
Forward contracts	808,253	802	(2,035)
Profit rate swaps	1,305,656	19,040	(5,391)
Structured deposits	109,450	139	(139)
	<u>2,223,359</u>	<u>19,981</u>	<u>(7,565)</u>

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
31.12.2013	RM'000	RM'000	RM'000
Forward contracts	1,381,894	8,681	(6,594)
Profit rate swaps	1,311,481	19,855	(6,389)
Structured deposits	110,495	582	(582)
	<u>2,803,870</u>	<u>29,118</u>	<u>(13,565)</u>

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

13. Financial assets available-for-sale

	Group		Bank	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Unit trust	<u>3,229</u>	<u>3,229</u>	<u>3,229</u>	<u>3,229</u>
At fair value				
Malaysian Government				
Investment Issues	<u>1,258,556</u>	<u>1,269,943</u>	<u>1,258,556</u>	<u>1,269,943</u>
Negotiable Islamic Debt				
Certificates	<u>348,031</u>	<u>447,825</u>	<u>348,031</u>	<u>447,825</u>
Islamic Debt Securities	<u>10,815,655</u>	<u>10,661,807</u>	<u>10,817,666</u>	<u>10,663,818</u>
	<u>12,422,242</u>	<u>12,379,575</u>	<u>12,424,253</u>	<u>12,381,586</u>
At fair value				
Islamic Development Bank				
Unit Trust	<u>1,647</u>	<u>1,647</u>	<u>1,647</u>	<u>1,647</u>
At cost				
Unquoted shares in Malaysia	<u>23,406</u>	<u>23,456</u>	<u>23,406</u>	<u>23,456</u>
Less: Accumulated				
impairment loss *	<u>(14,690)</u>	<u>(14,740)</u>	<u>(14,690)</u>	<u>(14,740)</u>
	<u>8,716</u>	<u>8,716</u>	<u>8,716</u>	<u>8,716</u>
At cost				
Unquoted shares outside				
Malaysia	<u>22,893</u>	<u>23,754</u>	<u>22,893</u>	<u>23,754</u>
	<u>12,458,727</u>	<u>12,416,921</u>	<u>12,460,738</u>	<u>12,418,932</u>

* Movement in accumulated impairment loss is due to translation difference

14. Financial assets held-to-maturity

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
At amortised cost		
Unquoted securities in Malaysia:		
Islamic Debt Securities	<u>69,557</u>	<u>70,452</u>
Less: Accumulated impairment loss	<u>(7,125)</u>	<u>(7,125)</u>
	<u>62,432</u>	<u>63,327</u>

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

15. Financing, advances and others

(a) By type and Shariah contract

Group & Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek RM'000	Ijarah Thumma Al-Bai' RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
31 March 2014									
At amortised cost									
Cash line	-	-	160,607	583,160	-	-	-	-	743,767
Term financing									
House financing	5,389,416	-	-	1,850,414	-	-	67,872	-	7,307,702
Syndicated financing	28,121	-	192,891	855,653	-	-	-	-	1,076,665
Leasing financing	-	23,796	-	-	57,836	160,288	-	-	241,920
Bridging financing	-	-	-	-	-	-	46,885	-	46,885
Personal financing	-	-	542,163	7,974,245	-	-	-	-	8,516,408
Other term financing	3,524,162	-	6,797	2,494,620	-	-	1,868	-	6,027,447
Staff financing	120,594	-	492	30,737	-	-	20,789	-	172,612
Credit cards	-	-	132,627	290,825	-	-	-	-	423,452
Trade bills discounted	-	796,781	13,787	-	-	-	-	-	810,568
Trust receipts	-	35,824	-	-	-	-	-	-	35,824
Pawn broking	-	-	-	-	-	-	-	85,305	85,305
	9,062,293	856,401	1,049,364	14,079,654	57,836	160,288	137,414	85,305	25,488,555
Allowance for impaired financing, advances and others									
- collective assessment allowance									(381,466)
- individual assessment allowance									(144,572)
Net financing, advances and others									24,962,517

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

15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group & Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek RM'000	Ijarah RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
31 December 2013									
At amortised cost									
Cash line	-	-	175,923	573,323	-	-	-	-	749,246
Term financing									
House financing	5,442,107	-	-	1,190,950	-	-	67,995	-	6,701,052
Syndicated financing	30,874	-	193,387	475,200	-	33,216	-	-	732,677
Leasing financing	-	-	-	-	57,931	159,750	-	-	217,681
Bridging financing	-	-	-	-	-	-	40,052	-	40,052
Personal financing	-	-	734,250	7,597,961	-	-	-	-	8,332,211
Other term financing	3,565,043	-	7,034	2,326,624	-	-	1,884	-	5,900,585
Staff financing	124,320	-	708	25,736	-	-	21,944	-	172,708
Credit cards	-	-	157,089	288,153	-	-	-	-	445,242
Trade bills discounted	-	805,381	14,107	-	-	-	-	-	819,488
Trust receipts	-	35,957	-	-	-	-	-	-	35,957
Pawn broking	-	-	-	-	-	-	-	95,621	95,621
	9,162,344	841,338	1,282,498	12,477,947	57,931	192,966	131,875	95,621	24,242,520
Allowance for impaired financing, advances and others									
- collective assessment allowance									(365,375)
- individual assessment allowance									(136,197)
Net financing, advances and others									23,740,948

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

15. Financing, advances and others (continued)

(b) By type of customer

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
Domestic non-bank financial institutions	362,831	352,438
Domestic business enterprise	4,967,564	4,630,194
Small medium industries	626,963	631,069
Government and statutory bodies	201,213	200,885
Individuals	19,139,550	18,216,908
Other domestic entities	5,229	5,483
Foreign entities	185,205	205,543
	<u>25,488,555</u>	<u>24,242,520</u>

(c) By profit rate sensitivity

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
Fixed rate		
House financing	1,708,033	1,512,408
Others	7,427,549	7,954,409
Floating rate		
Others	16,352,973	14,775,703
	<u>25,488,555</u>	<u>24,242,520</u>

(d) By remaining contractual maturity

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
Maturity within one year	2,928,473	2,927,612
More than one year to three years	1,099,787	816,371
More than three years to five years	1,577,715	1,373,079
More than five years	19,882,580	19,125,458
	<u>25,488,555</u>	<u>24,242,520</u>

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

15. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
Central Region	11,156,557	10,699,889
Eastern Region	4,586,653	4,455,488
Northern Region	4,089,827	3,928,233
Southern Region	3,625,924	3,191,397
East Malaysia Region	2,029,594	1,967,513
	<u>25,488,555</u>	<u>24,242,520</u>

(f) By sector

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
Primary agriculture	263,739	243,148
Mining and quarrying	7,981	8,135
Manufacturing (including agro-based)	857,465	829,577
Electricity, gas and water	377,050	365,014
Wholesale & retail trade, and hotels & restaurants	788,480	750,364
Construction	1,881,501	1,872,011
Real estate	502,266	517,731
Transport, storage and communications	447,911	236,616
Finance, insurance and business activities	854,545	850,283
Education, health and others	357,015	342,942
Household sectors	19,140,593	18,216,799
Other sectors	10,009	9,900
	<u>25,488,555</u>	<u>24,242,520</u>

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

15. Financing, advances and others (continued)

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

	Group and Bank	
	31.03.2014	31.12.2013
	RM’000	RM’000
At 1 January 2014/ 2013	285,302	308,709
Classified as impaired during the period/year	102,188	440,665
Reclassified as not impaired during the period/year	(53,029)	(236,056)
Amount recovered	(16,945)	(71,626)
Amount written off	(17,965)	(160,388)
Exchange differences	(171)	3,998
At 31 March 2014/ 31 December 2013	<u>299,380</u>	<u>285,302</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.17%</u>	<u>1.18%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	31.03.2014	31.12.2013
	RM’000	RM’000
Central Region	141,928	129,930
Eastern Region	30,030	28,106
Northern Region	51,578	52,873
Southern Region	14,235	13,702
East Malaysia Region	61,609	60,691
	<u>299,380</u>	<u>285,302</u>

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

15. Financing, advances and others (continued)

(i) Impaired financing by sector

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
Primary agriculture	1,272	-
Manufacturing (including agro-based)	32,447	32,302
Electricity, gas and water	41	108
Wholesale & retail trade, and hotels & restaurants	18,392	15,525
Construction	30,808	21,601
Transport, storage and communications	33,282	33,117
Finance, insurance and business activities	61,508	61,393
Education, health and others	287	-
Household sectors	121,343	121,226
Other sectors	-	30
	299,380	285,302

(j) Movement of allowance for impaired financing

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2014/ 2013	365,375	313,334
Allowance made during the period/year	33,977	141,621
Amount written off	(17,965)	(90,373)
Exchange differences	79	793
At 31 March 2014/ 31 December 2013	381,466	365,375
<u>Individual assessment allowance</u>		
At 1 January 2014/ 2013	136,197	126,988
Allowance made during the period/year	8,527	79,103
Amount written off	-	(69,901)
Exchange differences	(152)	7
At 31 March 2014/ 31 December 2013	144,572	136,197

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

16. Other assets

	Group		Bank	
	31.03.2014 RM'000	31.12.2013 RM'000	31.03.2014 RM'000	31.12.2013 RM'000
Other receivables	40,675	6,563	39,690	4,845
Deposit and prepayments	36,519	34,127	35,825	33,462
Related companies	29	694	77	860
	<u>77,223</u>	<u>41,384</u>	<u>75,592</u>	<u>39,167</u>

17. Deposits from customers

a) By type of deposit

	Group		Bank	
	31.03.2014 RM'000	31.12.2013 RM'000	31.03.2014 RM'000	31.12.2013 RM'000
<i>Non-Mudharabah fund</i>				
Demand deposits	9,176,681	9,888,119	9,180,412	9,891,476
Saving deposits	2,645,038	2,379,204	2,645,038	2,379,204
Negotiable Islamic Debt Securities ("NIDC")	1,975,029	1,466,205	1,975,029	1,466,205
Waheed-i	437,652	358,516	437,803	359,417
Ziyad	97,527	98,457	97,527	98,457
Others	90,998	88,022	90,998	88,022
	<u>14,422,925</u>	<u>14,278,523</u>	<u>14,426,807</u>	<u>14,282,781</u>
<i>Mudharabah fund</i>				
Saving deposits	2,459,274	2,295,278	2,459,274	2,295,278
General investment deposits	2,029,539	2,012,162	2,029,539	2,012,162
Special investment deposits	17,247,019	18,659,039	17,262,670	18,682,231
	<u>21,735,832</u>	<u>22,966,479</u>	<u>21,751,483</u>	<u>22,989,671</u>
	<u>36,158,757</u>	<u>37,245,002</u>	<u>36,178,290</u>	<u>37,272,452</u>

b) Maturity structure of NIDCs, Waheed-i, Ziyad and investment deposits are as follows:

	Group		Bank	
	31.03.2014 RM'000	31.12.2013 RM'000	31.03.2014 RM'000	31.12.2013 RM'000
Due within six months	19,826,371	20,374,794	19,841,623	20,398,137
More than six months to one year	1,590,891	2,036,519	1,591,441	2,037,269
More than one year to three years	321,913	136,897	321,913	136,897
More than three years to five years	47,591	46,169	47,591	46,169
	<u>21,786,766</u>	<u>22,594,379</u>	<u>21,802,568</u>	<u>22,618,472</u>

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

17. Deposits from customers (continued)

c) By type of customer

	Group		Bank	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	8,035,362	8,069,129	8,035,362	8,069,129
Business enterprises	7,984,798	10,009,275	7,984,798	10,009,275
Individuals	5,583,365	5,124,757	5,583,365	5,124,757
Others	14,555,232	14,041,841	14,574,765	14,069,291
	<u>36,158,757</u>	<u>37,245,002</u>	<u>36,178,290</u>	<u>37,272,452</u>

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31.03.2014	31.12.2013
	RM'000	RM'000
<i>Non-Mudharabah fund</i>		
Licensed Islamic banks	-	1,538
Other financial institutions	40,990	44,564
	<u>40,990</u>	<u>46,102</u>
<i>Mudharabah fund</i>		
Licensed Islamic banks	1,343,658	1,298,873
Other financial institutions	295,000	185,000
	<u>1,638,658</u>	<u>1,483,873</u>
	<u>1,679,648</u>	<u>1,529,975</u>

19. Other liabilities

	Group		Bank	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Other payable	418,003	372,655	415,622	369,109
Accruals	46,847	108,747	45,392	107,517
	<u>464,850</u>	<u>481,042</u>	<u>461,014</u>	<u>476,626</u>

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

20. Income derived from investment of depositors' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	28,483	29,483	28,483	29,483
(ii) Other deposits	445,156	417,684	445,156	417,695
	<u>473,639</u>	<u>447,167</u>	<u>473,639</u>	<u>447,178</u>

(i) Income derived from investment of general investment deposits

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	21,855	21,025	21,855	21,025
Financial assets:				
- held-for-trading	660	461	660	461
- available-for-sale	5,531	6,338	5,531	6,338
- held-to-maturity	43	227	43	227
Money at call and deposits with financial institutions	434	934	434	934
	<u>28,523</u>	<u>28,985</u>	<u>28,523</u>	<u>28,985</u>
<i>Other dealing income</i>				
Net (loss)/gain from sale of financial assets held-for-trading	(169)	16	(169)	16
Net gain on revaluation of financial assets held-for-trading	213	361	213	361
	<u>44</u>	<u>377</u>	<u>44</u>	<u>377</u>
<i>Other operating income</i>				
Net (loss)/gain from sale of financial assets available-for-sale	(84)	121	(84)	121
	<u>(84)</u>	<u>121</u>	<u>(84)</u>	<u>121</u>
	<u>28,483</u>	<u>29,483</u>	<u>28,483</u>	<u>29,483</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>327</u>	<u>429</u>	<u>327</u>	<u>429</u>

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

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

(ii) Income derived from investment of other deposits

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	341,580	297,837	341,580	297,848
Financial assets:				
- held-for-trading	10,319	6,530	10,319	6,530
- available-for-sale	86,450	89,810	86,450	89,810
- held-to-maturity	665	3,218	665	3,218
Money at call and deposits with financial institutions	6,756	13,235	6,756	13,235
	445,770	410,630	445,770	410,641
<i>Other dealing income</i>				
Net (loss)/gain from sale of financial assets held-for-trading	(2,607)	235	(2,607)	235
Net gain on revaluation of financial assets held-for-trading	3,322	5,114	3,322	5,114
	715	5,349	715	5,349
<i>Other operating income</i>				
Net (loss)/gain from sale of financial assets available-for-sale	(1,329)	1,705	(1,329)	1,705
	(1,329)	1,705	(1,329)	1,705
	445,156	417,684	445,156	417,695
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	5,105	6,070	5,105	6,070

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

21. Income derived from investment of shareholders' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	1,517	1,083	1,517	1,083
Financial assets available-for-sale	26,260	26,438	26,260	26,438
Money at call and deposits with financial institutions	3,930	2,055	3,931	2,054
	31,707	29,576	31,708	29,575
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	31,846	16,456	31,846	16,456
Net derivatives loss	(1,878)	(388)	(1,878)	(388)
	29,968	16,068	29,968	16,068
<i>Other operating income</i>				
Net loss from sale of financial assets available-for-sale	(316)	-	(316)	-
Reversal of impairment allowance	-	60	-	-
Gross dividend income from securities				
- unquoted in Malaysia	-	414	-	414
	(316)	474	(316)	414
<i>Fees and commission</i>				
Fees	31,739	28,610	30,187	26,724
Commission	5,957	5,282	5,957	5,282
Others	2,423	2,609	2,384	3,049
	40,119	36,501	38,528	35,055
<i>Other income</i>				
Net loss on disposal of property and equipment	(852)	(1,034)	(852)	(1,017)
Rental income	780	907	857	907
Other income	45	133	36	8
	(27)	6	41	(102)
	101,451	82,625	99,929	81,010

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

22. Allowances for impairment on financing and advances

	Group and Bank	
	3 months ended	
	31.03.2014	31.03.2013
	RM'000	RM'000
Allowances for impaired financing, advances and others:		
- collective assessment allowance	33,977	59,855
- individual assessment allowance	8,527	5,717
Bad debts and financing recovered	(25,872)	(66,379)
	<u>16,632</u>	<u>(807)</u>

23. Income attributable to depositors

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	161,316	139,672	161,420	139,851
- Non-Mudharabah fund	24,744	37,885	24,747	37,895
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	6,475	3,545	6,475	3,545
- Non-Mudharabah fund	154	878	154	878
	<u>192,689</u>	<u>181,980</u>	<u>192,796</u>	<u>182,169</u>

24. Personnel expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	91,323	91,731	90,142	90,849
Employees' Provident Fund	10,758	10,056	10,583	9,931
Other staff related costs	10,240	10,084	10,129	9,944
	<u>112,321</u>	<u>111,871</u>	<u>110,854</u>	<u>110,724</u>

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

25. Other overhead expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	1,211	943	1,198	784
Credit and debit card expenses	4,721	3,378	4,721	3,378
Others	2,140	2,419	1,907	2,302
	<u>8,072</u>	<u>6,740</u>	<u>7,826</u>	<u>6,464</u>
<i>Establishment</i>				
Office rental	11,737	11,533	11,709	11,376
Depreciation of property and equipment	11,956	11,250	11,932	11,231
Information technology expenses	7,028	7,292	7,028	7,292
Rental equipment	913	1,035	900	1,017
Office maintenance	2,062	2,032	2,021	1,991
Utilities	3,350	3,355	3,330	3,333
Security services	3,438	2,585	3,436	2,581
Takaful and insurance	1,939	788	1,919	749
Others	269	274	269	274
	<u>42,692</u>	<u>40,144</u>	<u>42,544</u>	<u>39,844</u>
<i>General expenses</i>				
Professional fees	1,034	644	982	610
Office supplies	2,108	2,240	2,092	2,210
Outsourcing fees	11,104	12,556	11,104	12,556
Others	17,605	17,558	18,335	16,711
	<u>31,851</u>	<u>32,998</u>	<u>32,513</u>	<u>32,087</u>
	<u>82,615</u>	<u>79,882</u>	<u>82,883</u>	<u>78,395</u>

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

26. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>3 months ended 31 March 2014</u>						
Total Revenue	316,585	81,692	143,457	36,044	(2,688)	575,090
Net fund based income	175,900	70,487	3,968	62,955	-	313,310
Non-fund based income	28,031	6,728	33,084	3,829	(2,581)	69,091
Net income	203,931	77,215	37,052	66,784	(2,581)	382,401
Allowances for impairment	(18,131)	1,499	-	-	-	(16,632)
Profit before overheads, zakat & taxation	185,800	78,714	37,052	66,784	(2,581)	365,769
Operating expenses						(198,728)
						167,041
Share of results of associate company						-
Profit before zakat & taxation						167,041
<u>3 months ended 31 March 2013</u>						
Total Revenue	280,112	73,615	144,868	33,720	(2,523)	529,792
Net fund based income	179,585	70,555	15,580	21,502	(11)	287,211
Non-fund based income	28,323	6,531	24,236	3,834	(2,323)	60,601
Net income	207,908	77,086	39,816	25,336	(2,334)	347,812
Allowances for impairment	(25,560)	29,335	-	(2,968)	-	807
Profit before overheads, zakat & taxation	182,348	106,421	39,816	22,368	(2,334)	348,619
Operating expenses						(197,941)
						150,678
Share of results of associate company						(352)
Profit before zakat & taxation						150,326

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

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 31 March 2014</u>						
Segment assets	18,910,685	6,051,831	16,903,003	45,531	(42,666)	41,868,384
Unallocated assets						<u>51,242</u>
Total assets						<u>41,919,626</u>
 <u>At 31 December 2013</u>						
Segment assets	18,003,154	5,737,793	16,842,982	60,556	(57,689)	40,586,796
Unallocated assets						<u>2,224,575</u>
Total assets						<u>42,811,371</u>

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

27. Fair value of Financial Instruments

Fair value hierarchy

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

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

The levels of fair value hierarchy into which fair value measurements are categorised in their entirety based are as follows:

Bank Islam Malaysia Berhad

(Company No. 98127-X)

(Incorporated in Malaysia)

27. Fair value of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Bank 31 March 2014 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	1,265,112	-	1,265,112	-	1,265,112	1,265,112
Derivative financial assets	-	19,981	-	19,981	-	19,981	19,981
Financial assets available-for-sale	-	12,422,498	4,620	12,427,118	33,620	12,460,738	12,460,738
Financial assets held-to-maturity	-	-	-	-	85,138	85,138	62,432
Financing, advances and others	-	-	-	-	25,242,833	25,242,833	24,962,517
<i>Financial liabilities</i>							
Derivative financial liabilities	-	7,565	-	7,565	-	7,565	7,565

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

Bank Islam Malaysia Berhad

(Company No. 98127-X)

(Incorporated in Malaysia)

27. Fair value of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Bank 31 December 2013 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	-	1,216,895	-	1,216,895	-	1,216,895	1,216,895
Derivative financial assets	-	29,118	-	29,118	-	29,118	29,118
Financial assets available-for-sale	-	12,379,831	4,620	12,384,451	34,481	12,418,932	12,418,932
Financial assets held-to-maturity	-	-	-	-	85,318	85,318	63,327
Financing, advances and others	-	-	-	-	24,040,733	24,040,733	23,740,948
<i>Financial liabilities</i>							
Derivative financial liabilities	-	13,565	-	13,565	-	13,565	13,565

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

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

27. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

The following table presents the changes in Level 3 instruments for the financial period ended 31 March 2014 for Group and Bank:

	31.03.2014	31.12.2013
	RM'000	RM'000
<i>Financial assets available-for-sale</i>		
At 1 January 2014/2013	4,620	19,800
Allowance for impairment	-	(9,537)
Settlement	-	(5,643)
At 31 March 2014/31 December 2013	<u>4,620</u>	<u>4,620</u>

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

28. Commitment and Contingencies

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 31 March 2014				
<i>Credit related exposures</i>				
Direct credit substitutes	285,438		285,438	279,920
Assets sold with recourse	2		2	2
Transaction related contingent items	851,004		425,502	376,328
Short term self-liquidating trade related contingencies	231,373		46,275	43,489
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	415		83	67
- exceeding one year	881,944		440,972	356,288
Unutilised credit card lines	1,023,557		204,711	153,533
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	5,264,111		-	-
	8,537,844		1,402,983	1,209,627
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	808,253	802	9,166	4,710
Profit rate related contracts				
- less than one year	400,000	921	850	170
- one year to less than five years	200,000	2,737	6,000	1,200
- five years and above	705,656	15,382	33,835	17,835
Equity related contracts				
- less than one year	109,450	139	6,567	3,284
	2,223,359	19,981	56,418	27,199
Total	10,761,203	19,981	1,459,401	1,236,826

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

28. Commitment and Contingencies (continued)

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

As at 31 December 2013	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	319,032		319,032	312,160
Assets sold with recourse	2		2	2
Transaction related contingent items	877,246		438,623	386,730
Short term self-liquidating trade related contingencies	278,297		55,659	54,695
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	1,714		343	327
- exceeding one year	823,818		411,909	338,294
Unutilised credit card lines	991,097		198,219	148,665
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	5,116,604		-	-
	8,407,810		1,423,787	1,240,873
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	1,381,894	8,681	18,546	10,290
Profit rate related contracts				
- less than one year	100,000	695	250	50
- one year to less than five years	500,000	2,705	9,000	1,800
- five years and above	711,481	16,455	35,660	19,660
Equity related contracts				
- one year to less than five years	110,495	582	8,840	4,420
	2,803,870	29,118	72,296	36,220
Total	11,211,680	29,118	1,496,083	1,277,093

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

29. Capital adequacy

With effect from 1 January 2013, total capital and capital adequacy ratios of the Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy ratios requirement for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014. 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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
CET I & Tier I capital ratio	12.832%	12.964%	12.773%	12.876%
Total capital ratio	13.928%	14.056%	13.871%	13.969%

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

	Group		Bank	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,298,165	2,298,165	2,298,165	2,298,165
Share premium	52,281	52,281	52,281	52,281
Retained earnings	314,168	253,822	316,311	256,389
Other reserves	763,019	722,567	762,992	722,539
Less: Deferred tax assets	(24,613)	(24,613)	(24,613)	(24,613)
Less: Investment in subsidiaries	-	-	(20,627)	(28,027)
Total CET I and Tier I Capital	3,403,020	3,302,222	3,384,509	3,276,734
Collective assessment allowance ^	290,818	278,155	290,780	278,115
Total Tier II Capital	290,818	278,155	290,780	278,115
Total Capital	3,693,838	3,580,377	3,675,289	3,554,849

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

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

	Group		Bank	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	23,265,400	22,252,433	23,262,360	22,249,166
Market risk	726,318	761,777	726,318	761,777
Operational risk	2,528,433	2,457,803	2,507,920	2,437,809
	26,520,151	25,472,013	26,496,598	25,448,752

Bank Islam Malaysia Berhad (98127-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

30. Performance review for the three months ended 31 March 2014

The Group reported profit before tax and zakat of RM167.0 million and net profit of RM120.3 million for the three months ended 31 March 2014. These represent a 11.1% and 9.0% increase respectively compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM4.5 billion or 22.2% to reach RM25.0 billion as at end March 2014. Correspondingly, fund based income from financing also increased by RM45.0 million or 14.1%. Non fund based income also reported a 14.0% growth or RM8.5 million mainly from foreign exchange transactions and fees and commission.

As at end of March 2014, customer deposits stood at RM36.2 billion with a year-on-year slight decrease of RM0.2 billion or -0.6%, whereas, the low cost current and savings accounts (CASA) reported a year-on-year increase of RM1.4 billion or 11.2%. The CASA ratio as at end March 2014 was 39.5% compared to 35.3% as at end March 2013. The Islamic Banking Industry CASA ratio was 27.3% as at end February 2014.

The Group's gross impaired financing ratio improved from 1.18% as at end December 2013 to 1.17% as at end March 2014. The net impaired financing ratio (less IA and CA) remained at a negative 0.91% as at end March 2014 whilst the net impaired financing ratio (less IA only) was 0.61%. The Banking System gross impaired ratio was 1.84% and the net impaired ratios were -0.08% (less IA and CA) and 1.30% (less IA only) as at end February 2014.

The key performance ratios as at end March 2014 also compared favourably against the Banking System ratio as at end December 2013. The Bank's return on equity based on profit before tax (PBT) was 19.0% against the Banking System ratio of 15.9%. The return on assets, also based on PBT was 1.6% against the Banking System ratio of 1.5%. The Risk Weighted Capital Adequacy ratio was 13.9% compared to the Banking System ratio of 14.4% as at end December 2013.

31. Prospect for 2014

Growth in real GDP for 2014 is projected to be at 5.5%, on account of expected fiscal consolidation measures to rein in budget deficit, generally tight monetary conditions and enhanced downside risks, especially on domestic front.

With the introduction of the Islamic Financial Services Act (IFSA) 2013 aimed at strengthening the regulatory and supervisory regime of Malaysia's financial sector, the Islamic financial services sector faces more intensive regulations, among others new Shariah Standards on Investment Accounts, New Reference Rate and Personal Data Protection Act.

The Banking Sector has also to deal with intense competition which has led to eroding margins, stiff competition for Current and Savings deposits and the need to raise capital.

Bank Islam will continue to optimise returns by balancing the product mix, optimising the assets and liabilities mix, maintaining the business growth and driving the fee based income. To attract deposits, greater focus will be placed on individual and retail deposits with new product features. The Bank will also continue to proactively manage its capital and explore the best possible options to raise its capital when the need arises.

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

31. Prospect for 2014 (continued)

At the same time, the Bank will continue to strengthen its presence by expanding its current delivery channels to meet customers' expectations and remain competitive. The Bank's expansion plan includes opening of another eight (8) new branches at strategic locations which will bring the total branch network to 141 branches by end of 2014. This will be further complimented by the opening of new Ar Rahnū outlets, Bureau De Change outlets and Customer Business Centres.

32. 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.