

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

Statements of Financial Position as at 30 June 2016

	Note	Group		Bank	
		30.06.2016 RM'000	31.12.2015 RM'000	30.06.2016 RM'000	31.12.2015 RM'000
Assets					
Cash and short-term funds	9	2,288,622	2,881,669	2,288,529	2,877,738
Deposits and placements with banks and other financial institutions	10	-	100,577	-	100,577
Financial assets held-for-trading	11	553,055	423,973	547,710	418,718
Derivative financial assets	12	29,018	119,259	29,018	119,259
Financial assets available-for-sale	13	8,833,607	9,937,716	8,834,064	9,938,173
Financial assets held-to-maturity	14	57,696	59,352	57,696	59,352
Financing, advances and others	15	36,332,382	34,294,690	36,332,382	34,294,690
Other assets	16	68,675	70,796	66,557	68,235
Statutory deposits with Bank Negara Malaysia		1,346,990	1,591,460	1,346,990	1,591,460
Current tax assets		19,878	40,127	19,833	40,111
Deferred tax assets		16,534	35,182	16,534	35,182
Investments in subsidiaries		-	-	15,525	15,525
Property and equipment		197,898	208,918	197,061	208,047
Total assets		49,744,355	49,763,719	49,751,899	49,767,067
Liabilities and equity					
Deposits from customers	17	39,065,593	43,556,350	39,081,876	43,594,947
Investment accounts of customers	18	3,316,942	676,105	3,316,942	676,105
Deposits and placements of banks and other financial institutions	19	1,439,961	-	1,439,961	-
Derivative financial liabilities	12	27,712	101,913	27,712	101,913
Bills and acceptance payable		339,335	122,577	339,335	122,577
Subordinated Sukuk Murabahah	20	704,380	704,380	704,380	704,380
Other liabilities	21	501,141	544,209	491,447	508,505
Zakat and taxation		31,869	25,617	31,813	25,587
Total liabilities		45,426,933	45,731,151	45,433,466	45,734,014

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	Note	Group		Bank	
		30.06.2016 RM'000	31.12.2015 RM'000	30.06.2016 RM'000	31.12.2015 RM'000
Equity					
Share capital	22	2,384,210	2,363,283	2,384,210	2,363,283
Reserves		1,933,212	1,669,285	1,934,223	1,669,770
Total equity		4,317,422	4,032,568	4,318,433	4,033,053
Total liabilities and equity		49,744,355	49,763,719	49,751,899	49,767,067
Restricted investment accounts managed by the Bank	18	116,215	82,567	116,215	82,567
Total Islamic banking asset owned and managed by the Bank		49,860,570	49,846,286	49,868,114	49,849,634
Commitments and Contingencies	33	14,015,757	12,692,303	14,015,757	12,692,303

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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**Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2016**

Group	Note	3 months ended		6 months ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Income derived from investment of depositors' funds	23	587,512	558,626	1,178,873	1,100,909
Income derived from investment account funds	24	19,475	-	30,959	-
Income derived from investment of shareholders' funds	25	114,463	103,589	226,276	201,368
Allowance for impairment on financing and advances	26	(31,211)	(25,515)	(65,822)	(55,968)
(Allowance)/Reversal for impairment on investments		55	-	(255)	-
Reversal for impairment on other assets		864	-	864	-
Direct expenses		(4,882)	(5,643)	(10,650)	(12,435)
Total distributable income		686,276	631,057	1,360,245	1,233,874
Wakalah performance incentive fees from restricted investment accounts		1,343	-	2,345	-
Income attributable to depositors	27	(264,322)	(258,499)	(542,813)	(502,036)
Income attributable to investment account holders	28	(3,748)	-	(5,978)	-
Total net income		419,549	372,558	813,799	731,838
Personnel expenses	29	(128,878)	(100,385)	(252,470)	(212,241)
Other overhead expenses	30	(96,317)	(92,191)	(181,987)	(165,965)
Finance cost on Subordinated Sukuk Murabahah		(9,786)	(3,308)	(19,679)	(3,308)
Profit before zakat and tax		184,568	176,674	359,663	350,324
Zakat		(2,263)	(3,012)	(4,523)	(6,025)
Tax expense		(47,610)	(49,135)	(92,951)	(96,735)
Profit for the period		134,695	124,527	262,189	247,564
Earnings per share (sen)				11.08	10.67

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**Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2016 (continued)**

Group	Note	3 months ended		6 months ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Profit for the period		<u>134,695</u>	<u>124,527</u>	<u>262,189</u>	<u>247,564</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		(12,517)	(7,765)	28,481	(29,465)
Fair value reserve					
Net change in fair value		23,256	8,665	110,958	54,003
Net amount transferred to profit or loss		(20,161)	(5,888)	(33,256)	(8,117)
Income tax expense relating to components of other comprehensive income		(742)	-	(18,648)	-
Other comprehensive income for the period, net of tax		<u>(10,164)</u>	<u>(4,988)</u>	<u>87,535</u>	<u>16,421</u>
Total comprehensive income for the period		<u>124,531</u>	<u>119,539</u>	<u>349,724</u>	<u>263,985</u>

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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**Statements of Profit or Loss and Other Comprehensive Income
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Bank	Note	3 months ended		6 months ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Income derived from investment of depositors' funds	23	587,512	558,626	1,178,873	1,100,909
Income derived from investment account funds	24	19,475	-	30,959	-
Income derived from investment of shareholders' funds	25	112,289	101,996	221,280	198,759
Allowance for impairment on financing and advances	26	(31,211)	(25,515)	(65,822)	(55,968)
(Allowance)/Reversal for impairment on investments		55	-	(255)	-
Reversal for impairment on other assets		864	-	864	-
Direct expenses		(4,882)	(5,643)	(10,650)	(12,435)
Total distributable income		684,102	629,464	1,355,249	1,231,265
Wakalah performance incentive fees from restricted investment accounts		1,343	-	2,345	-
Income attributable to depositors	27	(264,380)	(258,559)	(542,931)	(502,132)
Income attributable to investment account holders	28	(3,748)	-	(5,978)	-
Total net income		417,317	370,905	808,685	729,133
Personnel expenses	29	(127,170)	(99,025)	(248,989)	(209,466)
Other overhead expenses	30	(95,539)	(92,101)	(179,910)	(166,331)
Finance cost on Subordinated Sukuk Murabahah		(9,786)	(3,308)	(19,679)	(3,308)
Profit before zakat and tax		184,822	176,471	360,107	350,028
Zakat		(2,250)	(3,000)	(4,500)	(6,000)
Tax expense		(47,585)	(49,118)	(92,940)	(96,705)
Profit for the period		134,987	124,353	262,667	247,323

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**Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2016 (continued)**

Bank	Note	3 months ended		6 months ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Profit for the period		134,987	124,353	262,667	247,323
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		(12,539)	(7,777)	28,529	(29,504)
Fair value reserve					
Net change in fair value		23,256	8,665	110,958	54,003
Net amount transferred to profit or loss		(20,161)	(5,888)	(33,256)	(8,117)
Income tax expense relating to components of other comprehensive income		(742)	-	(18,648)	-
Other comprehensive income for the period, net of tax		(10,186)	(5,000)	87,583	16,382
Total comprehensive income for the period		124,801	119,353	350,250	263,705

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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Consolidated Statement of Changes in Equity for the six months ended 30 June 2016

Group	Note	← 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 2016		2,363,283	175,452	1,107,920	385,913	4,032,568
Profit for the period		-	-	-	262,189	262,189
Currency translation difference in respect of foreign operations		-	-	28,481	-	28,481
Fair value reserve – Net change in fair value		-	-	110,958	-	110,958
– Net amount reclassified to profit or loss		-	-	(33,256)	-	(33,256)
Income tax expense relating to components of other comprehensive income		-	-	(18,648)	-	(18,648)
Total comprehensive income for the period		-	-	87,535	262,189	349,724
Transfer to statutory reserve		-	-	131,333	(131,333)	-
Dividends paid on ordinary shares	8	-	-	-	(129,744)	(129,744)
Issue of shares pursuant to Dividend Reinvestment Plan	22	20,927	43,947	-	-	64,874
At 30 June 2016		2,384,210	219,399	1,326,788	387,025	4,317,422
At 1 January 2015		2,319,907	90,981	929,779	388,923	3,729,590
Profit for the period		-	-	-	247,564	247,564
Currency translation difference in respect of foreign operations		-	-	(29,465)	-	(29,465)
Fair value reserve – Net change in fair value		-	-	54,003	-	54,003
– Net amount reclassified to profit or loss		-	-	(8,117)	-	(8,117)
Total comprehensive income for the period		-	-	16,421	247,564	263,985
Transfer to statutory reserve		-	-	123,661	(123,661)	-
Dividends paid on ordinary shares		-	-	-	(133,395)	(133,395)
Issue of shares pursuant to Dividend Reinvestment Plan		22,799	43,318	-	-	66,117
At 30 June 2015		2,342,706	134,299	1,069,861	379,431	3,926,297

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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Statement of Changes in Equity for the six months ended 30 June 2016

Bank	Note	← Non-distributable →		Distributable Retained earnings RM'000	Total equity RM'000	
		Share capital RM'000	Share premium RM'000			Other reserves RM'000
At 1 January 2016		2,363,283	175,452	1,107,738	386,580	4,033,053
Profit for the period		-	-	-	262,667	262,667
Currency translation difference in respect of foreign operations		-	-	28,529	-	28,529
Fair value reserve – Net change in fair value		-	-	110,958	-	110,958
– Net amount reclassified to profit or loss		-	-	(33,256)	-	(33,256)
Income tax expense relating to components of other comprehensive income		-	-	(18,648)	-	(18,648)
Total comprehensive income for the period		-	-	87,583	262,667	350,250
Transfer to statutory reserve		-	-	131,333	(131,333)	-
Dividends paid on ordinary shares	8	-	-	-	(129,744)	(129,744)
Issue of shares pursuant to Dividend Reinvestment Plan	22	20,927	43,947	-	-	64,874
At 30 June 2016		2,384,210	219,399	1,326,654	388,170	4,318,433
At 1 January 2015		2,319,907	90,981	929,721	390,019	3,730,628
Profit for the period		-	-	-	247,323	247,323
Currency translation difference in respect of foreign operations		-	-	(29,504)	-	(29,504)
Fair value reserve – Net change in fair value		-	-	54,003	-	54,003
– Net amount reclassified to profit or loss		-	-	(8,117)	-	(8,117)
Total comprehensive income for the period		-	-	16,382	247,323	263,705
Transfer to statutory reserve		-	-	123,661	(123,661)	-
Dividends paid on ordinary shares		-	-	-	(133,395)	(133,395)
Issue of shares pursuant to Dividend Reinvestment Plan		22,799	43,318	-	-	66,117
At 30 June 2015		2,342,706	134,299	1,069,764	380,286	3,927,055

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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Condensed Statements of Cash Flow
for the six months ended 30 June 2016

	Group		Bank	
	6 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	359,663	350,324	360,107	350,028
Adjustment for non-cash items	106,504	141,672	106,469	141,593
Operating profit before working capital changes	466,167	491,996	466,576	491,621
Changes in working capital:				
Net changes in operating assets	(378,443)	(1,973,545)	(378,886)	(1,972,219)
Net changes in operating liabilities	(1,761,208)	2,321,712	(1,757,519)	2,319,986
Net cash (used in)/generated from operations	(1,673,484)	840,163	(1,669,829)	839,388
Zakat and tax paid	(72,312)	(99,062)	(72,268)	(98,997)
Tax refund	6,808	46	6,808	-
Net cash (used in)/generated from operating activities	(1,738,988)	741,147	(1,735,289)	740,391
Net cash generated/(used in) from investing activities	1,081,748	(219,869)	1,081,842	(219,395)
Net cash (used in)/generated from financing activities	(64,870)	232,722	(64,870)	232,722
Net (decrease)/increase in cash and cash equivalents	(722,110)	754,000	(718,317)	753,718
Cash and cash equivalents at beginning of the period	2,982,246	3,269,353	2,978,315	3,269,127
Exchange difference on translation	28,486	(29,470)	28,531	(29,506)
Cash and cash equivalents at end of the period	2,288,622	3,993,883	2,288,529	3,993,339

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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**Notes to the unaudited interim financial statements
for the six months ended 30 June 2016**

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the six months ended 30 June 2016 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act, 1965 and Shariah requirements.

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

The unaudited interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2015.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to MFRSs:

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2015 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2015 Cycle)*

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1. Basis of preparation (continued)

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

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

MFRS effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

Amendments to MFRSs effective for a date yet to be confirmed

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

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

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Bank except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

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 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*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 was not qualified.

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the six months ended 30 June 2016.

4. Unusual items

There were no unusual items in the six months ended 30 June 2016.

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 six months ended 30 June 2016.

6. Debt and equity securities

There was no issuance or repayment of debt and equity securities or share buy-back during the six months ended 30 June 2016 other than the issuance of new ordinary shares as disclosed in Note 22.

7. Significant events during the six months ended 30 June 2016

The Bank increased its issued and paid-up capital on 18 May 2016 from RM2,363,282,700 to RM2,384,209,700 via the issuance of 20,927,000 new ordinary shares of RM1.00 each at a consideration of RM3.10 each arising from the Dividend Reinvestment Plan, as disclosed in Note 22.

There was no other significant event during the six months ended 30 June 2016.

8. Dividends

On 18 May 2016, the Bank paid a final dividend of approximately 5.49 sen per ordinary share totalling RM129,744,237 for the financial year ended 31 December 2015.

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9. Cash and short-term funds

	Group		Bank	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	678,262	792,593	678,169	788,662
Money at call and interbank placements with remaining maturity not exceeding one month	1,610,360	2,089,076	1,610,360	2,089,076
	<u>2,288,622</u>	<u>2,881,669</u>	<u>2,288,529</u>	<u>2,877,738</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
Licensed Islamic banks	<u>-</u>	<u>100,577</u>

11. Financial assets held-for-trading

	Group		Bank	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	177,141	241,717	177,141	241,717
Sukuk	370,569	177,001	370,569	177,001
Unit trust	5,345	5,255	-	-
	<u>553,055</u>	<u>423,973</u>	<u>547,710</u>	<u>418,718</u>

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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	30.06.2016		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,249,570	22,102	(23,907)
Profit rate swaps	849,479	6,916	(3,805)
	4,099,049	29,018	(27,712)
	31.12.2015		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	2,323,286	106,402	(98,593)
Profit rate swaps	862,568	12,857	(3,320)
	3,185,854	119,259	(101,913)

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13. Financial assets available-for-sale

	Group		Bank	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government				
Investment Issues	2,146,204	2,556,539	2,146,204	2,556,539
Sukuk	6,645,011	7,332,715	6,645,468	7,333,172
	<u>8,791,215</u>	<u>9,889,254</u>	<u>8,791,672</u>	<u>9,889,711</u>
At fair value				
Quoted shares				
- outside Malaysia	21,922	29,807	21,922	29,807
Quoted unit trust				
- in Malaysia	15,170	13,335	15,170	13,335
	<u>37,092</u>	<u>43,142</u>	<u>37,092</u>	<u>43,142</u>
At cost				
Unquoted shares in Malaysia	23,400	24,319	23,400	24,319
Less: Accumulated impairment loss *	(18,119)	(19,328)	(18,119)	(19,328)
	<u>5,281</u>	<u>4,991</u>	<u>5,281</u>	<u>4,991</u>
At cost				
Unquoted shares outside Malaysia	329	329	329	329
Less: Accumulated impairment loss	(310)	-	(310)	-
	<u>19</u>	<u>329</u>	<u>19</u>	<u>329</u>
	<u>8,833,607</u>	<u>9,937,716</u>	<u>8,834,064</u>	<u>9,938,173</u>

* Movement in accumulated impairment loss is due to translation differences

14. Financial assets held-to-maturity

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
At amortised cost		
Unquoted securities in Malaysia:		
Sukuk	64,583	66,239
Less: Accumulated impairment loss	(6,887)	(6,887)
	<u>57,696</u>	<u>59,352</u>

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15. Financing, advances and others

(a) By type and Shariah contract

Group and Bank	Bai' Bithaman Ajil	Murabahah	Bai' Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek	Ijarah Thumma Al-Bai'	Istisna'	Ar-Rahnu	Total
30 June 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost									
Cash line	-	-	54,778	963,704	-	-	-	-	1,018,482
Term financing									
House financing^	4,656,298	-	-	8,125,601	-	-	60,666	-	12,842,565
Syndicated financing	3,081	-	156,104	1,025,204	-	125,319	-	-	1,309,708
Leasing financing	-	-	-	-	90,753	1,316	-	-	92,069
Bridging financing	-	-	-	-	-	-	86,319	-	86,319
Personal financing^	-	-	59,801	10,584,890	-	-	-	-	10,644,691
Other term financing	2,316,586	816,830	18,220	6,187,945	-	-	1,730	-	9,341,311
Staff financing	89,354	3,553	-	85,800	-	-	15,073	-	193,780
Credit cards	-	-	9,786	435,107	-	-	-	-	444,893
Trade bills discounted	-	976,564	-	-	-	-	-	-	976,564
Trust receipts	-	3,865	-	-	-	-	-	-	3,865
Pawn broking	-	-	-	-	-	-	-	76,064	76,064
	7,065,319	1,800,812	298,689	27,408,251	90,753	126,635	163,788	76,064	37,030,311
Allowance for impaired financing, advances and others									
- collective assessment allowance									(542,249)
- individual assessment allowance									(155,680)
Net financing, advances and others									36,332,382

^ Included in house financing and personal financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting RM2,316,590,000 and RM1,000,352,000 respectively as disclosed in Note 18 of these financial statements.

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank	Bai'		Bai'		Ijarah	Ijarah			Total
31 December 2015	Bithaman	Murabahah	Al-Inah	At-Tawarruq	Muntahiah	Thumma	Istisna'	Ar-Rahnu	RM'000
	Ajil	RM'000	RM'000	RM'000	Bit-Tamleek	Al-Bai'	RM'000	RM'000	RM'000
	RM'000				RM'000	RM'000			
At amortised cost									
Cash line	-	-	62,300	997,097	-	-	-	-	1,059,397
Term financing									
House financing*	4,851,790	-	-	6,628,865	-	-	62,580	-	11,543,235
Syndicated financing	8,603	-	164,301	1,021,805	-	127,399	-	-	1,322,108
Leasing financing	-	-	-	-	81,223	1,769	-	-	82,992
Bridging financing	-	-	-	-	-	-	87,630	-	87,630
Personal financing	-	-	82,054	10,247,851	-	-	-	-	10,329,905
Other term financing	2,583,462	685,973	18,444	5,385,013	-	-	1,762	-	8,674,654
Staff financing	96,919	1,515	-	68,007	-	-	16,401	-	182,842
Credit cards	-	-	12,695	430,848	-	-	-	-	443,543
Trade bills discounted	-	1,139,827	-	-	-	-	-	-	1,139,827
Trust receipts	-	20,210	-	-	-	-	-	-	20,210
Pawn broking	-	-	-	-	-	-	-	73,883	73,883
	7,540,774	1,847,525	339,794	24,779,486	81,223	129,168	168,373	73,883	34,960,226
Allowance for impaired financing, advances and others									
- collective assessment allowance									(541,065)
- individual assessment allowance									(124,471)
Net financing, advances and others									<u>34,294,690</u>

* Included in house financing are the underlying assets under the Unrestricted Investment Accounts (“URIA”) amounting RM676,105,000 as disclosed in Note 18 of these financial statements..

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15. Financing, advances and others (continued)

(b) By type of customer

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
Domestic non-bank financial institutions	1,161,785	1,004,961
Domestic business enterprise	6,324,651	5,907,856
Small medium industries	861,319	939,552
Government and statutory bodies	892,133	897,923
Individuals	27,186,035	25,618,163
Other domestic entities	7,468	7,678
Foreign entities	596,920	584,093
	<u>37,030,311</u>	<u>34,960,226</u>

(c) By profit rate sensitivity

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
Fixed rate		
House financing	1,333,778	1,403,863
Others	4,164,609	4,855,968
Floating rate		
Others	31,531,924	28,700,395
	<u>37,030,311</u>	<u>34,960,226</u>

(d) By remaining contractual maturity

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
Maturity within one year	4,043,602	3,543,984
More than one year to three years	1,292,537	1,121,154
More than three years to five years	2,338,620	1,613,849
More than five years	29,355,552	28,681,239
	<u>37,030,311</u>	<u>34,960,226</u>

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15. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
Central Region	17,300,956	16,254,666
Eastern Region	6,174,829	5,856,505
Northern Region	5,581,290	5,297,531
Southern Region	5,022,105	4,725,173
East Malaysia Region	2,951,131	2,826,351
	<u>37,030,311</u>	<u>34,960,226</u>

(f) By sector

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
Primary agriculture	380,322	403,666
Mining and quarrying	12,881	13,494
Manufacturing (including agro-based)	703,319	930,013
Electricity, gas and water	696,038	681,984
Wholesale & retail trade, and hotels & restaurants	1,276,215	1,102,861
Construction	2,065,154	2,225,492
Real estate	1,305,963	1,088,961
Transport, storage and communications	333,076	395,914
Finance, insurance and business activities	1,964,776	1,406,399
Education, health and others	1,107,235	1,092,052
Household sectors	27,185,332	25,619,390
	<u>37,030,311</u>	<u>34,960,226</u>

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15. Financing, advances and others (continued)

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

	Group and Bank	
	30.06.2016	31.12.2015
	RM’000	RM’000
At 1 January 2016/ 2015	381,270	344,539
Classified as impaired during the period/year	294,285	513,966
Reclassified as not impaired during the period/year	(134,324)	(205,690)
Amount recovered	(65,333)	(144,268)
Amount written off	(81,265)	(139,053)
Exchange differences	(4,020)	11,776
At 30 June 2016/ 31 December 2015	<u>390,613</u>	<u>381,270</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.05%</u>	<u>1.09%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	30.06.2016	31.12.2015
	RM’000	RM’000
Central Region	160,429	184,568
Eastern Region	84,821	47,369
Northern Region	36,491	35,880
Southern Region	30,414	29,892
East Malaysia Region	78,458	83,561
	<u>390,613</u>	<u>381,270</u>

(i) Impaired financing by sector

	Group and Bank	
	30.06.2016	31.12.2015
	RM’000	RM’000
Primary agriculture	1,308	1,307
Manufacturing (including agro-based)	36,747	6,650
Wholesale & retail trade, and hotels & restaurants	26,077	24,986
Construction	42,542	56,344
Transport, storage and communications	26,343	29,332
Finance, insurance and business activities	66,715	69,533
Education, health and others	5,736	7,502
Household sectors	185,145	185,616
	<u>390,613</u>	<u>381,270</u>

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15. Financing, advances and others (continued)

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

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2016/ 2015	541,065	444,388
Allowance made during the period/year	80,358	189,391
Amount written off	(78,086)	(94,748)
Exchange differences	(1,088)	2,034
At 30 June 2016/ 31 December 2015	<u>542,249</u>	<u>541,065</u>
<u>Individual assessment allowance</u>		
At 1 January 2016/ 2015	124,471	142,753
Allowance made during the period/year	42,755	46,420
Amount recovered	(5,773)	(32,272)
Amount written off	(1,753)	(44,139)
Exchange differences	(4,020)	11,709
At 30 June 2016/ 31 December 2015	<u>155,680</u>	<u>124,471</u>

16. Other assets

	Group		Bank	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Other receivables	31,197	33,342	30,268	31,744
Deposit and prepayments	36,659	37,227	35,381	36,063
Related companies*	819	227	908	428
	<u>68,675</u>	<u>70,796</u>	<u>66,557</u>	<u>68,235</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 repayments.

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17. Deposits from customers

a) By type of deposit

	Group		Bank	
	30.06.2016 RM'000	31.12.2015 RM'000	30.06.2016 RM'000	31.12.2015 RM'000
Saving Deposit	4,641,107	4,674,687	4,641,107	4,674,687
<i>Wadiah</i>	4,641,107	4,674,687	4,641,107	4,674,687
Demand Deposits				
<i>Wadiah</i>	9,781,045	10,581,603	9,790,707	10,613,180
Term Deposit	24,544,500	28,205,616	24,551,121	28,212,636
Special Investment Accounts <i>Mudharabah</i>	24,987	26,058	24,987	26,058
General Investment Accounts <i>Mudharabah</i>	430,239	478,802	430,239	478,802
Term & Special term deposit-i <i>Tawarruq</i>	21,412,428	24,406,269	21,419,049	24,413,289
Negotiable Islamic Debt Certificates (NIDC) <i>Waheed-i</i>	2,676,846	3,287,644	2,676,846	3,287,644
	-	6,843	-	6,843
Others	98,941	94,444	98,941	94,444
Total Deposits	39,065,593	43,556,350	39,081,876	43,594,947

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	30.06.2016 RM'000	31.12.2015 RM'000	30.06.2016 RM'000	31.12.2015 RM'000
Due within six months	17,784,780	23,218,044	17,790,710	23,224,498
More than six months to one year	5,578,380	4,000,106	5,578,380	4,000,672
More than one year to three years	1,139,605	946,690	1,140,296	946,690
More than three years to five years	41,735	40,776	41,735	40,776
	24,544,500	28,205,616	24,551,121	28,212,636

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17. Deposits from customers (continued)

c) By type of customer

	Group		Bank	
	30.06.2016 RM'000	31.12.2015 RM'000	30.06.2016 RM'000	31.12.2015 RM'000
Government and statutory bodies	6,450,810	7,419,397	6,450,810	7,419,397
Business enterprises	10,284,326	12,183,999	10,284,326	12,183,999
Individuals	5,548,370	5,576,637	5,548,370	5,576,637
Others	16,782,087	18,376,317	16,798,370	18,414,914
	<u>39,065,593</u>	<u>43,556,350</u>	<u>39,081,876</u>	<u>43,594,947</u>

18. Investment accounts of customers

	Group and Bank	
	30.06.2016 RM'000	31.12.2015 RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	988,712	461,312
With maturity		
<i>Wakalah</i>	2,328,230	214,793
	<u>3,316,942</u>	<u>676,105</u>
Restricted investment accounts ^		
With maturity		
<i>Wakalah</i>	116,215	82,567
<u>Investment portfolio:</u>		
Unrestricted investment accounts		
<i>House financing</i>	2,316,590	676,105
<i>Personal financing</i>	1,000,352	-
	<u>3,316,942</u>	<u>676,105</u>
Restricted investment accounts		
<i>Other term financing</i>	116,215	82,567

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

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19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
<i>Mudharabah fund</i>		
Licensed Islamic banks	<u>1,439,961</u>	<u>-</u>

20. Subordinated Sukuk Murabahah

	Note	Group and Bank	
		30.06.2016	31.12.2015
		RM'000	RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche, RM300 million			
5.75% due in 2025	(a)	303,355	303,355
Second tranche, RM400 million			
5.50% due in 2025	(b)	401,025	401,025
		<u>704,380</u>	<u>704,380</u>

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

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

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

21. Other liabilities

	Group		Bank	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Other payable	429,912	435,065	421,122	401,478
Accruals	71,229	109,144	70,325	107,027
	<u>501,141</u>	<u>544,209</u>	<u>491,447</u>	<u>508,505</u>

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22. Share Capital

Group and Bank	Number of shares		Amount	
	30.06.2016 '000	31.12.2015 '000	30.06.2016 RM'000	31.12.2015 RM'000
<i>Authorised:</i>				
Ordinary shares of RM1.00 each	<u>2,540,000</u>	<u>2,540,000</u>	<u>2,540,000</u>	<u>2,540,000</u>
<i>Issued and fully paid</i>				
Ordinary shares of RM1.00 each				
At 1 January 2016/ 2015	2,363,283	2,319,907	2,363,283	2,319,907
Allotment of new ordinary shares on 18 May 2016/22 September 2015	20,927	43,376	20,927	43,376
At 30 June 2016/31 December 2015	<u>2,384,210</u>	<u>2,363,283</u>	<u>2,384,210</u>	<u>2,363,283</u>

The Bank increased its issued and paid-up capital on 18 May 2016 from RM2,363,282,700 to RM2,384,209,700 via the issuance of 20,927,000 new ordinary shares of RM1.00 each at a consideration of RM3.10 each arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.49 sen in respect of financial year ended 31 December 2015.

The increase in its issued paid up capital during the financial year ended 31 December 2015 to RM2,363,282,700 was via the issuance of 22,799,000 and 20,576,700 new ordinary shares at a consideration of RM2.90 and RM3.00 per share respectively arising from the Dividend Reinvestment Plan of fifty percent of dividends declared and paid.

23. Income derived from investment of depositors' funds

Group and Bank	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Income derived from investment of:				
(i) General investment deposits	19,004	24,277	26,370	50,707
(ii) Other deposits	568,508	534,349	1,152,503	1,050,202
	<u>587,512</u>	<u>558,626</u>	<u>1,178,873</u>	<u>1,100,909</u>

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

(i) Income derived from investment of general investment deposits

Group and Bank	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	16,855	19,863	21,708	41,283
Financial assets:				
- held-for-trading	121	259	258	636
- available-for-sale	1,257	2,834	2,880	6,248
- held-to-maturity	76	37	94	70
Money at call and deposits with financial institutions	160	1,110	330	1,886
	18,469	24,103	25,270	50,123
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	43	(12)	136	167
Net gain/(loss) on revaluation of financial assets held-for-trading	(13)	(69)	103	57
	30	(81)	239	224
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	505	255	861	360
	505	255	861	360
	19,004	24,277	26,370	50,707
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	209	316	420	678

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

(ii) Income derived from investment of other deposits

Group and Bank	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Finance, income and hibah				
Financing, advances and others	486,969	437,524	982,731	855,590
Financial assets:				
- held-for-trading	4,549	5,684	9,376	12,981
- available-for-sale	47,635	62,459	104,536	129,062
- held-to-maturity	2,849	820	3,466	1,470
Money at call and deposits with financial institutions	6,076	24,216	11,990	39,434
	<u>548,078</u>	<u>530,703</u>	<u>1,112,099</u>	<u>1,038,537</u>
Other dealing income				
Net gain/(loss) from sale of financial assets held-for-trading	1,593	(479)	4,894	3,051
Net gain/(loss) on revaluation of financial assets held-for-trading	(395)	(1,508)	3,539	857
	<u>1,198</u>	<u>(1,987)</u>	<u>8,433</u>	<u>3,908</u>
Other operating income				
Net gain from sale of financial assets available-for-sale	19,232	5,633	31,971	7,757
	<u>19,232</u>	<u>5,633</u>	<u>31,971</u>	<u>7,757</u>
	<u>568,508</u>	<u>534,349</u>	<u>1,152,503</u>	<u>1,050,202</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>7,908</u>	<u>6,950</u>	<u>15,302</u>	<u>13,982</u>

24. Income derived from investment account funds

Group and Bank	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	15,222	-	24,291	-
- <i>Wakalah</i>	4,253	-	6,668	-
	<u>19,475</u>	<u>-</u>	<u>30,959</u>	<u>-</u>

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25. Income derived from investment of shareholders' funds

Group	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	1,567	1,526	3,097	3,050
Financial assets available-for-sale	41,523	34,317	83,964	62,720
Money at call and deposits with financial institutions	289	627	1,022	3,516
	43,379	36,470	88,083	69,286
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	17,997	15,036	36,474	42,721
Net derivatives gain	45	45	90	76
Net (loss)/gain on revaluation of financial assets held-for-trading	(1,122)	1,116	(5,308)	(3,104)
	16,920	16,197	31,256	39,693
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	424	-	424	-
Gross dividend income from:				
- unquoted securities in Malaysia	1,612	1,611	1,612	1,611
- unit trust in Malaysia	887	-	1,768	-
- unit trust outside Malaysia	-	59	-	59
	2,923	1,670	3,804	1,670
<i>Fees and commission</i>				
Fees	37,269	39,989	78,084	73,426
Commission	4,684	5,079	9,261	10,027
Others	8,605	3,481	15,003	6,344
	50,558	48,549	102,348	89,797
<i>Other income</i>				
Net (loss)/gain on disposal of property and equipment	29	(90)	(490)	(426)
Rental income	614	783	1,223	1,311
Other income	40	10	52	37
	683	703	785	922
	114,463	103,589	226,276	201,368

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

Bank	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
<i>Finance, income and hibah</i>				
Financing, advances and others	1,567	1,526	3,097	3,050
Financial assets available-for-sale	41,523	34,317	83,964	62,720
Money at call and deposits with financial institutions	289	627	1,022	3,516
	43,379	36,470	88,083	69,286
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	17,997	15,036	36,474	42,721
Net derivatives (loss)/gain	(1,122)	1,116	(5,308)	(3,104)
	16,875	16,152	31,166	39,617
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	424	-	424	-
Gain on liquidation of subsidiary company	89	-	89	-
Gross dividend income from:				
- unquoted securities in Malaysia	1,612	1,611	1,612	1,611
- unit trust in Malaysia	887	-	1,768	-
- unit trust outside Malaysia	-	59	-	59
	3,012	1,670	3,893	1,670
<i>Fees and commission</i>				
Fees	35,304	38,343	74,240	70,680
Commission	5,591	5,079	11,481	10,027
Others	7,391	3,500	11,497	6,398
	48,286	46,922	97,218	87,105
<i>Other income</i>				
Net (loss)/gain on disposal of property and equipment	29	(90)	(490)	(426)
Rental income	699	867	1,392	1,482
Other income	9	5	18	25
	737	782	920	1,081
	112,289	101,996	221,280	198,759

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26. Allowance for impairment on financing and advances

Group and Bank	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired financing, advances and others:				
- collective assessment allowance	18,591	58,713	80,358	96,019
- individual assessment allowance	37,051	3,206	36,982	24,454
Bad debts and financing recovered	(24,431)	(36,404)	(51,518)	(64,505)
	31,211	25,515	65,822	55,968

27. Income attributable to depositors

Group	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	4,179	17,535	8,445	53,674
- Non-Mudharabah fund	242,875	240,048	511,145	445,899
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	714	-	2,261
- Non-Mudharabah fund	17,268	202	23,223	202
	264,322	258,499	542,813	502,036
Bank				
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	4,179	17,535	8,445	53,674
- Non-Mudharabah fund	242,933	240,108	511,263	445,995
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	714	-	2,261
- Non-Mudharabah fund	17,268	202	23,223	202
	264,380	258,559	542,931	502,132

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28. Income attributable to investment account holders

Group and Bank	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	293	-	466	-
- <i>Wakalah</i>	3,455	-	5,512	-
	<u>3,748</u>	<u>-</u>	<u>5,978</u>	<u>-</u>

29. Personnel expenses

Group	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	103,648	77,216	200,846	164,315
Employees' Provident Fund	12,547	11,496	25,207	23,028
Other staff related costs	12,683	11,673	26,417	24,898
	<u>128,878</u>	<u>100,385</u>	<u>252,470</u>	<u>212,241</u>

Bank	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	102,268	76,154	198,061	162,141
Employees' Provident Fund	12,352	11,344	24,794	22,713
Other staff related costs	12,550	11,527	26,134	24,612
	<u>127,170</u>	<u>99,025</u>	<u>248,989</u>	<u>209,466</u>

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30. Other overhead expenses

Group	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
<i>Promotion</i>				
Advertisement and publicity	2,252	962	4,114	2,013
Credit and debit card expenses	6,751	3,707	12,840	8,451
Others	3,116	910	7,200	3,568
	<u>12,119</u>	<u>5,579</u>	<u>24,154</u>	<u>14,032</u>
<i>Establishment</i>				
Office rental	12,655	12,145	25,583	24,655
Depreciation of property and equipment	14,594	16,163	29,365	31,588
Information technology expenses	12,999	8,768	24,396	12,950
Rental of equipment	672	927	1,670	1,791
Office maintenance	2,836	2,726	5,035	5,823
Utilities	4,567	2,824	7,876	6,433
Security services	4,830	2,698	8,651	6,093
Takaful and insurance	4,805	2,205	5,255	4,396
Others	29	197	267	267
	<u>57,987</u>	<u>48,653</u>	<u>108,098</u>	<u>93,996</u>
<i>General expenses</i>				
Professional fees	827	1,406	1,593	1,266
Office supplies	2,047	1,994	4,375	4,155
Outsourcing fees	4,944	5,334	8,863	8,829
Travelling & transportation	1,993	2,535	4,182	4,225
Security services - cash in transit	1,837	2,184	3,138	5,582
Others	14,563	24,506	27,584	33,880
	<u>26,211</u>	<u>37,959</u>	<u>49,735</u>	<u>57,937</u>
	<u>96,317</u>	<u>92,191</u>	<u>181,987</u>	<u>165,965</u>

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30. Other overhead expenses (continued)

Bank	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	2,212	902	4,037	1,935
Credit and debit card expenses	6,751	3,707	12,840	8,451
Others	2,615	830	5,606	3,384
	<u>11,578</u>	<u>5,439</u>	<u>22,483</u>	<u>13,770</u>
<i>Establishment</i>				
Office rental	12,641	12,131	25,556	24,627
Depreciation of property and equipment	14,531	16,118	29,240	31,509
Information technology expenses	12,999	8,768	24,396	12,950
Rental of equipment	651	915	1,635	1,768
Office maintenance	2,812	2,643	4,982	5,694
Utilities	4,551	2,794	7,837	6,384
Security services	4,830	2,696	8,650	6,097
Takaful and insurance	4,723	2,182	5,124	4,344
Others	29	197	267	267
	<u>57,767</u>	<u>48,444</u>	<u>107,687</u>	<u>93,640</u>
<i>General expenses</i>				
Professional fees	767	1,385	1,506	1,197
Office supplies	1,989	1,960	4,276	4,101
Outsourcing fees	4,944	5,334	8,863	8,829
Travelling & transportation	1,965	2,495	4,121	4,175
Security services - cash in transit	1,837	2,184	3,138	5,582
Others	14,692	24,860	27,836	35,037
	<u>26,194</u>	<u>38,218</u>	<u>49,740</u>	<u>58,921</u>
	<u>95,539</u>	<u>92,101</u>	<u>179,910</u>	<u>166,331</u>

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31. 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>6 months ended 30 June 2016</u>						
Total Revenue	844,178	280,211	217,031	100,714	(3,681)	1,438,453
Net fund based income	432,591	204,326	(18,242)	88,944	-	707,619
Non-fund based income	69,826	19,167	83,402	13,211	(3,563)	182,043
Net income	502,417	223,493	65,160	102,155	(3,563)	889,662
Allowances for impairment	(38,095)	(27,726)	608	-	-	(65,213)
Profit before overheads, zakat & tax	464,322	195,767	65,768	102,155	(3,563)	824,449
Operating expenses						(464,786)
Profit before zakat & tax						359,663
<u>6 months ended 30 June 2015</u>						
Total Revenue	754,112	225,950	246,684	79,499	(3,968)	1,302,277
Net fund based income	404,950	184,534	(6,187)	72,611	-	655,908
Non-fund based income	64,759	18,431	55,655	9,360	(3,872)	144,333
Net income	469,709	202,965	49,468	81,971	(3,872)	800,241
Allowances for impairment	(60,883)	4,915	-	-	-	(55,968)
Profit before overheads, zakat & tax	408,826	207,880	49,468	81,971	(3,872)	744,273
Operating expenses						(393,949)
Profit before zakat & tax						350,324

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31. 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 30 June 2016</u>						
Segment assets	26,827,802	9,504,580	11,078,849	40,555	(32,574)	47,419,212
Unallocated assets						2,325,143
Total assets						<u>49,744,355</u>
<u>At 31 December 2015</u>						
Segment assets	25,251,798	9,042,892	12,725,156	67,083	(54,906)	47,032,023
Unallocated assets						2,731,696
Total assets						<u>49,763,719</u>

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32. 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, listed Sukuk and listed 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, Sukuk, debt instruments and structured debts. 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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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 30 June 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	-	553,055	-	553,055	-	553,055	553,055
Derivative financial assets	-	29,018	-	29,018	-	29,018	29,018
Financial assets available-for-sale	21,922	8,806,385	-	8,828,307	5,300	8,833,607	8,833,607
Financial assets held-to-maturity	-	-	-	-	57,696	57,696	57,696
Financing, advances and others	-	-	-	-	36,326,640	36,326,640	36,332,382
<i>Financial liabilities</i>							
Derivative financial liabilities	-	27,712	-	27,712	-	27,712	27,712
Subordinated Sukuk Murabahah	-	-	-	-	733,282	733,282	704,380
<hr/>							
Group 31 December 2015 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	423,973	-	423,973	-	423,973	423,973
Derivative financial assets	-	119,259	-	119,259	-	119,259	119,259
Financial assets available-for-sale	29,807	9,902,589	-	9,932,396	5,320	9,937,716	9,937,716
Financial assets held-to-maturity	-	-	-	-	59,352	59,352	59,352
Financing, advances and others	-	-	-	-	34,334,821	34,334,821	34,294,690
<i>Financial liabilities</i>							
Derivative financial liabilities	-	101,913	-	101,913	-	101,913	101,913
Subordinated Sukuk Murabahah	-	-	-	-	712,983	712,983	704,380
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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 30 June 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	-	547,710	-	547,710	-	547,710	547,710
Derivative financial assets	-	29,018	-	29,018	-	29,018	29,018
Financial assets available-for-sale	21,922	8,806,842	-	8,828,764	5,300	8,834,064	8,834,064
Financial assets held-to-maturity	-	-	-	-	57,696	57,696	57,696
Financing, advances and others	-	-	-	-	36,326,640	36,326,640	36,332,382
<i>Financial liabilities</i>							
Derivative financial liabilities	-	27,712	-	27,712	-	27,712	27,712
Subordinated Sukuk Murabahah	-	-	-	-	733,282	733,282	704,380
<hr/>							
<i>Financial assets</i>							
Financial assets held-for-trading	-	418,718	-	418,718	-	418,718	418,718
Derivative financial assets	-	119,259	-	119,259	-	119,259	119,259
Financial assets available-for-sale	29,807	9,903,046	-	9,932,853	5,320	9,938,173	9,938,173
Financial assets held-to-maturity	-	-	-	-	59,352	59,352	59,352
Financing, advances and others	-	-	-	-	34,334,821	34,334,821	34,294,690
<i>Financial liabilities</i>							
Derivative financial liabilities	-	101,913	-	101,913	-	101,913	101,913
Subordinated Sukuk Murabahah	-	-	-	-	712,983	712,983	704,380

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32. 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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33. 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 30 June 2016				
<i>Credit related exposures</i>				
Direct credit substitutes	287,651		287,651	238,250
Assets sold with recourse	2		2	2
Transaction related contingent items	927,049		463,524	417,559
Short term self-liquidating trade related contingencies	328,813		65,763	63,014
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	508,103		101,620	81,234
- exceeding one year	2,005,059		1,002,528	729,802
Unutilised credit card lines	1,192,020		238,404	179,764
Any commitments that can be 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	4,668,011		-	-
	9,916,708		2,159,492	1,709,625
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,249,570	22,102	73,865	27,999
Profit rate related contracts				
- less than one year	200,000	1,644	715	143
- one year to less than five years	400,000	1,938	8,677	1,735
- five years and above	249,479	3,334	20,219	13,119
	4,099,049	29,018	103,476	42,996
Total	14,015,757	29,018	2,262,968	1,752,621

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33. 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 2015	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	343,731		343,731	301,001
Assets sold with recourse	2		2	2
Transaction related contingent items	956,822		478,411	413,964
Short term self-liquidating trade related contingencies	374,892		74,978	72,446
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	2,014		403	403
- exceeding one year	837,455		418,728	333,700
Unutilised credit card lines	1,169,445		233,889	176,494
Any commitments that can be unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	5,822,088		-	-
	9,506,449		1,550,142	1,298,010
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	2,323,286	106,402	139,771	67,272
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	600,000	9,200	20,504	4,101
- five years and above	262,568	3,657	24,048	13,688
	3,185,854	119,259	184,323	85,061
Total	12,692,303	119,259	1,734,465	1,383,071

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34. Capital adequacy

Total capital and capital adequacy ratios of the Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) issued on 13 October 2015. 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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
CET I & Tier I capital ratio	12.708%	12.087%	12.672%	12.049%
Total capital ratio	15.900%	15.320%	15.867%	15.284%

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

	Group		Bank	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,384,210	2,363,283	2,384,210	2,363,283
Share premium	219,399	175,452	219,399	175,452
Retained earnings	387,025	385,913	388,170	386,580
Other reserves	1,326,788	1,107,920	1,326,654	1,107,738
Less: Deferred tax assets	(16,534)	(35,182)	(16,534)	(35,182)
Less: 55% of fair value reserves	(19,800)	-	(19,800)	-
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>4,281,088</u>	<u>3,997,386</u>	<u>4,266,574</u>	<u>3,982,346</u>
Sukuk Murabahah	700,000	700,000	700,000	700,000
Collective assessment allowance ^	375,615	369,414	375,573	369,357
Total Tier II Capital	<u>1,075,615</u>	<u>1,069,414</u>	<u>1,075,573</u>	<u>1,069,357</u>
Total Capital	<u><u>5,356,703</u></u>	<u><u>5,066,800</u></u>	<u><u>5,342,147</u></u>	<u><u>5,051,703</u></u>

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

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34. Capital adequacy (continued)

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

	Group		Bank	
	30.06.2016 RM'000	31.12.2015 RM'000	30.06.2016 RM'000	31.12.2015 RM'000
Credit risk	31,303,614	29,841,140	31,300,253	29,836,588
Less : Credit risk absorbed by unrestricted investment accounts	(1,254,451)	(288,030)	(1,254,451)	(288,030)
	30,049,163	29,553,110	30,045,802	29,548,558
Market risk	692,668	668,158	692,668	668,158
Operational risk	2,947,127	2,851,129	2,930,229	2,834,709
	33,688,958	33,072,397	33,668,699	33,051,425

35. Performance review for the six months ended 30 June 2016

The Group reported profit for the six months ended 30 June 2016 of RM262.2 million, representing an increase of 5.9% compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM5.2 billion or 16.8% to reach RM36.3 billion as at end June 2016. Correspondingly, fund based income from financing also increased by RM138.6 million or 15.4%. Non fund based income was also higher by RM35.3 million or 24.9% and growth was mainly from investment income.

As at end of June 2016, customer deposits and investment accounts stood at RM42.4 billion with a year-on-year decrease of RM0.9 billion or 2.2% in view of stiff competition for deposit among financial institutions in Malaysia. The low cost current and savings accounts (CASA) reported a year-on-year decrease of RM0.2 billion or 1.5%. Nevertheless, the CASA ratio as at end June 2016 was 36.9% against the Islamic Banking Industry CASA ratio of 25.0% as at end May 2016.

The Group's gross impaired financing ratio improved to 1.05% while the net impaired financing ratio (less IA and CA) was a negative 0.85% as at end June 2016 compared to 1.09% and a negative 0.83% respectively as at 31 December 2015. The Banking System gross impaired ratio was 1.65% and the net impaired ratio was 0.15% (less IA and CA) as at end May 2016.

The key performance ratios as at end June 2016 also compared favourably against the Banking System ratios as at end December 2015. The Bank's return on equity and return on assets based on profit before tax (PBT) were 16.8% and 1.5% respectively against the Banking System's 12.4% and 1.3% respectively. In addition, the Group's capital strengthened whereby the total capital ratio stood at 15.9% as at end June 2016 compared to 15.3% as at end December 2015.

36. Prospect for 2016

The economy grew by 4.2% year-on-year in the first quarter of 2016, moderating from 4.5% in the previous quarter. Growth was supported by continued increase in private consumption to 5.3% from 4.9% previously. However, it was dampened by a slowdown in private investment growth to 2.2% from 4.9% in fourth quarter of 2015 while public investment declined by 4.5% from 0.4% expansion in the previous quarter. Additionally, net exports also contracted by 12.4% in the first quarter of 2016 after recording 4.3% expansion previously.

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36. Prospect for 2016 (continued)

All things considered, the economy will continue to be challenging for the rest of 2016. With factors such as low commodity prices, policy changes in major economies and slowing momentum of global growth still causing a lot of uncertainty, domestic growth remains the main engine for economic growth despite the weak consumer sentiment. GDP at this point is still expected to register growth of around 4.3% for 2016.

The banking sector in Malaysia is expected to remain resilient amidst difficult operating conditions this year. Slower economic growth, weaker external demand and lower commodity prices has dampened business and consumer sentiment. The reduction in EPF's members' contribution rate which began in March 2016 as well as decline in petrol prices in first quarter of 2016 could have instilled some positivity in terms of spending decision resulting in the slight uptick in private consumption in the period. With more infrastructure projects in the pipeline, the Bank expects that it should give some comfort to the construction sector, improving the growth prospect for private investment.

As it stands, BNM recently announced a 25-basis point reduction in the Overnight Policy Rate (OPR), bringing it down to 3.00% from 3.25%. Banking sector outlook will be subject to continued stiff competition for deposits and further margin compression as a result of reduction in base rate/ base financing rate, which will lead to lower asset yield. There could also be a gradual increase in impaired financing but it will be manageable. Moving forward, the Bank foresees that fee based income could also be under pressure with the rapid development of fintech companies. The Bank expects tightening of lending standards among the players. As such, lending growth is poised to slow down further to around 5% to 6% in 2016 (2015: 7.9%).

The Bank intends to follow through its strategic development plan that focuses on sustaining capital through robust liability management, safeguarding asset quality, and driving earnings growth mainly through strong promotion of the Bank's investment account products. Braving the challenges of 2016, cost and resource optimisation will be of paramount importance given the cautious operating outlook while Shariah-led innovation will be maintained as another core focus as this anchors the Bank's ability to continue creating its own niche. Furthermore in an extremely competitive environment, it is vital to remain customer-focused by continuously seeking to attain service excellence.

37. Subsequent events

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

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38. Credit Transactions and Exposures with Connected Parties

	Group and Bank	
	30.06.2016	31.12.2015
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,147,083	1,095,130
% of outstanding credit exposures to connected parties as a proportion of total credit exposures	3.10%	3.13%
% of outstanding credit exposures with connected parties which is non-performing or in default	0.000%	0.001%

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