

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

Statements of Financial Position as at 31 March 2017

	Note	Group		Bank	
		31.03.2017 RM'000	31.12.2016 RM'000	31.03.2017 RM'000	31.12.2016 RM'000
Assets					
Cash and short-term funds	9	1,515,601	3,963,417	1,515,068	3,963,268
Deposits and placements with banks and other financial institutions	10	-	100,000	-	100,000
Financial assets held-for- trading	11	386,267	574,835	381,139	569,750
Derivative financial assets	12	73,463	124,572	73,463	124,572
Financial assets available- for-sale	13	10,229,482	9,957,286	10,229,939	9,957,743
Financial assets held-to- maturity	14	56,857	57,703	56,857	57,703
Financing, advances and others	15	39,756,401	39,189,274	39,756,401	39,189,274
Other assets	16	65,196	99,015	62,370	95,928
Statutory deposits with Bank Negara Malaysia		1,215,056	1,374,876	1,215,056	1,374,876
Current tax assets		1,837	1,779	1,737	1,737
Deferred tax assets		42,885	48,378	42,885	48,378
Investments in subsidiaries		-	-	15,525	15,525
Property and equipment		182,685	185,562	181,735	184,547
Total assets		53,525,730	55,676,697	53,532,175	55,683,301
Liabilities and equity					
Deposits from customers	17	43,558,887	45,940,414	43,576,051	45,949,715
Investment accounts of customers	18	3,933,714	3,812,261	3,933,714	3,812,261
Deposits and placements of banks and other financial institutions	19	-	30,000	-	30,000
Derivative financial liabilities	12	77,649	111,089	77,649	111,089
Bills and acceptance payable		181,791	46,278	181,791	46,278
Subordinated Sukuk Murabahah	20	714,071	704,393	714,071	704,393
Other liabilities	21	479,271	601,750	468,454	598,591
Zakat and taxation		43,938	45,046	43,900	45,019
Total liabilities		48,989,321	51,291,231	48,995,630	51,297,346

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Statements of Financial Position as at 31 March 2017 (continued)

	Note	Group		Bank	
		31.03.2017 RM'000	31.12.2016 RM'000	31.03.2017 RM'000	31.12.2016 RM'000
Equity					
Share capital		2,404,384	2,404,384	2,404,384	2,404,384
Reserves		2,132,025	1,981,082	2,132,161	1,981,571
Total equity		4,536,409	4,385,466	4,536,545	4,385,955
Total liabilities and equity		53,525,730	55,676,697	53,532,175	55,683,301
Restricted investment accounts managed by the Bank	18	145,289	141,343	145,289	141,343
Total Islamic banking asset owned and managed by the Bank		53,671,019	55,818,040	53,677,464	55,824,644
Commitments and Contingencies	32	14,446,178	13,704,559	14,446,178	13,704,559

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 2016.

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2017**

	Note	Group 3 months ended		Bank 3 months ended	
		31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Income derived from investment of depositors' funds	22	565,757	591,361	565,757	591,361
Income derived from investment account funds	23	54,702	11,484	54,702	11,484
Income derived from investment of shareholders' funds	24	102,293	111,813	99,674	108,991
Allowances for impairment on financing and advances	25	(8,783)	(34,611)	(8,783)	(34,611)
Allowance for impairment on investments		-	(310)	-	(310)
Direct expenses		(5,242)	(5,768)	(5,242)	(5,768)
Total distributable income		708,727	673,969	706,108	671,147
Wakalah fees from restricted investment accounts		712	1,002	712	1,002
Income attributable to depositors	26	(273,039)	(278,491)	(273,097)	(278,551)
Income attributable to investment account holders	27	(23,165)	(2,230)	(23,165)	(2,230)
Total net income		413,235	394,250	410,558	391,368
Personnel expenses	28	(121,564)	(123,592)	(119,985)	(121,819)
Other overhead expenses	29	(89,940)	(85,670)	(89,228)	(84,371)
Finance cost on Subordinated Sukuk Murabahah		(9,678)	(9,893)	(9,678)	(9,893)
Profit before zakat and tax		192,053	175,095	191,667	175,285
Zakat		(2,384)	(2,260)	(2,376)	(2,250)
Tax expense		(53,354)	(45,341)	(53,342)	(45,355)
Profit for the period		136,315	127,494	135,949	127,680

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2017 (continued)**

	Note	Group 3 months ended		Bank 3 months ended	
		31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Profit for the period		<u>136,315</u>	<u>127,494</u>	<u>135,949</u>	<u>127,680</u>
Other comprehensive income, net of tax:					
Items that are or may be reclassified subsequently to profit or loss					
Currency translation differences in respect of foreign operations		6,733	40,998	6,746	41,068
Fair value reserve					
Net change in fair value		11,354	87,702	11,354	87,702
Net amount transferred to profit or loss		(966)	(13,095)	(966)	(13,095)
Income tax expense relating to components of other comprehensive income		(2,493)	(17,906)	(2,493)	(17,906)
Other comprehensive income for the period, net of tax		<u>14,628</u>	<u>97,699</u>	<u>14,641</u>	<u>97,769</u>
Total comprehensive income for the period		<u>150,943</u>	<u>225,193</u>	<u>150,590</u>	<u>225,449</u>
Earnings per share (sen)		<u>5.67</u>	<u>5.39</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 2016.

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Consolidated Statement of Changes in Equity for the three months ended 31 March 2017

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 2017	2,404,384	264,790	1,193,045	523,247	4,385,466
Profit for the period	-	-	-	136,315	136,315
Currency translation difference in respect of foreign operations	-	-	6,733	-	6,733
Fair value reserve – Net change in fair value	-	-	11,354	-	11,354
– Net amount reclassified to profit or loss	-	-	(966)	-	(966)
Income tax expense relating to components of other comprehensive income	-	-	(2,493)	-	(2,493)
Total comprehensive income for the period	-	-	14,628	136,315	150,943
At 31 March 2017	2,404,384	264,790	1,207,673	659,562	4,536,409
At 1 January 2016	2,363,283	175,452	1,107,920	385,913	4,032,568
Profit for the period	-	-	-	127,494	127,494
Currency translation difference in respect of foreign operations	-	-	40,998	-	40,998
Fair value reserve – Net change in fair value	-	-	87,702	-	87,702
– Net amount reclassified to profit or loss	-	-	(13,095)	-	(13,095)
Income tax expense relating to components of other comprehensive income	-	-	(17,906)	-	(17,906)
Total comprehensive income for the period	-	-	97,699	127,494	225,193
At 31 March 2016	2,363,283	175,452	1,205,619	513,407	4,257,761

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 2016.

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Statement of Changes in Equity for the three months ended 31 March 2017

Bank	← Attributable to equity holders of the Bank →				Total equity RM'000	
	← Non-distributable	Share capital RM'000	Share premium RM'000	Other reserves RM'000		Distributable Retained earnings RM'000
At 1 January 2017		2,404,384	264,790	1,192,822	523,959	4,385,955
Profit for the period		-	-	-	135,949	135,949
Currency translation difference in respect of foreign operations		-	-	6,746	-	6,746
Fair value reserve – Net change in fair value		-	-	11,354	-	11,354
– Net amount reclassified to profit or loss		-	-	(966)	-	(966)
Income tax expense relating to components of other comprehensive income		-	-	(2,493)	-	(2,493)
Total comprehensive income for the period		-	-	14,641	135,949	150,590
At 31 March 2017		2,404,384	264,790	1,207,463	659,908	4,536,545
At 1 January 2016		2,363,283	175,452	1,107,738	386,580	4,033,053
Profit for the period		-	-	-	127,680	127,680
Currency translation difference in respect of foreign operations		-	-	41,068	-	41,068
Fair value reserve – Net change in fair value		-	-	87,702	-	87,702
– Net amount reclassified to profit or loss		-	-	(13,095)	-	(13,095)
Income tax expense relating to components of other comprehensive income		-	-	(17,906)	-	(17,906)
Total comprehensive income for the period		-	-	97,769	127,680	225,449
At 31 March 2016		2,363,283	175,452	1,205,507	514,260	4,258,502

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 2016.

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Condensed Statements of Cash Flow
for the three months ended 31 March 2017

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	192,053	175,095	191,667	175,285
Adjustment for non-cash items	50,418	69,920	50,394	69,903
Operating profit before working capital changes	242,471	245,015	242,061	245,188
Changes in working capital:				
Net changes in operating assets	(379,314)	(202,683)	(379,528)	(203,164)
Net changes in operating liabilities	(2,293,317)	(2,416,335)	(2,293,112)	(2,412,661)
Net cash used in operations	(2,430,160)	(2,374,003)	(2,430,579)	(2,370,637)
Zakat and tax paid	(41,020)	(41,731)	(41,000)	(41,709)
Net cash used in operating activities	(2,471,180)	(2,415,734)	(2,471,579)	(2,412,346)
Net cash (used in)/generated from investing activities	(83,369)	598,144	(83,367)	598,235
Net decrease in cash and cash equivalents	(2,554,549)	(1,817,590)	(2,554,946)	(1,814,111)
Cash and cash equivalents at beginning of the period	4,063,417	2,982,246	4,063,268	2,978,315
Exchange difference on translation	6,733	41,005	6,746	41,071
Cash and cash equivalents at end of the period	1,515,601	1,205,661	1,515,068	1,205,275

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 2016.

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Notes to the unaudited interim financial statements for the three months ended 31 March 2017

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2017 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 2016 and Shariah requirements.

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965. The New Act was passed on 4 April 2016 by the Dewan Rakyat and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

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 2016. 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 2016.

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 2016, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to MFRSs:

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

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1. Basis of preparation (continued)

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

- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

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

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Bank except as mentioned in the subsequent paragraphs:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Group and of the Bank.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

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1. Basis of preparation (continued)

MFRS 9, Financial Instruments (continued)

The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with two measurement categories – amortised cost and fair value. For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments.

The preparation for MFRS 9 by the Group and the Bank had started in 2016 with the setting up of a MFRS 9 Project Steering Committee headed by the Chief Financial Officer of the Bank, and with assistance from internal working group and consultants. During the financial year ended 31 December 2016, the Group and the Bank have completed the gap assessment and commenced the development of MFRS 9 compliant impairment models for all impacted credit exposures.

Overall, the Group and the Bank anticipate changes to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification and measurement requirements will affect the presentation and disclosures within the Group and the Bank's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses. The Group and the Bank are currently performing a detailed assessment to determine the extent of the impact arising from this standard.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases. However, a lessee may elect not to apply the requirements for short-term leases which are for the term 12 months or less and leases for which the underlying asset is of low value. For such leases, lessees may elect to expense off the lease payments on a straight line basis over the lease term or using other systematic method. Upon adoption of MFRS 16, the Group and the Bank are required to account for major part of their operating leases in the balance sheet by recognising the 'right-of-use' asset and the lease liability, thus increasing the assets and liabilities of the Group and of the Bank. The Group and the Bank are currently assessing the financial impact arising from the adoption of this standard.

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 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 2017.

4. Unusual items

There were no unusual items in the three months ended 31 March 2017.

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5. Changes in accounting estimates

There was no material change in estimates of amounts reported in the prior financial year that has a material effect to the financial statements for the three months ended 31 March 2017.

6. Sukuk and equity securities

There was no issuance or repayment of Sukuk and equity securities or share buy-back during the three months ended 31 March 2017.

7. Significant events during the three months ended 31 March 2017

There was no significant event during the three months ended 31 March 2017.

8. Dividends

There was no dividend payment during the three months ended 31 March 2017.

9. Cash and short-term funds

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	835,142	932,674	834,609	932,525
Money at call and interbank placements with remaining maturity not exceeding one month	680,459	3,030,743	680,459	3,030,743
	<u>1,515,601</u>	<u>3,963,417</u>	<u>1,515,068</u>	<u>3,963,268</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	31.03.2017	31.12.2016
	RM'000	RM'000
Licensed Islamic banks	<u>-</u>	<u>100,000</u>

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11. Financial assets held-for-trading

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government				
Investment Issues	145,891	324,500	145,891	324,500
Sukuk	235,248	245,250	235,248	245,250
Unit trust	5,128	5,085	-	-
	<u>386,267</u>	<u>574,835</u>	<u>381,139</u>	<u>569,750</u>

12. Derivative financial assets/liabilities

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

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

Group and Bank	Principal amount	31.03.2017	
		Fair value Assets	Fair value Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,562,509	66,433	(74,191)
Profit rate swaps	829,162	7,030	(3,458)
	<u>4,391,671</u>	<u>73,463</u>	<u>(77,649)</u>

Group and Bank	Principal amount	31.12.2016	
		Fair value Assets	Fair value Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,117,570	117,445	(107,469)
Profit rate swaps	836,027	7,127	(3,620)
	<u>3,953,597</u>	<u>124,572</u>	<u>(111,089)</u>

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13. Financial assets available-for-sale

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues [^]	2,100,113	2,057,324	2,100,113	2,057,324
Negotiable Islamic Debt Certificates	-	496,681	-	496,681
Sukuk	8,102,125	7,367,563	8,102,582	7,368,020
	<u>10,202,238</u>	<u>9,921,568</u>	<u>10,202,695</u>	<u>9,922,025</u>
At fair value				
Quoted shares				
- outside Malaysia	18,390	21,124	18,390	21,124
Quoted unit trust				
- in Malaysia	3,554	9,294	3,554	9,294
	<u>21,944</u>	<u>30,418</u>	<u>21,944</u>	<u>30,418</u>
At cost				
Unquoted shares in Malaysia	25,185	25,468	25,185	25,468
Less: Accumulated impairment loss *	(19,904)	(20,187)	(19,904)	(20,187)
	<u>5,281</u>	<u>5,281</u>	<u>5,281</u>	<u>5,281</u>
At cost				
Unquoted shares outside Malaysia	329	329	329	329
Less: Impairment loss	(310)	(310)	(310)	(310)
	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
	<u>10,229,482</u>	<u>9,957,286</u>	<u>10,229,939</u>	<u>9,957,743</u>

[^] Included in Malaysian Government Investment Issues as at 31 March 2017 is RM133,379,000 (2016: RM Nil) that form part of the Bank's total Statutory Reserve Requirement ("SRR") balances other than statutory deposits with Bank Negara Malaysia.

* Movement in accumulated impairment loss is due to translation difference.

14. Financial assets held-to-maturity

	Group and Bank	
	31.03.2017	31.12.2016
	RM'000	RM'000
At amortised cost		
Unquoted securities in Malaysia: Sukuk	63,744	64,590
Less: Accumulated impairment loss	(6,887)	(6,887)
	<u>56,857</u>	<u>57,703</u>

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15. Financing, advances and others

(a) By type and Shariah contract

Group & Bank 31 March 2017	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Bai Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek RM'000	Ijarah Thumma Al-Bai RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	33,386	991,709	-	-	-	-	1,025,095
Term financing										
House financing ^	4,385,985	-	-	-	10,137,604	-	-	58,166	-	14,581,755
Syndicated financing	-	-	-	47,485	1,024,651	-	125,059	-	-	1,197,195
Leasing financing	-	-	-	-	-	87,405	695	-	-	88,100
Bridging financing	-	-	-	-	-	-	-	79,843	-	79,843
Personal financing ^	-	-	-	34,692	11,418,055	-	-	-	-	11,452,747
Other term financing	1,943,274	991,981	-	3,924	7,435,526	-	-	1,485	-	10,376,190
Staff financing	79,688	6,020	-	-	105,058	-	-	13,824	-	204,590
Credit cards	-	-	-	8,419	436,596	-	-	-	-	445,015
Trade bills discounted	-	689,949	195,210	-	-	-	-	-	-	885,159
Trust receipts	-	2,033	-	-	-	-	-	-	-	2,033
Pawn broking	-	-	-	-	-	-	-	-	85,636	85,636
Investment Account Platform *	-	-	-	-	5,471	-	-	-	-	5,471
	6,408,947	1,689,983	195,210	127,906	31,554,670	87,405	125,754	153,318	85,636	40,428,829
Allowance for impaired financing, advances and others										
- collective assessment allowance										(548,653)
- individual assessment allowance										(123,775)
Net financing, advances and others										39,756,401

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group & Bank	Bai' Bithaman Ajil	Murabahah	Bai Al-Dayn	Bai Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek	Ijarah Thumma Al-Bai	Istisna'	Ar-Rahnu	Total
31 December 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost										
Cash line	-	-	-	37,899	1,199,021	-	-	-	-	1,236,920
Term financing										
House financing ^	4,484,247	-	-	-	9,503,014	-	-	59,088	-	14,046,349
Syndicated financing	-	-	-	196,129	1,045,889	-	123,189	-	-	1,365,207
Leasing financing	-	-	-	-	-	90,610	902	-	-	91,512
Bridging financing	-	-	-	-	-	-	-	82,313	-	82,313
Personal financing ^	-	-	-	42,177	11,197,744	-	-	-	-	11,239,921
Other term financing	2,086,188	933,316	-	4,063	7,106,669	-	-	1,503	-	10,131,739
Staff financing	83,743	5,087	-	-	98,821	-	-	14,218	-	201,869
Credit cards	-	-	-	9,004	450,388	-	-	-	-	459,392
Trade bills discounted	-	741,037	180,010	-	-	-	-	-	-	921,047
Trust receipts	-	5,169	-	-	-	-	-	-	-	5,169
Pawn broking	-	-	-	-	-	-	-	-	85,315	85,315
Investment Account Platform *	-	-	-	-	5,690	-	-	-	-	5,690
	6,654,178	1,684,609	180,010	289,272	30,607,236	90,610	124,091	157,122	85,315	39,872,443
Allowance for impaired financing, advances and others										
- collective assessment allowance										(554,971)
- individual assessment allowance										(128,198)
Net financing, advances and others										39,189,274

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15. Financing, advances and others (continued)

(a) By type of and Shariah contract (continued)

^ Included in house financing and personal financing as at 31 March 2017 are underlying assets under the Unrestricted Investment Accounts (“URIA”) amounting to RM2,798,118,000 (2016: RM2,687,318,000) and RM1,135,596,000 (2016: RM1,124,943,000) respectively as disclosed in Note 18 of these financial statements.

* This represents a term financing of the Group’s and the Bank’s participation through Investment Account Platform (“IAP”) to finance viable ventures.

(b) By type of customer

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
Domestic non-bank financial institutions	1,186,098	1,376,559
Domestic business enterprise	6,881,289	6,908,806
Small & medium industries	932,138	896,530
Government and statutory bodies	1,033,859	938,069
Individuals	29,622,764	28,957,975
Other domestic entities	7,224	7,239
Foreign entities	765,457	787,265
	<u>40,428,829</u>	<u>39,872,443</u>

(c) By profit rate sensitivity

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
Fixed rate		
House financing	1,234,025	1,268,632
Others	3,893,391	4,059,422
Floating rate		
House financing	13,948,675	13,382,969
Others	21,352,738	21,161,420
	<u>40,428,829</u>	<u>39,872,443</u>

(d) By remaining contractual maturity

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
Maturity within one year	4,632,703	4,312,581
More than one year to three years	1,496,765	1,400,480
More than three years to five years	3,000,226	2,197,573
More than five years	31,299,135	31,961,809
	<u>40,428,829</u>	<u>39,872,443</u>

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15. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	31.03.2017	31.12.2016
	RM'000	RM'000
Central Region	19,083,079	18,853,925
Eastern Region	6,699,024	6,534,376
Northern Region	5,775,612	5,864,200
Southern Region	5,700,385	5,499,121
East Malaysia Region	3,170,729	3,120,821
	<u>40,428,829</u>	<u>39,872,443</u>

(f) By sector

	Group and Bank	
	31.03.2017	31.12.2016
	RM'000	RM'000
Primary agriculture	370,422	377,285
Mining and quarrying	11,930	12,931
Manufacturing (including agro-based)	774,503	747,410
Electricity, gas and water	877,050	868,319
Wholesale & retail trade, and hotels & restaurants	1,192,098	1,274,954
Construction	2,029,892	2,161,215
Real estate	1,316,092	1,205,740
Transport, storage and communications	901,734	870,559
Finance, insurance and business activities	1,948,040	2,134,947
Education, health and others	1,371,276	1,256,209
Household sectors	29,635,792	28,962,874
	<u>40,428,829</u>	<u>39,872,443</u>

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15. Financing, advances and others (continued)

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

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
At 1 January 2017/ 2016	389,445	381,270
Classified as impaired during the period/year	130,601	580,341
Reclassified as not impaired during the period/year	(77,091)	(284,602)
Amount recovered	(23,129)	(112,502)
Amount written off	(36,180)	(178,052)
Exchange differences	(967)	2,990
At 31 March 2017/ 31 December 2016	<u>382,679</u>	<u>389,445</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>0.95%</u>	<u>0.98%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
Central Region	141,482	142,841
Eastern Region	92,497	92,848
Northern Region	33,493	36,299
Southern Region	28,656	31,329
East Malaysia Region	86,551	86,128
	<u>382,679</u>	<u>389,445</u>

(i) Impaired financing by sector

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
Primary agriculture	1,329	1,311
Manufacturing (including agro-based)	38,126	36,739
Wholesale & retail trade, and hotels & restaurants	26,056	25,651
Construction	13,271	13,714
Real estate	1,490	-
Transport, storage and communications	13,840	15,579
Finance, insurance and business activities	70,552	70,948
Education, health and others	4,648	3,076
Household sectors	213,367	222,427
	<u>382,679</u>	<u>389,445</u>

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15. Financing, advances and others (continued)

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

	Group and Bank	
	31.03.2017	31.12.2016
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2017/ 2016	554,971	541,065
Allowance made during the period/year	29,946	161,667
Amount written off	(36,180)	(146,725)
Exchange differences	(84)	(1,036)
At 31 March 2017/ 31 December 2016	<u>548,653</u>	<u>554,971</u>
<u>Individual assessment allowance</u>		
At 1 January 2017/ 2016	128,198	124,471
Allowance made during the period/year	3,586	54,566
Amount recovered	(7,041)	(23,904)
Amount written off	-	(29,928)
Exchange differences	(968)	2,993
At 31 March 2017/ 31 December 2016	<u>123,775</u>	<u>128,198</u>

16. Other assets

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Other receivables	23,990	65,825	22,340	63,968
Less: Impairment loss	(256)	(256)	(256)	(256)
	<u>23,734</u>	<u>65,569</u>	<u>22,084</u>	<u>63,712</u>
Deposit and prepayments	39,299	32,741	38,021	31,441
Related companies*	2,163	705	2,265	775
	<u>65,196</u>	<u>99,015</u>	<u>62,370</u>	<u>95,928</u>

* This relates to amounts due from holding and related companies that are non-trade in nature, not subject to financing charges and has no fixed term of repayments.

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17. Deposits from customers

a) By type and Shariah contract

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Saving Deposit				
<i>Wadiah</i>	4,398,078	4,131,604	4,398,078	4,131,604
Demand Deposit				
<i>Wadiah</i>	9,407,192	10,001,972	9,418,053	10,004,601
Term Deposit	29,648,824	31,700,310	29,655,127	31,706,982
Special Investment Deposit				
<i>Mudharabah</i>	27,711	27,711	27,711	27,711
General Investment Deposit				
<i>Mudharabah</i>	378,622	394,639	378,622	394,639
Term Deposit				
<i>Tawarruq</i>	25,157,011	28,208,548	25,163,314	28,215,220
Negotiable Islamic Debt Certificates (NIDC)	4,085,480	3,069,412	4,085,480	3,069,412
Others	104,793	106,528	104,793	106,528
Total Deposits	43,558,887	45,940,414	43,576,051	45,949,715

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Due within six months	21,603,939	26,475,051	21,609,526	26,481,013
More than six months to one year	7,499,238	4,166,465	7,499,238	4,166,465
More than one year to three years	506,329	690,590	507,045	691,300
More than three years to five years	39,318	368,204	39,318	368,204
	29,648,824	31,700,310	29,655,127	31,706,982

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17. Deposits from customers (continued)

c) By type of customers

	Group		Bank	
	31.03.2017 RM'000	31.12.2016 RM'000	31.03.2017 RM'000	31.12.2016 RM'000
Domestic non-bank financial institutions	14,039,013	15,501,713	14,056,177	15,511,014
Business enterprises	10,382,139	11,730,076	10,382,139	11,730,076
Government and statutory bodies	6,238,735	6,890,474	6,238,735	6,890,474
Individuals	5,070,916	4,817,561	5,070,916	4,817,561
Domestic banking institutions	3,703,745	2,994,256	3,703,745	2,994,256
Others	4,124,339	4,006,334	4,124,339	4,006,334
	43,558,887	45,940,414	43,576,051	45,949,715

18. Investment accounts of customers

(a) By type and Shariah contract

	Group and Bank	
	31.03.2017 RM'000	31.12.2016 RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	1,661,902	1,516,844
With maturity		
<i>Wakalah</i>	2,271,812	2,295,417
	3,933,714	3,812,261
Restricted investment accounts (“RIA”) managed by the Bank[^]		
With maturity		
<i>Wakalah</i>	145,289	141,343
<u>Investment portfolio:</u>		
Unrestricted investment accounts		
<i>House financing</i>	2,798,118	2,687,318
<i>Personal financing</i>	1,135,596	1,124,943
	3,933,714	3,812,261
Restricted investment accounts		
<i>Other term financing</i>	145,289	141,343

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18. Investment accounts of customers (continued)

[^] Restricted investment accounts (“RIA”) is an arrangement between the Bank and the investment account holders (“IAH”) where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA is accounted for as off balance sheet as the Bank has no right and obligation in respect of the assets related to the RIA or to the residual cash flows from those assets except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM144,991,000 (2016:RM141,033,000).

(b) By type of customers

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
Individuals	1,862,664	1,677,636
Government and statutory bodies	792,400	762,888
Business enterprises	593,622	737,961
Non-bank financial institutions	539,356	476,125
Bank and other financial institutions	6,201	45,919
Others	139,471	111,732
	<u>3,933,714</u>	<u>3,812,261</u>

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31.03.2017	31.12.2016
	RM’000	RM’000
<i>Non-Mudharabah fund</i>		
Licensed Islamic banks	<u>-</u>	<u>30,000</u>

20. Subordinated Sukuk Murabahah

	Note	Group and Bank	
		31.03.2017	31.12.2016
		RM’000	RM’000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche, RM300 million			
5.75% due in 2025	(a)	307,561	303,308
Second tranche, RM400 million			
5.50% due in 2025	(b)	406,510	401,085
		<u>714,071</u>	<u>704,393</u>

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20. Subordinated Sukuk Murabahah (continued)

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

- (a) On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of Subordinated Sukuk Murabahah which is due on 22 April 2025, with optional redemption on 22 April 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.75% per annum payable semi-annually in arrears.
- (b) On 15 December 2015, the Bank issued the second tranche of RM400 million which is due on 15 December 2025, with optional redemption on 15 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum payable semi-annually in arrears.

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

21. Other liabilities

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Other payables	452,867	489,031	442,559	486,151
Accruals	26,404	112,719	25,895	112,440
	<u>479,271</u>	<u>601,750</u>	<u>468,454</u>	<u>598,591</u>

22. Income derived from investment of depositors' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Saving and demand deposits	182,331	212,024	182,331	212,024
(ii) General investment deposits	8,795	7,366	8,795	7,366
(iii) Term deposit	320,637	329,945	320,637	329,945
(iv) Other deposits	53,994	42,026	53,994	42,026
	<u>565,757</u>	<u>591,361</u>	<u>565,757</u>	<u>591,361</u>

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

(i) *Income derived from investment of saving and demand deposits*

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	156,936	179,992
Financial assets:		
- held-for-trading	1,434	1,752
- available-for-sale	20,648	20,658
- held-to-maturity	199	224
Money at call and deposits with financial institutions	3,029	2,147
	182,246	204,773
<i>Other dealing income</i>		
Net (loss)/gain from sale of financial assets held-for-trading	(1,701)	1,198
Net gain on revaluation of financial assets held-for-trading	1,473	1,428
	(228)	2,626
<i>Other operating income</i>		
Net gain from sale of financial assets available-for-sale	313	4,625
	313	4,625
	182,331	212,024
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	2,626	2,684

(ii) *Income derived from investment of general investment deposits*

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	7,659	4,853
Financial assets:		
- held-for-trading	64	137
- available-for-sale	893	1,623
- held-to-maturity	9	18
Money at call and deposits with financial institutions	161	170
	8,786	6,801
<i>Other dealing income</i>		
Net (loss)/gain from sale of financial assets held-for-trading	(90)	93
Net gain on revaluation of financial assets held-for-trading	90	116
	-	209

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

(ii) Income derived from investment of general investment deposits (continued)

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
<i>Other operating income</i>		
Net gain from sale of financial assets available-for-sale	<u>9</u>	<u>356</u>
	<u>9</u>	<u>356</u>
	<u>8,795</u>	<u>7,366</u>
<i>of which</i>		
Financing income earned on impaired financing	<u>118</u>	<u>211</u>

(iii) Income derived from investment of term deposit

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	275,975	280,094
Financial assets:		
- held-for-trading	2,522	2,728
- available-for-sale	36,310	32,148
- held-to-maturity	351	349
Money at call and deposits with financial institutions	<u>5,328</u>	<u>3,341</u>
	<u>320,486</u>	<u>318,660</u>
<i>Other dealing income</i>		
Net (loss)/gain from sale of financial assets held-for-trading	(2,991)	1,865
Net gain on revaluation of financial assets held-for-trading	<u>2,591</u>	<u>2,223</u>
	<u>(400)</u>	<u>4,088</u>
<i>Other operating income</i>		
Net gain from sale of financial assets available-for-sale	<u>551</u>	<u>7,197</u>
	<u>551</u>	<u>7,197</u>
	<u>320,637</u>	<u>329,945</u>
<i>of which</i>		
Financing income earned on impaired financing	<u>4,617</u>	<u>4,178</u>

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

(iv) Income derived from investment of other deposits

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	46,473	35,676
Financial assets:		
- held-for-trading	425	347
- available-for-sale	6,115	4,095
- held-to-maturity	59	44
Money at call and deposits with financial institutions	897	426
	53,969	40,588
<i>Other dealing income</i>		
Net (loss)/gain from sale of financial assets held-for-trading	(504)	238
Net gain on revaluation of financial assets held-for-trading	436	283
	(68)	521
<i>Other operating income</i>		
Net gain from sale of financial assets available-for-sale	93	917
	93	917
	53,994	42,026
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	777	532

23. Income derived from investment account funds

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Finance income		
Unrestricted investment accounts		
- <i>Mudharabah</i>	21,900	9,069
- <i>Wakalah</i>	32,802	2,415
	54,702	11,484

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24. Income derived from investment of shareholders' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,627	1,530	1,627	1,530
Financial assets available-for-sale	36,128	42,441	36,128	42,441
Money at call and deposits with financial institutions	(1,211)	733	(1,211)	733
	<u>36,544</u>	<u>44,704</u>	<u>36,544</u>	<u>44,704</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	18,587	18,477	18,587	18,477
Net derivatives gain/(loss)	53	(4,186)	53	(4,186)
Net gain on revaluation of financial assets held-for-trading	1	45	-	-
	<u>18,641</u>	<u>14,336</u>	<u>18,640</u>	<u>14,291</u>
<i>Other operating income</i>				
Unit trust in Malaysia	417	881	375	881
<i>Fees and commission</i>				
Fees	35,412	40,815	33,421	38,936
Commission	4,974	4,577	6,165	5,890
Others	5,585	6,398	3,761	4,106
	<u>45,971</u>	<u>51,790</u>	<u>43,347</u>	<u>48,932</u>
<i>Other income</i>				
Net loss on disposal of property and equipment	(3)	(519)	(3)	(519)
Rental income	614	609	698	693
Other income	109	12	73	9
	<u>720</u>	<u>102</u>	<u>768</u>	<u>183</u>
	<u>102,293</u>	<u>111,813</u>	<u>99,674</u>	<u>108,991</u>

25. Allowances for impairment on financing and advances

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Allowances/(Reversal) for impaired financing, advances and others:		
- collective assessment allowance	29,946	61,767
- individual assessment allowance	(3,455)	(69)
Bad debts and financing recovered	(17,708)	(27,087)
	<u>8,783</u>	<u>34,611</u>

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26. Income attributable to depositors

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Non-Mudharabah fund	269,712	268,270	269,770	268,330
- Mudharabah fund	3,015	4,266	3,015	4,266
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	312	5,955	312	5,955
	<u>273,039</u>	<u>278,491</u>	<u>273,097</u>	<u>278,551</u>

27. Income attributable to investment account holders

	Group and Bank	
	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Unrestricted investment accounts		
- <i>Mudharabah</i>	438	173
- <i>Wakalah</i>	22,727	2,057
	<u>23,165</u>	<u>2,230</u>

28. Personnel expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	93,868	97,198	92,621	95,793
Employees' Provident Fund	13,777	12,660	13,598	12,442
Other staff related costs	13,919	13,734	13,766	13,584
	<u>121,564</u>	<u>123,592</u>	<u>119,985</u>	<u>121,819</u>

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29. Other overhead expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Credit and debit card expenses	7,892	6,089	7,892	6,089
Advertisement and publicity	669	1,862	634	1,825
Others	3,030	4,084	2,375	2,991
	11,591	12,035	10,901	10,905
<i>Establishment</i>				
Office rental	12,888	12,928	12,874	12,915
Depreciation of property and equipment	14,983	14,771	14,916	14,709
Information technology expenses	7,457	11,397	7,457	11,397
Office maintenance	2,572	2,199	2,509	2,170
Security services	3,864	3,821	3,864	3,820
Utilities	3,472	3,309	3,455	3,286
Rental of equipment	886	998	867	984
Others	87	688	74	639
	46,209	50,111	46,016	49,920
<i>General expenses</i>				
Outsourcing fees	5,334	3,919	5,334	3,919
Deposit incentive scheme	3,088	1,147	3,088	1,147
Office supplies	2,104	2,328	2,066	2,287
Travelling & transportation	2,082	2,189	2,069	2,156
Security services - cash in transit	1,613	1,301	1,613	1,301
Professional fees	615	766	558	739
Others	17,304	11,874	17,583	11,997
	32,140	23,524	32,311	23,546
	89,940	85,670	89,228	84,371

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30. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>3 months ended 31 March 2017</u>						
Total Revenue	437,026	148,462	132,540	7,798	(2,362)	723,464
Net fund based income	205,447	90,711	(8,740)	73,111	-	360,529
Non-fund based income	35,285	8,458	19,179	6,113	(2,304)	66,731
Net income	240,732	99,169	10,439	79,224	(2,304)	427,260
Allowances for impairment	(1,544)	(7,239)	-	-	-	(8,783)
Profit before overheads, zakat & tax	239,188	91,930	10,439	79,224	(2,304)	418,477
Operating expenses						(226,424)
Profit before zakat & tax						192,053
<u>3 months ended 31 March 2016</u>						
Total Revenue	417,426	139,229	111,457	49,541	(1,993)	715,660
Net fund based income	213,963	100,464	(12,602)	44,465	-	346,290
Non-fund based income	34,661	9,893	40,010	6,018	(1,933)	88,649
Net income	248,624	110,357	27,408	50,483	(1,933)	434,939
Allowances for impairment	(39,078)	4,467	(310)	-	-	(34,921)
Profit before overheads, zakat & tax	209,546	114,824	27,098	50,483	(1,933)	400,018
Operating expenses						(224,923)
Profit before zakat & tax						175,095

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 31 March 2017</u>						
Segment assets	29,275,671	10,480,730	11,421,857	42,548	(33,468)	51,187,338
Unallocated assets						<u>2,338,392</u>
Total assets						<u><u>53,525,730</u></u>
 <u>At 31 December 2016</u>						
Segment assets	28,586,902	10,602,372	13,840,512	34,450	(25,529)	53,038,707
Unallocated assets						<u>2,637,990</u>
Total assets						<u><u>55,676,697</u></u>

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31. Fair value of Financial Instruments

Fair value hierarchy

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

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

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

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 31 March 2017 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	-	386,267	-	386,267	-	386,267	386,267
Derivative financial assets	-	73,463	-	73,463	-	73,463	73,463
Financial assets available-for-sale	18,390	10,205,792	-	10,224,182	5,300	10,229,482	10,229,482
Financial assets held-to-maturity	-	-	-	-	56,857	56,857	56,857
Financing, advances and others	-	-	-	-	39,799,826	39,799,826	39,756,401
<i>Financial liabilities</i>							
Derivative financial liabilities	-	77,649	-	77,649	-	77,649	77,649
Subordinated Sukuk Murabahah	-	-	-	-	747,131	747,131	714,071
<hr/>							
Group 31 December 2016 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	574,835	-	574,835	-	574,835	574,835
Derivative financial assets	-	124,572	-	124,572	-	124,572	124,572
Financial assets available-for-sale	21,124	9,930,862	-	9,951,986	5,300	9,957,286	9,957,286
Financial assets held-to-maturity	-	-	-	-	57,703	57,703	57,703
Financing, advances and others	-	-	-	-	39,233,082	39,233,082	39,189,274
<i>Financial liabilities</i>							
Derivative financial liabilities	-	111,089	-	111,089	-	111,089	111,089
Subordinated Sukuk Murabahah	-	-	-	-	740,110	740,110	704,393
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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 31 March 2017 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	-	381,139	-	381,139	-	381,139	381,139
Derivative financial assets	-	73,463	-	73,463	-	73,463	73,463
Financial assets available-for-sale	18,390	10,206,249	-	10,224,639	5,300	10,229,939	10,229,939
Financial assets held-to-maturity	-	-	-	-	56,857	56,857	56,857
Financing, advances and others	-	-	-	-	39,799,826	39,799,826	39,756,401
<i>Financial liabilities</i>							
Derivative financial liabilities	-	77,649	-	77,649	-	77,649	77,649
Subordinated Sukuk Murabahah	-	-	-	-	747,131	747,131	714,071
<hr/>							
<i>Bank</i>							
31 December 2016							
RM'000							
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	569,750	-	569,750	-	569,750	569,750
Derivative financial assets	-	124,572	-	124,572	-	124,572	124,572
Financial assets available-for-sale	21,124	9,931,319	-	9,952,443	5,300	9,957,743	9,957,743
Financial assets held-to-maturity	-	-	-	-	57,703	57,703	57,703
Financing, advances and others	-	-	-	-	39,233,082	39,233,082	39,189,274
<i>Financial liabilities</i>							
Derivative financial liabilities	-	111,089	-	111,089	-	111,089	111,089
Subordinated Sukuk Murabahah	-	-	-	-	740,110	740,110	704,393
<hr/>							

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Unobservable inputs used in measuring fair value

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

(a) Financial instruments carried at fair value

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

(b) Financial instruments not carried at fair value

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

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

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

(ii) Financing and advances

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

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32. Commitment and Contingencies

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 31 March 2017				
<i>Credit related exposures</i>				
Direct credit substitutes	2,773,372		2,773,372	2,062,331
Transaction related contingent items	959,019		479,509	450,214
Short term self-liquidating trade related contingencies	333,403		66,681	63,998
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	1,164,715		582,357	491,595
Unutilised credit card lines	-		-	-
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	4,823,998		-	-
	10,054,507		3,901,919	3,068,138
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,562,509	66,433	107,725	48,218
Profit rate related contracts				
- Less than one year	200,000	1,368	200	40
- one year to less than five years	400,000	2,774	9,554	1,911
- five years and above	229,162	2,888	16,049	9,765
	4,391,671	73,463	133,528	59,934
Total	14,446,178	73,463	4,035,447	3,128,072

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32. Commitment and Contingencies (continued)

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

As at 31 December 2016	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	294,460		294,460	293,848
Transaction related contingent items	952,188		476,094	443,165
Short term self-liquidating trade related contingencies	341,524		68,305	67,309
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	591,031		118,206	88,979
- exceeding one year	1,792,008		896,004	715,873
Unutilised credit card lines	1,140,141		228,028	171,563
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	4,639,610		-	-
	<u>9,750,962</u>		<u>2,081,097</u>	<u>1,780,737</u>
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,117,570	117,445	163,823	79,734
Profit rate related contracts				
- less than one year	200,000	1,397	200	40
- one year to less than five years	400,000	2,729	9,497	1,899
- five years and above	236,027	3,001	18,971	11,606
	<u>3,953,597</u>	<u>124,572</u>	<u>192,491</u>	<u>93,279</u>
Total	<u><u>13,704,559</u></u>	<u><u>124,572</u></u>	<u><u>2,273,588</u></u>	<u><u>1,874,016</u></u>

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33. Capital adequacy

Total capital and capital adequacy ratios of the Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets). 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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
CET I & Tier I capital ratio	11.932%	12.397%	11.903%	12.362%
Total capital ratio	14.974%	15.518%	14.948%	15.484%

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

	Group		Bank	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,404,384	2,404,384	2,404,384	2,404,384
Share premium	264,790	264,790	264,790	264,790
Retained earnings	523,247	523,247	523,959	523,959
Other reserves	1,207,673	1,193,045	1,207,463	1,192,822
Less: Deferred tax assets	(42,885)	(48,378)	(42,885)	(48,378)
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>4,357,209</u>	<u>4,337,088</u>	<u>4,342,186</u>	<u>4,322,052</u>
Sukuk Murabahah	700,000	700,000	700,000	700,000
Collective assessment allowance ^	410,860	391,782	410,805	391,727
Total Tier II Capital	<u>1,110,860</u>	<u>1,091,782</u>	<u>1,110,805</u>	<u>1,091,727</u>
Total Capital	<u>5,468,069</u>	<u>5,428,870</u>	<u>5,452,991</u>	<u>5,413,779</u>

^ Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets less credit absorbed by unrestricted investment accounts.

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33. Capital adequacy

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

	Group		Bank	
	31.03.2017 RM'000	31.12.2016 RM'000	31.03.2017 RM'000	31.12.2016 RM'000
Credit risk	35,573,017	33,908,778	35,568,656	33,904,311
Less : Credit risk absorbed by unrestricted investment accounts	(2,704,254)	(2,566,180)	(2,704,254)	(2,566,180)
	32,868,763	31,342,598	32,864,402	31,338,131
Market risk	596,700	609,931	581,059	609,931
Operational risk	3,052,502	3,031,801	3,035,226	3,014,802
	36,517,965	34,984,330	36,480,687	34,962,864

34. Performance review for the three months ended 31 March 2017

The Group reported profit before zakat and tax of RM192.1 million or an increase of 9.7% for the three months ended 31 March 2017 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 12.8% to reach RM39.8 billion as at end of March 2017. Correspondingly, fund based income from financing also increased by RM29.7 million or 5.8%.

As at end of March 2017, customer deposits and investment accounts stood at RM47.6 billion with a year-on-year increase of RM6.0 billion or 14.5%. CASA ratio as at end-March 2017 was 36.8% against the Islamic Banking Industry CASA ratio of 25.9% as at end of February 2017.

The Group's gross impaired financing ratio was 0.95% while the net impaired financing ratio (less IA and CA) was a negative 0.73% as at end of March 2017 compared to 0.98% and a negative 0.75% respectively as at 31 December 2016. The Banking System gross impaired ratio was 1.63% and the net impaired ratio was 0.15% (less IA and CA) as at end of February 2017.

The key performance ratios as at end of March 2017 also compared favourably against the Banking System ratios as at end of December 2016. The Bank's return on equity and return on assets based on profit before zakat and tax (PBZT) were 16.6% and 1.4% respectively against the Banking System's 12.5% and 1.3% respectively.

35. Prospect for 2017

The economy grew 4.5% year-on-year in the fourth quarter of 2016 largely underpinned by private sector spending such as 6.2% (3Q2016: 6.4%) expansion in consumer spending and 4.9% (3Q2016: 4.7%) growth in private investment. More importantly is the positive contribution to overall growth from net exports for two consecutive quarters. For the full year, GDP grew by 4.2% in 2016 from 5.0% in the preceding year. This was mainly supported by domestic demand which increased by 4.4% in 2016 from 5.1% in 2015 while net exports recorded smaller contraction from -3.8% in 2015 to -1.8% in 2016.

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35. Prospect for 2017 (continued)

For 2017, GDP is projected to grow by 4.4% supported by sustained growth in consumer spending, implementation of infrastructure projects and positive contribution from net exports. The Overnight Policy Rate (OPR) is expected to remain at 3.00% while the MYR/USD is expected to remain above RM4.00 for the rest of 2017.

The banking industry is expected to be resilient despite the prevailing economic conditions such as continued uncertainty in commodity prices, higher cost of living that weighs heavily on consumer sentiment and cautious business sentiment. Financing growth for the banking sector is therefore anticipated to be between 4% and 5% as banks strive to defend their asset quality. In addition, usage of technology will intensify, inadvertently changing the banking landscape, as banks now utilise technology to improve efficiency and reduce cost of transactions.

The Bank will focus on maintaining its asset quality and deposit drive while continuously embracing digitalisation. In line with Basel 3 rules, the Bank will continue to manage liquidity and deploy capital efficiently in its operations. With capital management in place, the Banks' capital buffer is sufficient to cover potential loss under various stress test scenarios.

36. Subsequent events

Proposed dividend payment

The Bank has proposed a final single tier dividend of 5.58 sen per ordinary share amounting to RM134.167 million for the financial year ended 31 December 2016.

It is also proposed that 100% of the proposed final dividend of RM134.167 million be reinvested to subscribe for 41,282,000 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan (DRP). The dividend reinvested will maintain the strength of the Bank's capital position to fund the continuing business growth of the Bank.