

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position as at 30 June 2012

		As at 30 June, 2012 RM'000 Unaudited	As at 31 December, 2011 RM'000	As at 1 January, 2011 RM'000
	Note			
ASSETS				
Cash and short term funds		3,061,428	4,390,571	3,064,307
Deposits and placements with financial institutions		935,929	1,075,330	412,798
Derivative financial assets	A8	18,469	15,877	80,108
Financial assets held-for-trading	A9	741,221	1,228,952	2,279,891
Financial assets held-to-maturity	A10	570,201	636,913	215,944
Financial assets available-for-sale	A11	15,838,538	14,309,762	16,111,788
Financing, advances and others	A12	16,356,472	14,161,837	11,858,599
Retakaful assets		457,288	415,424	328,133
Deferred tax assets		49,166	39,429	59,023
Takaful receivables		165,922	108,949	107,222
Assets held for sale		-	668	-
Investment-linked Takaful assets		203,497	194,506	201,051
Other assets		480,838	270,913	637,744
Current tax assets		13,346	7,718	30,316
Investment in associates		23,519	21,181	1
Statutory deposit with Bank Negara Malaysia		874,000	912,000	10,000
Investment properties		44,734	34,604	42,244
Property, plant and equipment		431,164	447,579	414,159
Total assets		40,265,732	38,272,213	35,853,328
LIABILITIES, EQUITY & TAKAFUL FUNDS				
Liabilities				
Deposits from customers	A14	28,598,392	28,208,203	26,798,107
Deposits and placements of banks and other financial institutions	A15	1,430,981	384,628	378,129
Bills and acceptances payable		270,866	259,153	163,191
Takaful contract liabilities		5,420,239	5,115,267	4,567,764
Takaful payables		50,590	44,904	50,454
Other liabilities		788,663	747,978	671,726
Provision for zakat and taxation		72,678	34,107	37,467
Derivative financial liabilities	A8	34,378	23,299	66,708
Total liabilities		36,666,787	34,817,539	32,733,546
Equity				
Share capital		1,066,790	1,066,790	1,066,790
Reserves		817,095	765,642	587,568
Total equity attributable to shareholders of the Company		1,883,885	1,832,432	1,654,358
Non-controlling interests		1,715,060	1,622,242	1,465,424
Total equity		3,598,945	3,454,674	3,119,782
Total equity and liabilities		40,265,732	38,272,213	35,853,328
COMMITMENTS AND CONTINGENCIES				
Net assets per share attributable to ordinary equity holders of the parent (RM)	A25	1.77	1.72	1.55

BIMB HOLDINGS BERHAD (423858-X)

(Incorporated in Malaysia)

**Condensed Consolidated Income Statements
For the Six Months Financial Period Ended 30 June 2012**

		Quarter ended 30 June 2012 RM'000 Unaudited	Quarter ended 30 June 2011 RM'000 Unaudited	Year-to-date 6 months ended 30 June 2012 RM'000 Unaudited	Year-to-date 6 months ended 30 June 2011 RM'000 Unaudited
	Note				
Income derived from investment of depositors' fund	A16	386,397	345,913	766,836	679,978
Income derived from investment of shareholders' fund	A17	208,056	154,121	410,483	306,549
Reversal /(Allowance) for impairment on financing, advances and others	A18	(2,606)	10,094	(17,895)	8,273
Allowance for Impairment on investments and other assets		10,169	1,414	1,748	1,414
Provision for contingent liability		-	(5,952)	-	(15,231)
Other expenses directly attributable to the investment of the depositors' and shareholders' funds		(9,418)	(6,395)	(16,299)	(11,231)
Total distributable income		592,598	499,195	1,144,873	969,752
Income attributable to depositors	A19	(137,696)	(118,627)	(270,853)	(237,021)
Total net income		454,902	380,568	874,020	732,731
Personnel expenses		(131,556)	(112,825)	(252,119)	(221,476)
Other overhead expenses		(139,164)	(96,909)	(258,497)	(181,895)
Depreciation		(12,718)	(14,008)	(25,142)	(28,578)
Operating profit		171,464	156,826	338,262	300,782
Share in the results of associated companies		1,798	(154)	2,338	(154)
Profit before zakat and taxation		173,262	156,672	340,600	300,628
Zakat		(1,458)	(1,093)	(3,358)	(2,636)
Tax expense	B5	(52,897)	(34,201)	(98,613)	(74,364)
Profit for the period		118,907	121,378	238,629	223,628
Attributable to:					
Shareholders of the Company		58,194	60,224	123,100	118,586
Non-controlling interests		60,713	61,154	115,529	105,042
Profit for the period		118,907	121,378	238,629	223,628
Earnings Per Share - basic (sen)	B15	5.46	5.65	11.54	11.12

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(Incorporated in Malaysia)

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Financial Period Ended 30 June 2012**

	Quarter ended 30 June 2012 RM'000 Unaudited	Quarter ended 30 June 2011 RM'000 Unaudited	Year-to-date 6 months ended 30 June 2012 RM'000 Unaudited	Year-to-date 6 months ended 30 June 2011 RM'000 Unaudited
Profit for the period	118,907	121,378	238,629	223,628
Other comprehensive income :				
Currency translation differences for foreign operations	(9,203)	1,580	(1,912)	7,352
Net gain on revaluation of available for sale financial assets	2,640	(4,537)	12,456	19,484
Total comprehensive income for the period	112,344	118,421	249,173	250,464
Attributable to:				
Shareholders of the Company	55,115	58,778	128,795	133,524
Non-controlling interests	57,229	59,643	120,378	116,940
Total comprehensive income for the period	112,344	118,421	249,173	250,464

BIMB HOLDINGS BERHAD (423858-X)

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**Condensed Consolidated Statement of Changes in Equity
For the Six Months Financial Period Ended 30 June 2012**

		← Attributable to Equity Holders of the Company →								
		← Non-distributable			→ Distributable					
Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Other Reserves RM'000	Capital Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Unaudited										
At 1 January 2011										
- As previously stated		1,066,790	602,978	513,112	77,541	638,370	(1,244,056)	1,654,735	1,465,957	3,120,692
- Effect of change in accounting policy		-	-	-	(38,995)	-	38,618	(377)	(533)	(910)
- Restated		1,066,790	602,978	513,112	38,546	638,370	(1,205,438)	1,654,358	1,465,424	3,119,782
Total comprehensive income for the year										
- Net profit for the period		-	-	-	-	-	118,586	118,586	105,042	223,628
- Other comprehensive income										
<i>Currency translation differences in respect of foreign operations</i>		-	-	-	4,043	-	-	4,043	3,309	7,352
<i>Net gain on revaluation of financial assets available-for-sale</i>		-	-	-	10,895	-	-	10,895	8,589	19,484
- Total comprehensive income for the year		-	-	-	14,938	-	118,586	133,524	116,940	250,464
Transfer to statutory reserve		-	-	89,381	-	-	(89,381)	-	-	-
Dividends to shareholders	A7	-	-	-	-	-	(12,801)	(12,801)	-	(12,801)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(42,520)	(42,520)
At 30 June 2011		1,066,790	602,978	602,493	53,484	638,370	(1,189,034)	1,775,081	1,539,844	3,314,925
Unaudited										
At 1 January 2012										
- As previously stated		1,066,790	602,978	604,698	94,150	638,370	(1,182,896)	1,824,090	1,614,380	3,438,470
- Effect of change in accounting policy		-	-	-	(38,995)	-	47,337	8,342	7,862	16,204
- Restated		1,066,790	602,978	604,698	55,155	638,370	(1,135,559)	1,832,432	1,622,242	3,454,674
Total comprehensive income for the period										
- Net profit for the period		-	-	-	-	-	123,100	123,100	115,529	238,629
- Other comprehensive income										
<i>Currency translation differences in respect of foreign operations</i>		-	-	-	(1,091)	-	-	(1,091)	(821)	(1,912)
<i>Net gain on revaluation of financial assets available-for-sale</i>		-	-	-	6,786	-	-	6,786	5,670	12,456
- Net gain/(loss) on hedge of net investment in foreign operation		-	-	-	-	-	-	-	-	-
		-	-	-	5,695	-	123,100	128,795	120,378	249,173
Transfer to statutory reserve		-	-	51,492	-	-	(51,492)	-	-	-
Acquisition of additional interest from non-controlling interests		-	-	-	-	-	-	-	-	-
Dividends to shareholders	A7	-	-	-	-	-	(77,342)	(77,342)	-	(77,342)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(27,560)	(27,560)
Set-off of accumulated loss		-	-	(349,011)	-	-	349,011	-	-	-
At 30 June 2012		1,066,790	602,978	307,179	60,850	638,370	(792,282)	1,883,885	1,715,060	3,598,945

BIMB HOLDINGS BERHAD (423858-X)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the Six Months Financial Period Ended 30 June 2012**

	Year-to-date	
	6 months ended 30 June 2012 RM'000 Unaudited	6 months ended 30 June 2011 RM'000 Unaudited
Cash flows from operating activities		
Profit before zakat and taxation	340,600	300,628
Adjustment for non-cash flow items:-		
Depreciation of property, plant and equipment	25,142	28,578
Amortisation of prepaid lease payment	-	1,298
Reversal of allowance for doubtful debts	(120)	(120)
Allowance/(reversal) for impairment on financing, advances and others	17,895	(8,273)
Reversal for diminution in value of investments	-	(38)
Allowance for Impairment on investments and other assets	(1,748)	(1,414)
Provision for contingent liability	-	15,231
Net gain on disposal of property, plant and equipment	(184)	(3,022)
Net (gain) / loss on sale of financial assets held-for-trading	(1,972)	(3,467)
Net gain on sale of financial assets available-for- sale	(15,384)	(2,375)
Net derivative (gain) / loss	6,235	(850)
Share of results of associate company	(2,338)	154
Operating profit before working capital changes	368,126	326,330
Changes in working capital:		
Deposits and placements of banks and other financial institutions	1,046,353	95,375
Financing of customers	(2,212,530)	(935,126)
Statutory deposits with Bank Negara Malaysia	38,000	(235,000)
Other receivables	(317,753)	(295,595)
Deposits from customers	390,189	(3,245,025)
Other payables	1,287,215	306,307
Bills payable	11,713	47,982
Cash (used in)/generated from operations	611,313	(3,934,752)
Tax paid	(71,960)	(98,725)
Net cash (used in)/generated from operating activities	539,353	(4,033,477)

BIMB HOLDINGS BERHAD (423858-X)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows, continued
For the Six Months Financial Period Ended 30 June 2012**

	Year-to-date	
	6 months ended 30 June 2012 RM'000 Unaudited	6 months ended 30 June 2011 RM'000 Unaudited
Cash flows from investing activities		
Net sales/(purchases) from disposal of securities	(961,877)	2,654,815
Purchase of property, plant and equipment	(8,727)	(39,524)
Net cash generated from/(used in) investing activities	(970,604)	2,615,291
Cash flows from financing activities		
Dividend paid to non-controlling interests	(27,560)	(42,520)
Investment in associates	-	(22,409)
Dividend paid to shareholders of the parent	(77,342)	(12,801)
Net cash generated from/(used in) financing activities	(104,902)	(77,730)
Net increase/(decrease) in cash and cash equivalent	(536,153)	(1,495,916)
Cash and cash equivalents at the beginning of year/period	4,535,422	3,174,993
Foreign exchange differences	(1,912)	7,352
Cash and cash equivalents at the end of year/period	3,997,357	1,686,429
Cash and cash equivalents comprise:		
Cash and short term funds	3,061,428	1,436,408
Deposits and placement with financial institutions	935,929	250,021
	3,997,357	1,686,429

EXPLANATORY NOTES OF FRS 134: INTERIM FINANCIAL REPORTING (PARAGRAPH 16) AND REVISED GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (GP8-i)

A1 BASIS OF PREPARATION

BIMB Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The condensed consolidated financial statements of the Group as at and for the six months financial period ended 30 June 2012 comprising that of the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors.

(1) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and with IAS 134, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2011.

The audited consolidated financial statements of the Group as at and for the financial year ended 31 December 2011, which were prepared under Financial Reporting Standards (FRSs), are available upon request from the Company's registered office at Level 31, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur.

These are the Group's condensed consolidated interim financial statements for the part of the period covered by the Group's first Malaysian Financial Reporting Standards ("MFRS") framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

Since the previous annual audited financial statements as at and for the financial year ended 31 December 2011 were issued, the Group has adopted the MFRS framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by MASB in order to fully converge Malaysia's existing FRSs framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board ("IASB"). Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs. The financial effects of the convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note A 26 Changes in Accounting Policies.

The following MFRSs and IC Interpretations have been issued by MASB but are not yet effective, and have yet to be adopted by the Group:

(i) **Effective for annual periods beginning on or after 1 July 2012**

- Amendments to MFRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

(ii) **Effective for annual periods beginning on or after 1 January 2013**

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (as amended in June 2011)
- MFRS 127, Separate Financial Statements (as amended by IASB in May 2011)
- MFRS 128, Investment in Associates and Joint Ventures (as amended by IASB in May 2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)

(iii) **Effective for annual periods beginning on or after 1 January 2014**

- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

(iv) **Effective for annual periods beginning on or after 1 January 2015**

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)

IC Interpretation 20 will not have any financial impact to the Group as it is not relevant to the Group's operations. The financial effects of the above MFRSs and Amendments to MFRSs are still being assessed due to complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

During the financial period, the Group's Islamic banking subsidiary, Bank Islam Malaysia Berhad, adopted the Guidelines on Profit Equalisation Reserve issued by Bank Negara Malaysia ("BNM"), which addresses the management of displaced commercial risk by Islamic banking institutions. A discussion of the financial effects of the adoption of these guidelines is provided in Note A26 Changes in Accounting Policies.

A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2011

The audited report on the financial statements of the preceding financial year ended 31 December 2011 did not contain any qualification.

A3 SEASONALITY AND CYCLICALITY OF OPERATIONS

The operations of the Group were not subject to material seasonal or cyclical effects in the half year ended 30 June 2012.

A4 EXCEPTIONAL OR UNUSUAL ITEMS

There were no items of an exceptional or unusual nature that may affect the assets, liabilities, equity, net income or cash flows of the Group in the half year ended 30 June 2012.

A5 CHANGES IN ESTIMATES OF AMOUNTS REPORTED PREVIOUSLY

Other than as disclosed in Note A 26 Changes in Accounting Policies, there were no material changes in estimates of amounts reported in prior financial years that may have a material effect in the half year ended 30 June 2012.

A6 ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the half year ended 30 June 2012.

A7 DIVIDENDS PAID

	Unaudited 30-Jun-12 RM '000	Unaudited 30-Jun-11 RM '000
<u>Ordinary</u>		
Final paid		
2011 - 7.25%, (2010 - 1.60%)	77,342	12,801
	77,342	12,801

A8 DERIVATIVE FINANCIAL ASSETS

	Principal amount RM '000	Fair value	
		Assets RM '000	Liabilities RM '000
30.6.2012 - Unaudited			
Forward Contract	1,321,298	7,039	(6,009)
Cross Currency Profit Rate Swaps	171,740	7,157	(7,144)
Profit Rate Swaps	1,100,000	3,417	(20,369)
Structured Deposits	116,195	856	(856)
	2,709,233	18,469	(34,378)
31.12.2011 - Audited			
Forward Contract	1,684,899	5,589	(4,854)
Cross Currency Profit Rate Swaps	171,740	7,549	(7,509)
Profit Rate Swaps	500,000	-	(8,197)
Structured Deposits	137,005	2,739	(2,739)
	2,493,644	15,877	(23,299)

A9 FINANCIAL ASSETS HELD-FOR-TRADING

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
At fair value		
<u>Unquoted securities</u>		
<i>In Malaysia</i>		
Malaysian Government Investment Issues	449,634	71,804
Islamic Commercial Papers	-	9,852
Bank Negara Negotiable Notes	198,656	1,116,264
Islamic Debt Securities	92,751	31,032
	741,041	1,228,952
<u>Quoted securities</u>		
<i>In Malaysia</i>		
Shares	180	-
Total financial assets held-for-trading	741,221	1,228,952

A10 FINANCIAL ASSETS HELD-TO-MATURITY

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
At amortised cost		
<u>Unquoted securities</u>		
<i>In Malaysia</i>		
Malaysian Government Islamic papers	145,556	145,609
Islamic Debt Securities	444,568	417,493
<i>Outside Malaysia</i>		
Islamic Debt Securities	-	30,757
	590,124	593,859
<u>Quoted securities</u>		
<i>Outside Malaysia</i>		
Bond	-	63,369
	590,124	657,228
Less: Impairment losses	(19,923)	(20,315)
Total financial investments held-to-maturity	570,201	636,913

A11 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
At fair value		
<u>Unquoted securities</u>		
<i>In Malaysia</i>		
Malaysian Government Investment Issues	2,640,083	2,583,230
Malaysian Government Islamic papers	-	581,415
Negotiable Islamic Debt Certificate	1,690,471	1,170,238
Islamic Commercial Papers	135,938	208,566
Islamic Debt Securities	10,408,356	8,768,088
Accepted bills	-	243,500
Promissory notes	5,108	5,108
Islamic Commercial Papers	-	-
Shares	23,006	22,448
Unit trust	333,955	208,360
Others - Investment linked funds	39,141	-
<i>Outside Malaysia</i>		
Islamic Development Bank unit trust	1,923	1,923
Unquoted shares	1,688	1,688
Islamic Debt Securities	-	29,266
	15,279,669	13,823,830
<u>Quoted securities</u>		
<i>In Malaysia</i>		
Unit trust	20,680	39,302
Equity securities	496,660	410,633
<i>Outside Malaysia</i>		
Unit trust	55,819	49,840
Equity securities	-	415
	573,159	500,190
Less:		
Impairment losses	(14,290)	(14,258)
Total financial investments available-for-sale	15,838,538	14,309,762

A12 FINANCING, ADVANCES AND OTHERS

(i) **By type**

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Cash line	454,178	406,590
Term financing		
House financing	4,758,543	4,393,020
Syndicated financing	204,283	164,649
Leasing financing	267,979	280,403
Bridging financing	158,940	160,779
Personal financing	4,953,689	3,786,432
Other term financing	3,810,751	3,358,527
Staff financing	161,161	157,510
Credit/charge cards	433,858	451,538
Trade bills discounted	1,446,040	1,309,598
Trust receipts	48,560	48,897
Pawn broking	75,926	47,352
	16,773,908	14,565,295
Less: Allowance for impaired financing, advances and others:		
Collective assessment allowance	(345,642)	(327,688)
Individual assessment allowance	(71,794)	(75,770)
Total net financing, advances and others	16,356,472	14,161,837

(ii) **By contract**

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Bai' Bithaman Ajil (deferred payment sale)	7,964,040	7,291,742
Ijarah (operating lease)	274,149	295,881
Ijarah Muntahia Bittamleek / AITAB (finance lease)	30,480	22,648
Mudharabah (profit sharing)	6,000	6,000
Murabahah (cost-plus)	1,450,640	1,316,853
Al Inah Cash Note	5,359,898	3,903,981
Istisna'	1,364,437	1,435,588
At-Tawarruq	248,338	245,250
Ar-Rahn	75,926	47,352
	16,773,908	14,565,295

(iii) **By type of customer**

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Domestic non-bank financial institutions	25,188	25,755
Domestic business enterprise	3,203,542	2,683,710
Small medium industries	464,547	391,947
Government and statutory bodies	125,843	129,766
Individuals	12,737,447	10,989,077
Other domestic entities	5,836	73,239
Foreign entities	211,505	271,801
	16,773,908	14,565,295

A1: FINANCING, ADVANCES AND OTHERS, continued

(iv) By profit rate sensitivity

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Fixed rate		
House financing	4,562,728	2,087,060
Others	8,806,178	8,680,517
Floating rate	3,405,002	3,797,718
	16,773,908	14,565,295

(v) By remaining contractual maturity

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Maturity within one year	2,675,647	2,672,329
More than one year to three years	1,102,971	863,680
More than three years to five years	1,051,041	818,561
More than five years	11,944,249	10,210,725
	16,773,908	14,565,295

(vi) By sector

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Primary agriculture	193,192	149,182
Mining and quarrying	49,235	48,249
Manufacturing (including agro-based)	1,080,329	904,779
Electricity, gas and water	3,837	7,221
Construction	1,157,206	756,014
Real estate	392,187	385,261
Household sector	12,706,626	11,016,473
Wholesale and retail trade and restaurants and hotels	520,407	558,811
Transport, storage and communication	206,298	233,766
Finance, insurance and business activities	247,910	180,770
Education, health and others	207,263	122,204
Other sectors	9,418	202,565
	16,773,908	14,565,295

A1: IMPAIRED FINANCING, ADVANCES AND OTHERS

(i) Movements in impaired financing, advances and others
(including income receivable)

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
At 1 January 2012/ 1 January 2011	379,790	552,221
Classified as impaired during the year / period	199,957	549,075
Reclassified as not impaired during the year / period	(123,060)	(297,191)
Amount recovered	(51,366)	(238,876)
Amount written off	(74,929)	(187,141)
Exchange differences	847	1,702
At 30 June 2012 / 31 December 2011	331,239	379,790
Gross impaired financing, advances and others as a percentage of gross financing, advances and others	1.97%	2.61%

(ii) Movements in the allowance for impaired financing, advances and others

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Collective Assessment Allowance		
At 1 January 2012/ 1 January 2011		
As previously stated	348,555	345,041
Effect of change in accounting policy	(20,867)	2,032
As restated	327,688	347,073
Allowance made during the year / period	63,905	84,268
Amount written off	(46,345)	(100,816)
Exchange differences	394	(2,837)
At 30 June 2012 / 31 December 2011	345,642	327,688

Individual Assessment Allowance

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
At 1 January 2012/ 1 January 2011	75,770	79,061
Allowance made during the year / period	22,191	119,056
Amount recovered	(26,167)	(31,955)
Amount written off	-	(90,392)
At 30 June 2012 / 31 December 2011	71,794	75,770

A1: IMPAIRED FINANCING, ADVANCES AND OTHERS, continued

(iii) Impaired financing, advances and others by sector

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Primary agriculture	1,370	3,511
Manufacturing (including agro-based)	30,956	42,184
Wholesale and retail trade and restaurants and hotels	22,914	23,606
Construction	67,894	71,680
Real estate	1,128	1,203
Transport, storage and communication	978	1,062
Finance, insurance and business activities	7,923	16,255
Education, health and others	40	71
Household sector	197,994	217,371
Other sectors	42	2,847
	331,239	379,790

A1: DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Non-Mudharabah Fund:		
Demand deposits	7,929,131	8,412,372
Savings deposits	2,488,966	2,599,243
Negotiable Islamic Debt Certificate (NIDC)	2,113,313	1,690,306
Waheed-i	2,961,532	3,809,248
Ziyad	103,535	104,736
An-Najah	-	18,000
Others	190,155	106,718
	15,786,632	16,740,623

Mudharabah Fund:

Savings deposits	1,561,102	1,263,591
General investment deposits	2,094,285	1,851,695
Special investment deposits	9,156,373	8,352,294
	12,811,760	11,467,580

Total deposits from customers

	28,598,392	28,208,203
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Maturity structure of investment deposits and NIDCs are as follows:

Due within six months	13,518,994	13,403,835
More than six months to one year	1,433,499	1,444,323
More than one year to three years	1,437,934	1,020,357
More than three years to five years	38,611	29,404
	16,429,038	15,897,919

(ii) By type of customer

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Government and statutory bodies	5,662,294	7,769,225
Business enterprises	8,360,956	7,188,454
Individuals	4,898,056	4,754,178
Others	9,677,086	8,496,346
	28,598,392	28,208,203

A1: DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited 30-Jun-12 RM '000	Audited 31-Dec-11 RM '000
Mudharabah Fund:		
Licensed banks	1,299,127	253,122
Other financial institutions	131,854	131,506
	1,430,981	384,628

A16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Income derived from investment of:				
(i) General investment deposits	29,397	33,725	60,620	68,390
(ii) Other deposits	357,000	312,188	706,216	611,588
	386,397	345,913	766,836	679,978

(i) Income derived from investment of general investment deposits

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Financing income and hibah				
Financing, advances and others	20,354	21,712	41,464	44,287
Financial assets held-for-trading	115	105	242	175
Financial assets held-to-maturity	285	99	594	204
Financial assets available-for-sale	6,895	9,021	13,799	18,242
Money at call and deposit with financial institutions	980	1,942	2,341	3,708
	28,629	32,879	58,440	66,616
<i>Of which financing income earned on impaired financing</i>	324	1,003	845	2,111
Other dealing income				
Net gain / (loss) from sale of financial assets held-for-trading	51	341	155	338
Net gain / (loss) on revaluation of financial assets held-for-trading	348	475	782	1,198
	399	816	937	1,536
Other operating income				
Net gain / (loss) from sale of financial assets available-for-sale	369	30	1,243	238
	369	30	1,243	238
	29,397	33,725	60,620	68,390

(ii) Income derived from investment of other deposits

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Financing income and hibah				
Financing, advances and others	247,000	200,822	483,029	395,670
Financial assets held-for-trading	1,407	977	2,830	1,588
Financial assets held-to-maturity	3,468	920	6,905	1,831
Financial assets available-for-sale	83,818	83,545	161,394	163,348
Money at call and deposit with financial institutions	11,826	17,990	27,049	33,187
	347,519	304,254	681,207	595,624
<i>Of which financing income earned on impaired financing</i>	4,102	9,298	9,940	18,852
Other dealing income				
Net gain / (loss) from sale of financial assets held-for-trading	632	3,202	1,796	3,176
Net gain / (loss) on revaluation of financial assets held-for-trading	4,250	4,438	9,072	10,651
	4,882	7,640	10,868	13,827
Other operating income				
Net gain / (loss) from sale of financial assets available-for-sale	4,599	294	14,141	2,137
	4,599	294	14,141	2,137
	357,000	312,188	706,216	611,588

A17 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Financing income and hibah				
Financing, advances and others	1,570	1,739	4,632	3,829
Financial assets available-for-sale	25,196	13,902	50,480	36,894
Money at call and deposit with financial institutions	1,548	3,082	3,056	7,412
	28,314	18,723	58,168	48,135
Other dealing income				
Net gain from foreign exchange transactions	10,040	6,666	19,056	13,639
Net gain/(loss) from sale of financial assets held-for-trading	7	-	21	(47)
Net gain / (loss) on revaluation of financial assets held-for-trading	5	-	13	-
Net derivatives gain/(loss)	(12,526)	(1,967)	(6,235)	850
	(2,474)	4,699	12,855	14,442
Other operating income				
Net gain from sale of financial assets available-for-sale	1,251	2,191	2,545	3,973
Profit on sale of foreign currencies	1,008	622	1,655	954
Reversal for diminution in value of investments	-	-	-	38
Reversal of allowance for doubtful debts	60	60	120	120
Profits from General Takaful and Family Takaful funds attributable to the Group	124,490	79,175	240,623	153,674
Gross dividend income from securities				
Quoted in Malaysia	1,214	855	2,104	1,456
Unit trust in Malaysia	-	-	43	-
Unit trust outside Malaysia	32	64	32	71
Unquoted in Malaysia	2,857	4,137	2,857	4,137
	130,912	87,104	249,979	164,423
Fees and commission				
ATM fees	4,754	5,511	9,217	9,527
Financing fees	3,807	5,736	6,926	8,474
Cheque issued & return, closing account and other fees	3,024	3,003	5,117	5,024
Takaful service fees and commission	4,716	2,164	7,715	4,343
Credit card fees and commission	9,815	10,061	19,730	20,023
Processing fees	822	203	1,095	590
Commitment fees	275	142	651	375
Commission on MEPS	2,134	1,697	4,162	3,343
Unit trust management fees	1,293	836	2,570	1,559
Corporate advisory fees	5,209	1,005	5,945	1,700
Commission on structured products	-	27	2	113
Ta'widh charges	71	812	651	828
Investment income	10,673	5,158	15,760	11,856
Other service charges fees	4,288	4,080	8,611	8,591
	50,881	40,435	88,152	76,346
Other income				
Net gain/(loss) on disposal of property, plant & equipment	178	3,018	184	3,022
Rental income	319	14	570	21
Others	(74)	128	575	160
	423	3,160	1,329	3,203
	208,056	154,121	410,483	306,549

A1€ ALLOWANCE FOR IMPAIRMENT ON FINANCING, ADVANCES AND OTHERS

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Allowance for impaired financing, advances and others:				
- Collective assessment allowance	28,838	39,012	63,905	61,387
- Individual assessment allowance	4,936	12,711	22,191	22,170
Bad debts and financing recovered	(31,168)	(61,817)	(68,201)	(91,830)
	2,606	(10,094)	17,895	(8,273)

A1€ INCOME ATTRIBUTABLE TO DEPOSITORS

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Deposits from customers:				
- Mudharabah fund	84,261	61,516	165,502	129,523
- Non-Mudharabah fund	50,355	52,660	99,324	99,012
Deposits and placements of banks and other financial institutions:				
- Mudharabah fund	3,080	4,451	6,027	8,486
	137,696	118,627	270,853	237,021

A2€ CAPITAL ADEQUACY

The risk-weighted capital adequacy ratios of a subsidiary, Bank Islam Malaysia Berhad and its subsidiaries are as follows:

	Unaudited 30-Jun-12 RM '000	31-Dec-11 RM '000
Tier-I capital:		
Paid-up share capital	2,265,490	2,265,490
Share premium	-	500,020
Retained earnings/(Accumulated losses)	196,999	(1,040,270)
Other reserves	391,223	974,594
Less: Deferred tax assets	(23,386)	(23,386)
Total Tier-I capital	2,830,326	2,676,448
Tier-II capital:		
Collective assessment allowance *	258,213	224,776
Total Tier-II capital	258,213	224,776
Total capital	3,088,539	2,901,224
Less: Investment in associate	(23,518)	(21,180)
Total capital base	3,065,021	2,880,044

* Excludes collective assessment allowance restricted from Tier II capital by BNM amounting to RM87,429,000 (31 December 2011: RM123,779,000).

Core capital ratio	14.64%	15.81%
Risk-weighted capital ratio	15.86%	17.02%
Core capital ratio net of proposed dividend	14.38%	15.55%
Risk-weighted capital ratio net of proposed dividend	15.60%	16.75%

A2: OPERATING SEGMENT INFORMATION

The Group comprises the following main operating segments:

Banking operations	Islamic banking and provision of related services.
Takaful operations	Underwriting of family and general Islamic insurance (Takaful).
Others	Investment holding, currency trading, ijarah leasing, stockbroking and unit trust.

(i) Information about reportable segments

	6 months ended				
	Banking 30-Jun-12 RM'000	Takaful 30-Jun-12 RM'000	Others 30-Jun-12 RM'000	Elimination 30-Jun-12 RM'000	Total 30-Jun-12 RM'000
Current Year-to-Date (Unaudited)					
Revenue from external customers	914,504	257,966	4,849	-	1,177,319
Inter-segment revenue	-	-	45,421	(45,421)	-
Total revenue	914,504	257,966	50,270	(45,421)	1,177,319
Net income from operations (before allowance for Impairment on financing)	642,865	257,966	50,270	(44,635)	906,466
Operating overhead	(350,654)	(194,030)	(9,003)	1,630	(552,057)
Operating profit / (loss)	292,211	63,936	41,267	(43,005)	354,409
Allowance for Impairment on financing and advances	(17,895)	-	-	-	(17,895)
Allowance for contingent liability	-	-	-	-	-
Allowance for impairment on other assets	1,748	-	-	-	1,748
Share in the results of associated companies	2,338	-	-	-	2,338
Profit / (loss) before zakat and taxation	278,402	63,936	41,267	(43,005)	340,600
Zakat	(3,365)	107	(100)	-	(3,358)
Taxation	(76,473)	(11,619)	(10,521)	-	(98,613)
Profit / (loss) after zakat and taxation	198,564	52,424	30,646	(43,005)	238,629
Segment assets	33,835,847	6,269,051	2,063,323	(1,902,489)	40,265,732
Previous Comparative Year-to-Date					
	Banking 30-Jun-11 RM'000	Takaful 30-Jun-11 RM'000	Others 30-Jun-11 RM'000	Elimination 30-Jun-11 RM'000	Total 30-Jun-11 RM'000
Revenue from external customers	811,408	172,139	2,980	-	986,527
Inter-segment revenue	-	441	64,979	(65,420)	-
Total revenue	811,408	172,580	67,959	(65,420)	986,527
Net income from operations (before allowance for losses on financing and advances)	572,004	172,580	67,959	(63,037)	749,506
Operating overhead	(314,091)	(122,663)	(7,149)	723	(443,180)
Operating profit / (loss)	257,913	49,917	60,810	(62,314)	306,326
Allowance for Impairment on financing and advances	8,273	-	-	-	8,273
Allowance for contingent liability	(15,231)	-	-	-	(15,231)
Allowance for impairment on other assets	1,414	-	-	-	1,414
Share in the results of associated companies	(154)	-	-	-	(154)
Profit / (loss) before zakat and taxation	252,215	49,917	60,810	(62,314)	300,628
Zakat	(1,895)	(513)	(228)	-	(2,636)
Taxation	(63,274)	(10,906)	(184)	-	(74,364)
Profit / (loss) after zakat and taxation	187,046	38,498	60,398	(62,314)	223,628
Segment assets	27,836,732	5,577,723	1,905,005	(2,178,896)	33,140,564

Performance is measured based on segment profit/(loss) before zakat and taxation, as included in the internal management reports that are reviewed by the Group Managing Director/Chief Executive Officer. Segment profit/(loss) before zakat and taxation is used to measure performance as management believes that such information is the most relevant in evaluating segmental results relative to other entities that operate within these industries.

A2: VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. There was no valuation carried out during the half year ended 30 June 2012.

A2: MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Save as disclosed in Note B8, there were no material events subsequent to the end of the half year ended 30 June 2012.

A2: CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the half year ended 30 June 2012.

A2: CHANGES IN CONTINGENT LIABILITIES SINCE THE LAST ANNUAL BALANCE SHEET DATE

In the normal course of business, a subsidiary, Bank Islam Malaysia Berhad makes various commitments and incurs certain contingent liabilities with legal recourse to their customers.

Risk Weighted Exposures arising from the commitments and contingencies of this subsidiary as at 30 June 2012 are as follow:

	Unaudited			
	30 June 2012			
	Principal Amount RM '000	Positive Fair Value of Derivative Contracts RM '000	Credit Equivalent Amount RM '000	Risk Weighted Amount RM '000
<u>Credit-related exposures</u>				
Direct credit substitutes	532,792		532,792	524,913
Assets sold with recourse	2		2	2
Transaction-related contingent items	955,695		477,847	471,500
Short-term self-liquidating trade related contingencies	300,400		60,080	60,123
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	157		31	1
- exceeding one year	631,916		315,958	292,029
Unutilized credit card lines	866,621		173,324	129,993
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively for automatic cancellation due to deterioration in a borrower's creditworthiness	4,710,752		-	-
	<u>7,998,335</u>	<u>-</u>	<u>1,560,034</u>	<u>1,478,561</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts				
- less than one year	1,281,054	6,300	13,797	8,849
- five years and above	40,244	738	2,750	1,941
Profit rate related contracts				
- less than one year	271,740	7,236	2,998	600
- one year to less than five years	600,000	2,220	16,000	3,200
- five years and above	400,000	1,119	24,000	4,800
	<u>2,593,038</u>	<u>17,613</u>	<u>59,545</u>	<u>19,390</u>
Total	<u>10,591,373</u>	<u>17,613</u>	<u>1,619,579</u>	<u>1,497,951</u>

	Audited			
	31 December 2011			
	Principal Amount RM '000	Positive Fair Value of Derivative Contracts RM '000	Credit Equivalent Amount RM '000	Risk Weighted Amount RM '000
<u>Credit-related exposures</u>				
Direct credit substitutes	452,553		452,553	444,839
Assets sold with recourse	2		2	2
Transaction-related contingent items	884,095		442,048	435,825
Short-term self-liquidating trade related contingencies	288,665		57,733	57,221
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	1		-	-
- exceeding one year	589,414		294,707	274,384
Unutilized credit card lines	817,113		163,423	122,567
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively for automatic cancellation due to deterioration in a borrower's creditworthiness	3,897,622		-	-
	<u>6,929,465</u>	<u>-</u>	<u>1,410,466</u>	<u>1,334,838</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts				
- less than one year	1,644,655	5,589	14,344	8,409
- one year to less than five years	40,244	-	2,754	1,944
Profit rate related contracts				
- less than one year	171,740	7,549	5,582	1,116
- one year to less than five years	500,000	-	12,000	2,400
	<u>2,356,639</u>	<u>13,138</u>	<u>34,680</u>	<u>13,869</u>
Total	<u>9,286,104</u>	<u>13,138</u>	<u>1,445,146</u>	<u>1,348,707</u>

A2f CHANGES IN ACCOUNTING POLICIES

(a) Transition to the MFRS Framework

These unaudited interim financial statements are for part of the period covered by the Group's first annual financial statements prepared under the MFRS framework. Accordingly, the Group has applied MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards in its transition to the MFRS framework on 1 January 2012. The policy elections made on transition date are listed in the audited financial statements of the Group for the financial year ended 31 December 2011. The MFRS did not result in any financial impact to the Group, other than the financial impact arising from the change in accounting policy on collective assessment allowance, as the accounting policies adopted under the previous FRS framework were already in line with the requirements of the MFRS framework.

The transition to the MFRS framework has resulted in the following changes:

(i) **MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Financing, Advances and others ("Financing")**

Prior to the transition to MFRS 139, the Group's banking subsidiary, Bank Islam Malaysia Berhad ("the Bank"), had maintained its collective assessment allowance at 1.5% of total outstanding financing, net of individual assessment allowance, in line with BNM's transitional provisions under its Guidelines on Classification and Impairment Provision for Loans/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, collective assessment is performed on financing and advances which are not individually significant based on the incurred loss approach. Financing and advances which are individually assessed and where there is no objective evidence of impairment are also included in the group of financing and advances for collective assessment. These financing and advances are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of the historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of financing and advances.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance charged in the income statement and a writeback of collective assessment allowance to the opening retained profits and opening collective assessment allowance in the statement of financial position. A summary of the financial impact of the change in accounting policy on the financial statements of the Group are as follows:

	31 December, 2011 RM'000	1 January, 2011 RM'000
<u>Statement of Financial Position</u>		
<u>Financing, advances and others - Collective Assessment Allowance</u>		
As previously stated	348,555	345,041
Effect of change in accounting policy	<u>(20,867)</u>	<u>2,032</u>
As restated	<u>327,688</u>	<u>347,073</u>
<u>Accumulated Losses</u>		
As previously stated	(1,182,896)	(1,244,056)
Effect of change in accounting policy	<u>47,337</u>	<u>38,618</u>
As restated	<u>(1,135,559)</u>	<u>(1,205,438)</u>
Half year ended 30 June, 2011 RM'000		
<u>Income Statement</u>		
<u>Allowance for Impairment on Financing, Advances and Others Collective Assessment Allowance</u>		
As previously stated		2,782
Effect of change in accounting policy		<u>(11,055)</u>
As restated		<u>(8,273)</u>

(ii) **MFRS 116: Property, Plant and Equipment ("PPE") - Deemed Cost Exemption - Fair Value**

The Group's takaful subsidiary, Syarikat Takaful Malaysia Berhad ("Takaful Malaysia") had reclassified its investment property to PPE, and elected to apply the optional exemption to measure them at fair value at the date of transition to MFRSs, under MFRS1, and that fair value is taken as deemed cost under MFRS 116.

The aggregate fair value of these property, plant and equipment as at 1 January 2011 and 31 December 2011 were determined to be RM220,189,000 and RM244,944,000 respectively compared to the then carrying amount of RM219,575,000 and RM244,390,000 under FRSs.

The financial impact of this transition has been incorporated into the Group's financial reporting for the quarter ended 31 March 2012 as follows:

	31 December, 2011 RM'000	1 January, 2011 RM'000
<u>Statement of Financial Position</u>		
<u>Property, Plant and Equipment</u>		
As previously stated	244,390	219,575
Effect of change in accounting policy	<u>554</u>	<u>614</u>
As restated	<u>244,944</u>	<u>220,189</u>
<u>Accumulated losses</u>		
As previously stated	(1,182,896)	(1,244,056)
Effect of change in accounting policy	<u>361</u>	<u>400</u>
As restated	<u>(1,182,535)</u>	<u>(1,243,656)</u>

A2† CHANGES IN ACCOUNTING POLICIES, continued

(b) Other Changes in Accounting Policies

During the financial period, the Group has also adopted the following change in accounting policies:

(i) **Guidelines on Profit Equalisation Reserves issued by Bank Negara Malaysia ("BNM")**

On 19 May 2011, BNM issued its revised Guidelines on Profit Equalisation Reserves ("revised PER Guidelines"), which was effective for annual periods beginning on or after 1 July 2011. Bank Islam Malaysia Berhad, the Islamic banking subsidiary of the Group has adopted these revised PER Guidelines with effect from 1 January 2012 in its management of displaced commercial risk.

Upon the adoption of these revised PER Guidelines, the Group will continue to set aside a portion of its profits into a Profit Equalisation Reserve ("PER"). The PER of the Investment Account Holder ("IAH") continues to be classified as a liability and is recognised at cost, with subsequent apportionments being recognised in the income statement. The eventual distribution of PER as profit distributable to the IAH will be treated as an outflow of funds due to the settlement of the obligation to the IAH. The PER of the Islamic Banking Institution ("IBI") is now classified as a separate reserve in equity and subsequent apportionments to and distributions from retained profits are treated as a transfer between reserves. This change in accounting policy is accounted for prospectively, and hence had no effect on comparative figures.

(c) Financial Impact of Changes in Accounting Policies

In the preparation of the Group's opening MFRS statements of financial position, the amounts previously reported in accordance with the previous FRS framework have been adjusted for the financial effects of the adoption of the MFRS framework. A reconciliation of these changes is summarised in the following tables:

(i) **Statement of Financial Position as at 31 December 2011**

	Under the FRS Framework	Effect of the transition to MFRSs		Reclassification under BNM GP8-i	Under the MFRS Framework
	RM'000	MFRS 139 RM'000	MFRS 116 RM'000	RM'000	RM'000
ASSETS					
Cash and short term funds	3,460,092	-	-	930,479	4,390,571
Deposits and placements with financial institutions	1,075,330	-	-	-	1,075,330
Derivative financial assets	15,877	-	-	-	15,877
Financial assets held-for-trading	1,228,952	-	-	-	1,228,952
Financial assets held-to-maturity	331,486	-	-	305,427	636,913
Financial assets available-for-sale	11,281,711	-	-	3,028,051	14,309,762
Financing, advances and others	14,140,970	20,867	-	-	14,161,837
Retakaful assets	-	-	-	415,424	415,424
Deferred tax assets	39,429	-	-	-	39,429
Takaful receivables	-	-	-	108,949	108,949
Assets held for sale	-	-	-	668	668
Investment linked Takaful assets	-	-	-	194,506	194,506
Other assets	181,624	-	-	89,289	270,913
Current tax assets	7,718	-	-	-	7,718
Investment in associates	21,181	-	-	-	21,181
Statutory deposit with Bank Negara Malaysia	912,000	-	-	-	912,000
Investment properties	-	-	-	34,604	34,604
Property, plant and equipment	244,390	-	554	202,635	447,579
General Takaful and Family Takaful assets	5,310,032	-	-	(5,310,032)	-
Total assets	38,250,792	20,867	554	-	38,272,213
LIABILITIES, EQUITY & TAKAFUL FUNDS					
Liabilities					
Deposits from customers	28,208,203	-	-	-	28,208,203
Deposits and placements of banks and other financial institutions	384,628	-	-	-	384,628
Bills and acceptances payable	259,153	-	-	-	259,153
Takaful contract liabilities	-	-	-	5,115,267	5,115,267
Takaful payables	-	-	-	44,904	44,904
Other liabilities	598,117	-	-	149,861	747,978
Provision for zakat and taxation	28,890	5,217	-	-	34,107
Derivative financial liabilities	23,299	-	-	-	23,299
General Takaful and Family Takaful liabilities	1,210,991	-	-	(1,210,991)	-
General Takaful and Family Takaful participants' funds	4,099,041	-	-	(4,099,041)	-
Total liabilities	34,812,322	5,217	-	-	34,817,539
Equity					
Share capital	1,066,790	-	-	-	1,066,790
Reserves	757,300	7,981	361	-	765,642
Total equity attributable to the shareholders	1,824,090	7,981	361	-	1,832,432
Non-controlling interests	1,614,380	7,669	193	-	1,622,242
Total equity	3,438,470	15,650	554	-	3,454,674
Total equity and liabilities	38,250,792	20,867	554	-	38,272,213
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.71				1.72

A2f CHANGES IN ACCOUNTING POLICIES, continued

(c) Financial Impact of Changes in Accounting Policies, continued

(ii) Statement of Financial Position as at 1 January 2011

	Under the FRS	Effect of the transition to MFRSs		Reclassification	Under the MFRS
	Framework	MFRS 139	MFRS 116	under BNM GP8-i	Framework
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short term funds	2,762,195	-	-	302,112	3,064,307
Deposits and placements with financial institutions	412,798	-	-	-	412,798
Derivative financial assets	80,108	-	-	-	80,108
Financial assets held-for-trading	2,279,891	-	-	-	2,279,891
Financial assets held-to-maturity	215,944	-	-	-	215,944
Financial assets available-for-sale	12,936,655	-	-	3,175,133	16,111,788
Financing, advances and others	11,860,631	(2,032)	-	-	11,858,599
Retakaful assets	-	-	-	328,133	328,133
Deferred tax assets	59,023	-	-	-	59,023
Takaful receivables	-	-	-	107,222	107,222
Assets held for sale	-	-	-	-	-
Investment linked Takaful assets	-	-	-	201,051	201,051
Other assets	200,727	-	-	437,017	637,744
Current tax assets	30,316	-	-	-	30,316
Investment in associates	1	-	-	-	1
Statutory deposit with Bank Negara Malaysia	10,000	-	-	-	10,000
Investment properties	-	-	-	42,244	42,244
Property, plant and equipment	219,575	-	614	193,970	414,159
General Takaful and Family Takaful assets	4,786,882	-	-	(4,786,882)	-
Total assets	35,854,746	(2,032)	614	-	35,853,328
LIABILITIES, EQUITY & TAKAFUL FUNDS					
Liabilities					
Deposits from customers	26,798,107	-	-	-	26,798,107
Deposits and placements of banks and other financial institutions	378,129	-	-	-	378,129
Bills and acceptances payable	163,191	-	-	-	163,191
Takaful contract liabilities	-	-	-	4,567,764	4,567,764
Takaful payables	-	-	-	50,454	50,454
Other liabilities	503,062	-	-	168,664	671,726
Provision for zakat and taxation	37,975	(508)	-	-	37,467
Derivative financial liabilities	66,708	-	-	-	66,708
General Takaful and Family Takaful liabilities	1,078,867	-	-	(1,078,867)	-
General Takaful and Family Takaful participants' funds	3,708,015	-	-	(3,708,015)	-
Total liabilities	32,734,054	(508)	-	-	32,733,546
Equity					
Share capital	1,066,790	-	-	-	1,066,790
Reserves	587,945	(777)	400	-	587,568
Total equity attributable to the shareholders	1,654,735	(777)	400	-	1,654,358
Non-controlling interests	1,465,957	(747)	214	-	1,465,424
Total equity	3,120,692	(1,524)	614	-	3,119,782
Total equity and liabilities	35,854,746	(2,032)	614	-	35,853,328
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.55				1.55

A2f CHANGES IN ACCOUNTING POLICIES, continued

(c) Financial Impact of Changes in Accounting Policies, continued

(iii) Reconciliation of Income Statement and Statement of Comprehensive Income
For half year ended 30 June 2011

	Effect of the		
	Under the FRS Framework RM'000	Transition to MFRSs MFRS 139 RM'000	Under the MFRS Framework RM'000
<u>Income Statement</u>			
Income derived from investment of depositors' funds	679,978	-	679,978
Income derived from investment of shareholders' funds	306,549	-	306,549
Allowance for impairment of financing, advances & others	(2,782)	11,055	8,273
Allowance for Impairment on investments and other assets	1,414	-	1,414
Provision for contingent liability	(15,231)	-	(15,231)
Other expenses directly attributable to the investment of the depositors' and shareholders' funds	(11,231)	-	(11,231)
Total distributable income	958,697	11,055	969,752
Income attributable to depositors	(237,021)	-	(237,021)
Total net income	721,676	11,055	732,731
Personnel expenses	(221,476)	-	(221,476)
Other overhead expenses	(181,895)	-	(181,895)
Depreciation	(28,578)	-	(28,578)
Operating profit	289,727	11,055	300,782
Share in the results of associated companies	(154)	-	(154)
Profit before zakat and taxation	289,573	11,055	300,628
Zakat	(2,636)	-	(2,636)
Tax expense	(71,502)	(2,862)	(74,364)
Profit for the period	215,435	8,193	223,628
Attributable to:			
Shareholders of the Company	114,406	4,180	118,586
Non-controlling interests	101,029	4,013	105,042
Profit for the period	215,435	8,193	223,628
<u>Statement of Comprehensive Income</u>			
Profit for the period	215,435	8,193	223,628
Other comprehensive income :			
Currency translation differences for foreign operations	7,352	-	7,352
Net gain on revaluation of available-for-sale financial assets	19,484	-	19,484
Total comprehensive income for the period	242,271	8,193	250,464
Attributable to:			
Shareholders of the Company	129,344	4,180	133,524
Non-controlling interests	112,927	4,013	116,940
Total comprehensive income for the period	242,271	8,193	250,464

A2f CHANGES IN ACCOUNTING POLICIES, continued

(c) Financial Impact of Changes in Accounting Policies, continued

(iv) There are no material differences between the statement of cash flows presented under the MFRSs and the statement of cash flows presented under FRSs.

(v) ***Capital adequacy***

The adjustments to the financial statements of Bank Islam Malaysia Berhad, a subsidiary of the Group, as a result of the transition to the MFRS framework and the changes in accounting policies, as discussed above, also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	As at 31 December 2011		As at 1 January 2011	
	As previously stated under the FRS Framework RM'000	As restated under the MFRS Framework RM'000	As previously stated under the FRS Framework RM'000	As restated under the MFRS Framework RM'000
Tier-I capital:				
Paid-up share capital	2,265,490	2,265,490	2,265,490	2,265,490
Share premium	500,020	500,020	500,020	500,020
Retained earnings/(Accumulated losses)	(1,132,381)	(1,040,270)	(1,185,132)	(1,110,195)
Other reserves	974,594	974,594	795,013	795,013
Less: Deferred tax assets	(23,386)	(23,386)	(44,224)	(44,224)
Total Tier-I capital	2,584,337	2,676,448	2,331,167	2,406,104
Tier-II capital:				
Collective assessment allowance *	224,776	224,776	182,452	182,452
Total Tier-II capital	224,776	224,776	182,452	182,452
Total capital	2,809,113	2,901,224	2,513,619	2,588,556
Less: Investment in associate	(21,180)	(21,180)	-	-
Total capital base	2,787,933	2,880,044	2,513,619	2,588,556
Core capital ratio	15.27%	15.81%	15.75%	16.25%
Risk-weighted capital ratio	16.47%	17.02%	16.98%	17.49%
Core capital ratio net of proposed dividend	15.00%	15.55%	15.20%	15.71%
Risk-weighted capital ratio net of proposed dividend	16.21%	16.75%	16.44%	16.94%

EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS
PART A OF APPENDIX 9B

B1 REVIEW OF PERFORMANCE

Half Year Performance to 30 June 2012

BHB Group's profit before zakat and taxation ("PBZT") for the half year ended 30 June 2012 of RM340.6 million was RM40.0 million or 13.3% higher compared to the previous corresponding half year ended 30 June 2011 of RM300.6 million. This translates into an annualised Group Return on Assets ("ROA") of 1.74% and Group Return on Equity ("ROE") of 18.36% respectively.

The growth in PBZT would have been RM51.0 million or 17.6%, if we were to exclude the RM11.1 million arising from the write-back of allowance for impairment on financing in the previous corresponding half year period (as a result of adoption of Malaysian Financial Reporting Standards framework issued by the Malaysian Accounting Standards Board).

The net profit attributable to the shareholders also grew by RM4.5 million or 3.8%, as the Group's net profit for the half year of RM238.6 million increased by RM15.0 million or 6.7%.

The higher profitability was mainly achieved on the back of higher net income growth of 20.9% or RM157.0 million, coupled with higher share of profit in associated company of RM2.5 million.

In addition to the net growth of total financing and advances for the half year by RM2.2 billion or 16%, the Group continued to further improve its asset quality as gross impaired financing ratio improved from 2.61% as at 31 December 2011 to 1.97% as at 30 June 2012. Risk Weighted Capital ratio also remained healthy at 15.60%.

Islamic Banking

Bank Islam Group's ("Bank Islam" or "the Bank") profit before tax for the half year ended 30 June 2012 of RM278.4 million was RM26.2 million or 10.4% higher than the previous corresponding half year of RM252.2 million. The improved performance was mainly attributed to growth in business activities during the period under review.

During the six months period, net financing grew RM2.2 billion to reach RM16.4 billion as at end June 2012. Correspondingly, fund based income from financing also increased by RM85.7 million or 19.3%. Non fund based income also reported a growth of 16% or RM16.4 million, mainly from fees and commission and gain on sale of securities.

Year-on-Year ("YoY") customer deposits grew 19.4% or RM4.6 billion to reach RM28.7 billion as at end June 2012. Similarly, the low cost current and savings accounts (CASA) also increased by RM1.3 billion or 12.4% YoY. The CASA ratio as at end June 2012 was 41.8%, which is much higher than the Islamic Banking Industry ratio of 26.1% as at end May 2012.

The Bank's impaired financing ratio continued to record significant improvements. The gross impaired financing ratio improved from 2.61% as at end December 2011 to 1.97% as at end June 2012, while the net impaired financing ratio also improved from a negative 0.17% as at end December 2011 to a negative 0.53% as at end June 2012. The Islamic Banking Industry gross and net impaired financing ratios were 2.36% and negative 0.14% respectively as at end May 2012.

Bank Islam's key performance ratios as at end June 2012 also compared favourably against the Islamic Banking System ratios as at end December 2011. The ROE was 18.96% against the Islamic Banking System's ratio of 13.70%; ROA was 1.70% against the Islamic Banking System's ratio of 1.00% and the Risk Weighted Capital Adequacy ratio was 15.73% against the Islamic Banking System's ratio of 14.00%.

Takaful

For the second quarter ended 30 June 2012, Takaful Malaysia Group ("Takaful Malaysia") generated Operating Revenue of RM446.1 million, an increase of 36.3% compared to RM327.2 million in the corresponding quarter last year. The half year Operating Revenue increased by 37.6% to RM875.2 million from RM636.2 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by Family Takaful and higher investment income.

For the quarter under review, Family Takaful recorded gross earned contributions of RM280.8 million against RM167.6 million for the same period last year and General Takaful generated gross earned contributions of RM118.3 million compared to RM97.3 million in the corresponding quarter of the preceding year. For the 6 months period, Family Takaful generated gross earned contributions of RM529.3 million compared to RM290.0 million in the corresponding period last year whereas General Takaful recorded gross earned contribution of RM215.1 million compared to RM195.1 million in the corresponding period last year. The Family Takaful recorded gross earned contribution growth of 82.5% for the 6 months period, mainly attributable to higher sales and release of unearned contribution reserve arising from the change in reserving estimates for Group Family Takaful products

The surplus transfer in the quarter under review from Family Takaful was RM24.5 million, while the surplus transfer from General Takaful was RM17.7 million. For the 6 months period under review, the surplus transfer from Family Takaful increased by RM29.7 million to RM80.6 million as compared to the same period last year while General Takaful recorded RM30.6 million compared to RM41.0 million last year. The higher surplus transfer from Family Takaful was mainly due to release of unearned contribution reserve and better underwriting results. The General Takaful reported lower surplus transfer mainly due to higher claims provisioning arising from the change in IBNR claims reserving methodology.

For the 6 months period, Takaful Malaysia recorded profit before zakat and taxation of RM63.9 million, increased by 28.1% as compared to RM49.9 million in the same period last year. Besides the higher surplus transfers as explained in the preceding paragraph, the higher profit is also attributable to higher wakalah fee income and better investment results.

B2 COMPARISON WITH THE PRECEDING QUARTER'S RESULTS

For the three months performance (Second Quarter 2012 vs. First Quarter 2012)

The Group's PBZT for the quarter ended 30 June 2012 of RM173.3 million, was RM5.9 million or 3.5% higher than the preceding quarter ended 31 March of RM167.3 million. The higher PBZT was attributable to the higher net income and share of profit in associated company of RM6.9 million and RM1.3 million respectively, coupled with lower provisioning for impairment and contingent liability of RM31.3 million, after deducting higher operating overheads of RM33.6 million.

The net profit attributable to the shareholders declined by RM6.7 million or 10.3%. This is mainly due to higher corporate tax charge for the current quarter attributable to the shareholders of the Company, in line with higher tax provision at the holding company as a result of final dividends received from subsidiaries for 2011.

Bank Islam's PBZT of RM147.8 million for the three months ended 30 June 2012 was 13.1% or RM17.2 million higher than the preceding quarter ended 31 March 2012 of RM130.6 million. The higher PBZT was mainly due to lower allowance for impairment as a result of improvement in asset quality.

Takaful Malaysia's PBZT registered RM26.4 million which was lower than the preceding quarter of RM37.5 million by RM11.1 million. The lower profit was attributable to lower surplus transfer from Family Takaful, mainly due to release in unearned contribution reserve and higher realized gain on disposal of investments in the preceding quarter.

For the quarter under review, the Operating Revenue registered RM446.1 million as compared to RM429 million in the preceding quarter. The higher operating revenue is attributable to higher sales generated by Family Takaful business.

B3 PROSPECTS

Outlook on the economy

The overall growth going forward is expected to be more challenging despite 1Q2012 GDP expanding at a reasonable pace, as the Malaysian economy is affected by the weakness in the external factor from a crisis-hit Europe as well as the softening growth in the rest of the East Asian region. These have affected export growth for the nation which has already been reflected in the weak trade performance in the first half of the year. Moreover, weaker global demand is also dampening commodity prices, which will affect domestic income that are dependent on agricultural and mining exports such as palm oil and crude oil. Nevertheless, the economy is well-supported by robust domestic demand, particularly from private consumption and investment, especially from mega-projects related to the Economic Transformation Programme ("ETP"), such as RM70 billion MRT and RM120 billion RAPID projects. Inflation is expected to be lower this year in tandem with lower imported commodity and food prices. This provides more room for monetary accommodation if necessary, as consensus has indicated that BNM is unlikely to reduce interest rates over the near term unless growth comes in far worse than expected.

Islamic Banking

For the 1st Quarter of 2012, GDP expanded at a respectable 4.7%. However, growth going forward will become more challenging. Economic growth would be largely domestic driven due to the uncertainties in the global economy. The country's strong economic fundamentals, pragmatic macroeconomic policies and the ETP are expected to enhance domestic sources of growth.

Bank Islam expects to maintain last financial year's robust growth. However, growth could be higher due to financing related to ETP and arising from the launching of a new product for financing, which has received an overwhelming response. The Bank will continue to grow its consumer financing products as well as focus on resilient industries, in particular, those that are set to benefit from the ETP. The reshaping initiatives and work towards the right mix and portfolio composition between retail and non-retail business; between secured and unsecured assets; and between fixed and floating rates would continue. To sustain the strong asset quality, existing credit controls and practices would continue, if not further enhanced.

Apart from financing, the Bank will continue to expand its customer deposits, particularly, its low cost Current and Savings deposits to ensure a stable funding base.

Focus will also be directed on enhancing the non fund based income from corporate finance and advisory activities, treasury and other investment banking services, card business, remittances, wealth management/unit trust products and foreign exchange related business.

Bank Islam will also continue to strengthen its presence by expanding its current delivery channels to meet customers' expectations and remain competitive. The Bank's branches currently stand at 125, with another 8 branches to be opened by December 2012, to reach 133 branches.

Takaful

Takaful Malaysia's prospects for the current financial year continue to be encouraging despite growing competition from new takaful players. It is expected to further increase its revenue, supported by the following strategies:

- 1) Introduction of four new products to be launched in 2012,
- 2) Expanded distribution capabilities especially through telemarketing, internet sales and new agent recruitment initiatives,
- 3) New IT portal initiatives to improve customer service standards,
- 4) Future partnership tie-ups with Islamic banks, and
- 5) Launching of sales campaign on takaful awareness.

B4 VARIANCE FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group neither made any profit forecast nor issued any profit guarantee.

B5 TAXATION

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM'000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM'000
Tax expense	52,897	34,201	98,613	74,364

With effect from year of assessment 2009, corporate tax rate is at 25%.

B6 PROFIT ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no material gain or loss on sales of unquoted investments and properties of the Group during the quarter.

B7 PURCHASE AND SALE OF QUOTED SECURITIES

This note does not apply to the Group.

B8 CORPORATE PROPOSALS

There are no corporate proposals outstanding as at the date of this submission.

B9 DEPOSITS AND PLACEMENTS OF FINANCIAL INSTITUTIONS AND DEBT SECURITIES

	Group	
	Unaudited 30-Jun-12 RM '000	31-Dec-11 RM '000
Deposits from customers		
Mudharabah accounts deposits and negotiable instruments of deposits		
One year or less (short-term)	16,253,484	16,040,109
More than one year (medium/long-term)	1,736,656	1,049,761
	17,990,140	17,089,870
Current accounts	7,929,131	8,412,372
Savings accounts	2,488,966	2,599,243
Others	190,155	106,718
Total deposits	28,598,392	28,208,203
Deposits and placements of banks and other financial institutions		
One year or less (short-term)	1,430,981	384,628
	1,430,981	384,628

B1(OFF BALANCE SHEET FINANCIAL INSTRUMENTS BY VALUE OF CONTRACTS CLASSIFIED BY REMAINING PERIOD TO MATURITY/
NET RE-PRICING DATE(WHICHEVER EARLIER)

Items	GROUP (RM '000)					
	Unaudited 30-Jun-12 Principal Amount	up to 1 mth	>1-3 mths	>3-6 mths	>6-12 mths	>1-5 years
Foreign exchange related contracts						
- forwards	442,824	197,501	147,427	57,652	-	40,244
- swaps	450,707	352,799	97,268	640	-	-
- option	427,767	427,767	-	-	-	-
Total	1,321,298	978,067	244,695	58,292	-	40,244

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk transactions may be reduced through offsetting on and off-balance sheet positions. As at 30 June 2012, the amount of contracts which were not hedged and, hence, exposed to market risk was RM624.48 million. (31 December 2011: RM503.62 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 30 June 2012, the credit risk measured in terms of the cost to replace the profitable contracts was RM59.55 million (31 December 2011: RM34.68 million).

Related accounting policies

Foreign exchange contracts are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates.

B1 ECONOMIC PROFIT STATEMENT

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
	Net Operating profit after zakat & tax (NOPAT)			
Profit before zakat and taxation (PBZT)	173,262	156,672	340,600	300,628
Zakat & Taxation	(54,355)	(35,294)	(101,971)	(77,000)
NOPAT	118,907	121,378	238,629	223,628
Economic charge computation:				
Average invested capital	2,895,303	2,585,847	2,895,303	2,585,847
(includes minority interest less gain on disposal of interest in subsidiary)				
Weighted Average Cost of Capital (WACC) at 8.2% per annum	8.20%	8.20%	8.20%	8.20%
Economic charge	59,029	52,865	118,059	105,148
Economic profit	59,878	68,513	120,570	118,480

B1: MATERIAL LITIGATION

Save as disclosed below, there were no changes in material litigation, including the status of pending material litigations since the last annual balance sheet date of 31 December 2011.

- (a) On 10 August 1998, Bank Islam together with syndication members led by AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad) (collectively "the Plaintiffs") filed a civil suit claim against Silver Concept Sdn. Bhd. ("the Defendant") to recover the outstanding financing facilities amounting to RM196,289,470.96 (the sum owing to Bank Islam is RM59,364,621.68). The financing facilities were secured by 34 properties. An order for sale in respect of 17 of the properties held under Registry Title was granted on 30 June 2006. However, the Defendant had entered into Sale and Purchase Agreement dated 12 June 2007 with a third party for the sale of the said 17 properties and on 9 May 2008, the balance purchase price was distributed among the Plaintiffs where Bank Islam received RM12,744,868.98. Consequentially, the Plaintiffs agreed to withdraw the foreclosure action against the Defendant.

The Plaintiffs are proceeding with a civil action against the Defendant to recover the shortfall. The Court has allowed the Plaintiffs' claim and the Defendant has filed an appeal against such ruling. The Defendant then withdrew the appeal and the Plaintiffs will proceed the execution proceeding against the Defendants. The sum outstanding to Bank Islam as at February 2011 is RM 42.5 million. However, as per solicitor's advice, the Plaintiffs withheld the execution proceeding pending completion of transfer of private treaty property. As at August 2012, the status remains the same.

- (b) On 17 May 2003, Tahan Steel Corporation Sdn Bhd ("the Plaintiff") filed a civil suit against Bank Islam to claim for damages amounting to USD12,275,000.00 for breach of contract and RM109,776,000.00 for general damages for failure to disburse the balance of a financing facility granted by Bank Islam to the Plaintiff. Bank Islam had filed a counterclaim to recover the amount of RM143,590,488.09 from the Plaintiff being the outstanding financing facility amount. On 1 June 2010, the Court decided that the Plaintiff's claim for declaration on the termination of Istisna' Facility is valid and lawful. However, the Plaintiff's claim was disallowed and only awarded nominal damages of RM50,000.00 with costs. The Court had allowed the Bank's counterclaim for selling price of RM143,590,488 but to deduct unearned profit on the undisbursed amount less any unearned profit at the date of full realization. The Plaintiff on 3 June 2010 had filed Notice of Appeal against the decision and the Bank is appealing on the issue of unearned profit. On 28 October 2010, the Court allowed the Plaintiff's stay of execution. The case was fixed for hearing of appeal on 22 February 2011 and the Court of Appeal Judges reserved their decision pending issuance of written judgment on issue of unearned profit. On 21 December 2011 the Court of Appeal has dismissed the Plaintiff's appeal and the Bank is entitled on the amount disbursed of RM58.7 million plus profits on disbursed amount. The Bank's cross appeal on the computation of unearned profit was also dismissed. In line with Shariah's principle and pursuant to the solicitor's advice, the Bank does not appeal against the decision and will proceed with execution proceeding against the Plaintiff. In February 2012, the Plaintiff filed a leave to appeal to the Federal Court and the Bank filed an affidavit in reply in opposing the Plaintiff's leave to appeal. On July 2012 the Federal Court dismissed the application for leave with costs.

- (c) On 27 January 2004, Bank Islam filed a civil suit against ECT Industries Sdn Bhd ("the Defendant") and its guarantors to recover the outstanding financing facilities amounting to RM14,143,306.75. All the guarantors were declared bankrupt on 16 March 2006 and Bank Islam's solicitors had filed the proof of debt on 19 April 2006. The Defendant has been wound up by another party and the Court had granted Bank Islam an order to intervene on 11 November 2007.

The auction held in respect of the two (2) pieces of land charged under the financing facility on 12 March 2009 was successful. In respect of the third piece of land, Order for Sale was granted on 17 July 2009 and the property had been successfully auctioned on 30th November 2009 at a discounted bid price of RM2.80 million. Bank Islam is proceeding to recover the shortfall amount from the Defendant. The Creditor's Meeting was fixed on 1 November 2011. As at June 2012, this case is pending issuance of minutes of Public Examination from the court. As at August 2012, no date was given for the creditor's meeting.

- (d) On 9 February 2004, Bank Islam filed a civil suit against PC Auto Blast Sdn Bhd, Jaya Raj a/l A. Mariadas and Johnson a/l Mariadas (collectively "the Defendants") and a foreclosure action to recover the outstanding financing facilities amounting to RM13,125,946.46. However, the Defendants have filed a counterclaim seeking declarations and damages. Amongst others, the Defendants are seeking for declarations that the agreements executed pursuant to the financing facilities are null and void for non-compliance with the Shariah principles and damages amounting to RM656,326.29. For foreclosure action, the case was fixed for case management on 5 August 2010. On 28 October 2010, the court has granted our application for Order for Sale. Bank Islam has successfully auctioned the property on 12 October 2011. However, in February 2012 Bank Islam did not received the balance of auction proceeds from the successful bidder. Hence the property will be auctioned again.

In view of the Defendant's counterclaim, the Court had granted the Defendant with an order for stay of proceedings on Bank Islam's application for order for sale as regards to properties charged under the financing facilities. Bank Islam's solicitors are of the view that Bank Islam will prevail in this matter.

- (e) On 17 February 2004, Bank Islam filed a civil suit against Enten Oil Industries Sdn Bhd (formerly known as KLLT Oil Industries Sdn Bhd), Ariffin Rahmat and Eng Weng Long ("First Defendant", "Second Defendant" and "Third Defendant" respectively, and collectively "the Defendants") to recover the outstanding financing facilities amounting to RM27,056,183.66. A Judgment in default was obtained against the Defendants on 11 June 2004.

An order for sale for the two (2) properties charged to Bank Islam was obtained in January 2005. In May 2010, Bank Islam has received payment of RM18.5 million from the chargor and withdrew the foreclosure and civil action against the Second and Third Defendants while proceeding the civil action against the First Defendant to recover the shortfall of RM8.5 million. In May 2010, the First Defendant has been wound up by another bank and in August 2010, Bank Islam has filed Proof of Debt to recover the outstanding amount. As at August 2012, no date was given for the creditor's meeting.

- (f) On 14 June 2004, Kopeks Holdings Sdn Bhd ("the Plaintiff") filed a civil suit against Bank Islam for the withdrawal and cancellation of financing facilities offered by Bank Islam to the Plaintiff, claiming inter-alia, special damages amounting to RM5,491,849.55 and general damages amounting to RM7,559,675.00, together with interests. The Court dismissed the Plaintiff's claim with costs on 23 June 2009. The Plaintiff filed an appeal. On 16 November 2011, the Court of Appeal dismissed the plaintiff's appeal with costs. In December 2011, the plaintiff filed Notice of Motion for leave for appeal to Federal Court on dismissal of the appeal. On 25 June 2012 the Federal Court dismissed the Motion.

- (g) In March 2005, Bank Islam filed a civil suit against Zeron Sdn Bhd ("the Defendant") and its guarantors for the balance of the outstanding sale price under the Asset Sale Agreement amounting to RM21,359,584.87 and the amount released to Pengurusan Danaharta Nasional Berhad pursuant to the Guarantee Agreement amounting to RM10,500,000.00. Bank Islam has obtained an order for sale of the two (2) properties charged to Bank Islam. Bank Islam has successfully auctioned the said properties for the amount of RM18 million. The matter was fixed for Creditor's Meeting on 30 June 2011. As at August 2012, this case is pending issuance of minutes of Public Examination from the court.

- (h) On 7 March 2005, Bank Islam filed a civil suit against Commerce Resources Inc., Dato' Kamaruddin @ Kamaluddin bin Awang and Datuk Hiew Ming Yong ("First Defendant", "Second Defendant" and "Third Defendant" respectively, and collectively "the Defendants") to claim the outstanding financing facilities amounting to USD2,720,036.00. A judgment in default has been obtained against the Defendants. However, further action against the First and Second Defendants were discontinued on the grounds that (a) there was no evidence of assets in the First Defendant and (b) the Second Defendant was successful in setting aside the Judgment In Default against him on technical grounds. Bank Islam is proceeding with the execution against the Third Defendant and at the same time is exploring other recovery strategies against the other two Defendants.

B1: MATERIAL LITIGATION, continued

- (i) On 24 May 2007, Bank Islam Malaysia Berhad ("Bank Islam") filed a civil suit against Tan Sri Abdul Khalid Ibrahim ("the Defendant") to recover the outstanding financing facilities amounting to USD18,251,806.13. On 21 August 2009 the Court allowed Bank Islam's summary judgment application under Order 14 of the High Court Rule. The Defendant filed an appeal and stay of execution. On 3 March 2010, the Court of Appeal allowed the Defendant's appeal and set aside the Summary Judgment entered against the Defendant. The trial dates have been fixed on 2 to 4 August, 9 to 11 August 2010 and 23rd to 26th August 2010.

However, on 9 August 2010, the Defendant filed an application to recuse Justice Rohana (the Trial Judge) from hearing this matter. The Defendant claimed that there is a real danger of apparent bias on the part of the Trial Judge in hearing this action. This is pursuant to a letter from the Plaintiff to Bank Negara Malaysia, referring to a conversation between En Fazlur Rahman Ebrahim, then COO of the Plaintiff and the Trial Judge, in her capacity then as Deputy Head of BNM Islamic Banking and Takaful Department. The remaining of the dates for the trial has been vacated to enable parties to file their affidavits. On 22 September 2010, the Court has dismissed the Defendant's application and they filed an appeal. However, on 1 November 2010, the Court of Appeal allowed the Defendant's appeal. This case will be heard before a new judge, YA Dato' Hj Mohd Zawawi Salleh. The case fixed for trial on 11 to 14, 18 to 21 and 25 to 28 July 2011. In the course of trial, Bank Islam had filed an application pursuant to Section 56 of the Central Bank Act to refer several Shariah issues to the Shariah Advisory Council (SAC) of Bank Negara Malaysia but the application was objected to by the Defendant. The Defendant raised several issues including constitutionality of the said section. On 7 July 2011, the High Court judge had directed that the issue be referred directly to the Federal Court. On 25 October 2011, the Federal Court Judges directed both parties to revert the case to the High Court for decision of the Bank's application on referral to the SAC of Bank Negara Malaysia. On 2 December 2011, the High Court allowed Bank Islam application to refer the Shariah issues to the SAC of BNM and on 8 December 2011, the Defendant appealed to the Court of Appeal against the order. On 14 May 2012 the Court dismissed the Defendant appeal. The Defendant then filed a leave to appeal to the Federal Court. The case fixed for case management on 7 August 2012.

- (j) On 22 December 2006, Omegco Sdn Bhd ("the Plaintiff") filed a civil suit against Bank Islam claiming, among others, loss of profit of RM43.2 million and fixed deposit of RM250,000.00 not released by Bank Islam. In October 2007, the application for summary judgment by the Plaintiff was struck out by the Court with costs. The Plaintiff appealed against the said decision and the Court dismissed the Plaintiff's appeal. The High Court fixed full trial on 31 October 2011 to 4 November 2011. However, on the trial date the Plaintiff filed an application under Order 14A of the Rules of High Court in determining the question of law. Bank Islam then filed an objection. On 28 December 2011 the Court dismissed the Plaintiff's application with costs. The Court fixed the trial date on 14 to 18 May 2012.

On 11 January 2012, the Plaintiff has been wound up by another third party. Therefore, a sanction from Official Assignee must be obtained by the Plaintiff as the Plaintiff has no capacity to appear before the court for trial. Bank Islam's solicitors are of the view that Bank Islam has a fair chance to succeed in defending this matter.

- (k) On 27 August 2007, Bank Islam filed a civil suit against four (4) former senior management staff of the then Bank Islam Labuan Ltd ("BILL") ("the Defendants") claiming an amount of USD8,586,483.00 being the outstanding financing facilities granted by BILL to certain customers whose accounts have been in default, namely Faaris Investment Holding Plc, Profound Heritage Sdn Bhd, Commerce Resources Inc., Commerce Trading Inc., Crest Group, Crestek Inc. and Trident Timber Co. Ltd. Bank Islam is claiming that the Defendants have acted contrary to the interest of BILL and was in breach of their statutory duties, common law duty of care and skills and express and/or implied contractual duties. The next Case Management is fixed on 10 September 2012.

- (l) On 12 May 2009, Swiber Marine (Malaysia) Sdn Bhd ("the Defendant/Claimant") had served Section 218 Notice of the Companies Act 1965 against Bank Islam pursuant to a Bank Guarantee of RM16.0 million issued by Bank Islam in which Bank Islam had refused to pay due to some technicality. Subsequently, on 27 May 2009, Bank Islam filed an action against the Defendant applying an injunction to restrain the Defendant from presenting the Winding-Up Petition to Bank Islam ("Injunction"). On 10 August 2009, the Court had granted the injunction in favour of Bank Islam. On 17 November 2009, Bank Islam withdrew the action against the Defendant based on the Defendant's undertaking not to issue Section 218 Notice against Bank Islam. The matter is to be resolved through arbitration. On 24 August 2010, the panel of arbitrators had directed both parties to file their Written Submissions. Both parties have filed their written submissions in November 2010. On 13 April 2011, the arbitrators have directed both parties to exchange the submission as to costs by 2 May 2011. In order for the Tribunal to give decision as to pre and post award interest is not against Riba', the Arbitrators referred the issue to the Shariah Advisory Council (SAC) of Bank Negara Malaysia. On 29 August 2011, the SAC replied to the Arbitrators and ruled that the Arbitrators may impose late payment charge on judgment debt based on ta'widh (compensation) and gharamah (penalty) mechanism. On 30 September 2011, the Arbitrators ordered that the Claimant's claim is dismissed with costs. In November 2012, the Claimant filed an originating summons at the Kuala Lumpur High Court to appeal on point of law against the final award. Bank Islam also filed an originating summons at Kuala Lumpur High Court to register the award as a judgment and enforce it against the Claimant. On 26 April 2012 the Claimant's appeal on the arbitral award was dismissed with costs. On 24 May 2012, the Claimant filed Notice of Appeal to the Court of Appeal. As at August 2012, the status remains the same.

- (m) On 20 April 2010, Bank Islam Malaysia Berhad ("Bank Islam") has referred a dispute in connection with a Services Agreement and a Software Agreement (Agreements) with a vendor for arbitration. Bank Islam claims rescission of the Agreements and a refund of the sum paid (to-date of RM19.03 million) and/or damages, compensation/cost of fund on all sums found to be due to it and an appropriate order as to costs. The Vendor has subsequently filed a counterclaim. The arbitration commenced on 15 February 2012 and is still in progress. Based on the legal opinion obtained, Bank Islam is of the view that the Vendor's counterclaim can be successfully resisted.

B13 CONTINGENT LIABILITY

On 20 April 2010, Bank Islam has referred a dispute in connection with a Services Agreement and Software Agreement ("Agreements") with a vendor for arbitration. The Bank claims rescission of the Agreements and a refund of the sum paid to-date of RM19.0 million and/or damages, compensation / cost of funds on all sums found to be due to it and an appropriate order as to costs. The vendor has subsequently filed a counterclaim. The arbitration commenced on 15 February 2012 and is still in progress. Based on the legal opinion obtained, the Directors of Bank Islam are of the view that the vendor's counterclaim can be successfully resisted and therefore no provision has been recognised in respect of this matter.

B14 PROFIT FOR THE PERIOD

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	25,142	28,578	25,142	28,578
Impairment loss:				
- Allowance for impairment on financing advances and others	17,895	(8,273)	17,895	(8,273)
- Provision for contingent liability	-	15,231	-	15,231
- Allowance for Impairment on investments and other assets	(1,748)	(1,414)	(1,748)	(1,414)
and after crediting:				
Profit on sale of foreign currencies	1,655	954	1,655	954
Reversal of allowance for diminution in value of investment	-	38	-	38
Reversal of allowance for doubtful debts	120	120	120	120
Net gain on disposal of property, plant & equipment	184	3,022	184	3,022
Net derivative gain	(6,235)	850	(6,235)	850

B15 EARNINGS PER SHARE

Basic earnings per share attributable to equity holders of the parent ("Basic EPS")

Basic EPS is calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the number of ordinary shares in issue during the period.

	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Quarter 3 months ended 30-Jun-11 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-11 RM '000
Net profit/(loss) for the quarter attributable to equity holders of the parent	58,194	60,224	123,100	118,586
Number of ordinary shares	1,066,790	1,066,790	1,066,790	1,066,790
Number of average ordinary shares	1,066,790	1,066,790	1,066,790	1,066,790
Basic earnings per share attributable to equity holders of the parent (sen)	5.46	5.65	11.54	11.12

B16 DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSSES

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits/(losses) pursuant to the directive is as follows:

	Unaudited 30-Jun-12 RM'000	31-Dec-11 RM'000
Total accumulated profits/(losses) of BIMB Holdings Berhad and its subsidiaries:		
Realised	629,112	(664,060)
Unrealised	(8,444)	52,335
	620,668	(611,725)
Less: Consolidation adjustments	(1,412,950)	(523,834)
Total group accumulated losses as per condensed consolidated financial statements	(792,282)	(1,135,559)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by Malaysia Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed above excludes translation gains and losses on monetary items denominated in a currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not apply for any other purposes.

By Order of the Board

MARIA MAT SAID (LS 09400)
Company Secretary
August 16, 2012