

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

**Condensed Consolidated Statement of Financial Position as at
30 June 2016**

	Note	Group As at		Company As at	
		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	8	2,805,950	3,304,005	281,867	214,354
Deposits and placements with financial institutions	9	965,535	976,830	-	-
Financial assets held-for-trading	10	788,549	670,006	-	-
Derivative financial assets	11	29,018	119,259	-	-
Financial assets available-for-sale	12	12,703,024	13,797,205	19,591	19,215
Financial assets held-to-maturity	13	639,958	643,164	-	-
Financing, advances and others	14	36,332,382	34,294,690	-	-
Other assets	15	266,975	486,855	2,230	2,341
Takaful assets	16	729,393	850,848	-	-
Statutory deposits with Bank Negara Malaysia		1,346,990	1,591,460	-	-
Current tax assets		27,584	47,916	-	-
Deferred tax assets		44,926	64,089	10	10
Investments in subsidiaries		-	-	4,900,336	4,835,462
Property, plant and equipment		431,681	447,028	698	948
Investment properties		14,108	14,262	-	-
Intangible assets		50,079	56,211	-	-
Total assets		<u>57,176,152</u>	<u>57,363,828</u>	<u>5,204,732</u>	<u>5,072,330</u>

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

**Condensed Consolidated Statement of Financial Position as at
30 June 2016 (continued)**

	Note	Group As at		Company As at	
		30.06.2016 RM'000	31.12.2015 RM'000	30.06.2016 RM'000	31.12.2015 RM'000
Liabilities and equity					
Deposits from customers	17	38,824,567	43,118,529	-	-
Investment accounts of customers	18	2,997,403	676,105	-	-
Deposits and placements of banks and other financial institutions	19	1,439,961	-	-	-
Derivative financial liabilities	11	27,712	101,913	-	-
Bills and acceptances payable		339,335	122,577	-	-
Other liabilities	20	746,589	1,148,513	2,853	192,108
Takaful liabilities	21	6,605,556	6,588,888	-	-
Sukuk liabilities	22	1,919,739	1,882,965	1,215,359	1,178,585
Zakat and taxation		35,489	28,612	122	31
Total liabilities		52,936,351	53,668,102	1,218,334	1,370,724
Equity					
Share capital		1,588,679	1,542,210	1,588,679	1,542,210
Reserves		2,349,507	1,871,448	2,397,719	2,159,396
Equity attributable to owners of the Company		3,938,186	3,413,658	3,986,398	3,701,606
Non-controlling interests		301,615	282,068	-	-
Total equity		4,239,801	3,695,726	3,986,398	3,701,606
Total liabilities and equity		57,176,152	57,363,828	5,204,732	5,072,330
Restricted investment accounts	18	116,215	82,567	-	-
Total Islamic banking asset		57,292,367	57,446,395	5,204,732	5,072,330
Commitments and contingencies	38	14,015,757	12,692,303	-	-
Net assets per share attributable to owners of the Company (RM)		2.48	2.21	2.51	2.40

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Group	Note	Quarter		Year-to-date	
		3 months ended 30.06.2016	3 months ended 30.06.2015	6 months ended 30.06.2016	6 months ended 30.06.2015
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	24	587,512	558,626	1,178,873	1,100,909
Income derived from investment account funds	25	16,747	-	26,174	-
Income derived from investment of shareholders' funds	26	118,148	105,566	233,283	208,114
Net income from Takaful business	27	169,456	150,514	349,323	314,765
Allowance for impairment on financing and advances	28	(31,211)	(25,515)	(65,822)	(55,968)
Reversal of/(Allowance for) impairment on investments		55	-	(255)	-
Reversal of impairment on other assets		864	-	864	-
Direct expenses		(4,882)	(5,643)	(10,650)	(12,435)
Total distributable income		856,689	783,548	1,711,790	1,555,385
Wakalah performance incentive fees from restricted investment accounts		1,343	-	2,345	-
Income attributable to depositors	29	(262,008)	(256,555)	(538,346)	(499,619)
Income attributable to investment account holders	30	(1,020)	-	(1,193)	-
Total net income		595,004	526,993	1,174,596	1,055,766
Personnel expenses	31	(170,172)	(136,852)	(333,677)	(287,557)
Other overhead expenses	32	(170,975)	(159,293)	(346,260)	(299,415)
Finance cost		253,857	230,848	494,659	468,794
		(28,173)	(20,958)	(56,453)	(38,608)
Profit before zakat and tax		225,684	209,890	438,206	430,186
Zakat		(2,497)	(3,239)	(4,960)	(6,454)
Tax expense	B5	(60,862)	(60,084)	(117,492)	(123,711)
Profit for the period		162,325	146,567	315,754	300,021
Attributable to:					
Owners of the Company		143,712	129,890	278,966	265,589
Non-controlling interests		18,613	16,677	36,788	34,432
Profit for the period		162,325	146,567	315,754	300,021
Earnings per share (sen)	B12	9.05	8.42	17.62	17.26

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	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 for the period	162,325	146,567	315,754	300,021
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit liability	450	-	979	-
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences in respect of foreign operations	(10,468)	(7,753)	27,325	(28,704)
Fair value reserve:				
Net change in fair value	24,037	2,125	115,227	52,841
Net amount transferred to profit or loss	(19,667)	(7,363)	(33,300)	(11,358)
Income tax credit relating to components of other comprehensive income	(742)	-	(18,648)	-
Other comprehensive income for the period, net of tax	(6,390)	(12,991)	91,583	12,779
Total comprehensive income for the period	155,935	133,576	407,337	312,800
Total comprehensive income attributable to:				
Owners of the Company	134,845	120,368	368,392	279,916
Non-controlling interests	21,090	13,208	38,945	32,884
Total comprehensive income for the period	155,935	133,576	407,337	312,800

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Company	Note	Quarter		Year-to-date	
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of shareholders' funds / Total distributable income / Total net income	26	133,548	169,251	171,838	170,104
Personnel expenses	31	(2,197)	(1,454)	(5,003)	(3,313)
Other overhead expenses	32	(876)	(1,407)	(2,119)	(3,517)
		<u>130,475</u>	<u>166,390</u>	<u>164,716</u>	<u>163,274</u>
Finance cost		(18,387)	(17,650)	(36,774)	(35,300)
Profit before zakat and tax		<u>112,088</u>	<u>148,740</u>	<u>127,942</u>	<u>127,974</u>
Tax expense	B5	(275)	(179)	(550)	(359)
Profit for the period		<u>111,813</u>	<u>148,561</u>	<u>127,392</u>	<u>127,615</u>
		=====	=====	=====	=====
Attributable to:					
Owners of the Company		<u>111,813</u>	<u>148,561</u>	<u>127,392</u>	<u>127,615</u>
Profit for the period		<u>111,813</u>	<u>148,561</u>	<u>127,392</u>	<u>127,615</u>
		=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Company	Quarter		Year-to-date	
	3 months ended	3 months ended	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 for the period	111,813	148,561	127,392	127,615
	=====	=====	=====	=====
Other comprehensive income, net of tax				
Items that may be reclassified				
subsequently to profit or loss:				
Fair value reserve:				
Net change in fair value	175	207	376	369
Net amount transferred to profit or loss	(335)	(338)	(438)	(438)
	-----	-----	-----	-----
Other comprehensive income for				
the period, net of tax	(160)	(131)	(62)	(69)
	-----	-----	-----	-----
Total comprehensive income for				
the period	111,653	148,430	127,330	127,546
	=====	=====	=====	=====
Total comprehensive income				
attributable to:				
Owners of the Company	111,653	148,430	127,330	127,546
	-----	-----	-----	-----
Total comprehensive income				
for the period	111,653	148,430	127,330	127,546
	=====	=====	=====	=====

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Group	← Attributable to owners of the Company →				Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000			
At 1 January 2015	1,493,506	1,859,628	(386,831)	(17,266)	2,949,037	240,223	3,189,260
Profit for the period	-	-	-	265,589	265,589	34,432	300,021
Other comprehensive income							
Currency translation differences in respect of foreign operations	-	-	(29,242)	-	(29,242)	538	(28,704)
Fair value reserve:							
Net change in fair value	-	-	53,546	-	53,546	(705)	52,841
Net amount reclassified to profit or loss	-	-	(9,977)	-	(9,977)	(1,381)	(11,358)
Total comprehensive income for the period	-	-	14,327	265,589	279,916	32,884	312,800
Transfer to statutory reserve	-	-	123,660	(123,660)	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	(22,644)	(22,644)
Issue of shares pursuant to Dividend Reinvestment Plan	48,704	131,987	-	-	180,691	-	180,691
Share-based payment transactions	-	-	1,169	-	1,169	770	1,939
At 30 June 2015	1,542,210	1,991,615	(247,675)	124,663	3,410,813	251,233	3,662,046

Note 23

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2016 (continued)

Group	← Attributable to owners of the Company →				Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000			
At 1 January 2016	1,542,210	1,991,615	(206,949)	86,782	3,413,658	282,068	3,695,726
Profit for the period	-	-	-	278,966	278,966	36,788	315,754
Other comprehensive income							
Remeasurement of defined benefit liability	-	-	-	411	411	568	979
Currency translation differences in respect of foreign operations	-	-	27,719	-	27,719	(394)	27,325
Fair value reserve:							
Net change in fair value	-	-	113,376	-	113,376	1,851	115,227
Net amount reclassified to profit or loss	-	-	(33,432)	-	(33,432)	132	(33,300)
Income tax credit relating to components of other comprehensive income	-	-	(18,648)	-	(18,648)	-	(18,648)
Total comprehensive income for the period	-	-	89,015	279,377	368,392	38,945	407,337
Transfer to statutory reserve	-	-	131,333	(131,333)	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	(23,835)	(23,835)
Issue of shares pursuant to Dividend Reinvestment Plan	46,469	110,993	-	-	157,462	-	157,462
Share-based payment transactions	-	-	1,864	-	1,864	1,247	3,111
Long Term Incentive Plan exercised	-	-	(3,190)	-	(3,190)	3,190	-
At 30 June 2016	1,588,679	2,102,608	12,073	234,826	3,938,186	301,615	4,239,801

Note 23

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2016 (continued)

Company	<div style="text-align: center;"> ← Attributable to owners of the Company → </div> <div style="text-align: center;"> ← Non-distributable → </div>					
	Share capital RM'000	Share premium RM'000	Warrant reserves RM'000	Fair value reserves RM'000	Distributable Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
At 1 January 2015	1,493,506	1,859,628	129,300	51	15,599	3,498,084
Profit for the period	-	-	-	-	127,615	127,615
Other comprehensive income						
Fair value reserve:						
Net change in fair value	-	-	-	369	-	369
Net amount reclassified to profit or loss	-	-	-	(438)	-	(438)
Total comprehensive income for the year	-	-	-	(69)	127,615	127,546
Issue of shares pursuant to Dividend Reinvestment Plan	48,704	131,987	-	-	-	180,691
At 30 June 2015	1,542,210	1,991,615	129,300	(18)	143,214	3,806,321
At 1 January 2016	1,542,210	1,991,615	129,300	64	38,417	3,701,606
Profit for the period	-	-	-	-	127,392	127,392
Other comprehensive income						
Fair value reserve:						
Net change in fair value	-	-	-	376	-	376
Net amount reclassified to profit or loss	-	-	-	(438)	-	(438)
Total comprehensive income for the period	-	-	-	(62)	127,392	127,330
Issue of shares pursuant to Dividend Reinvestment Plan	46,469	110,993	-	-	-	157,462
At 30 June 2016	1,588,679	2,102,608	129,300	2	165,809	3,986,398

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BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

**Condensed Consolidated Statement of Cash Flows for the six months
ended 30 June 2016**

	Group		Company	
	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
Cash flows from operating activities				
Profit before zakat and tax	438,206	430,186	127,942	127,974
Adjustments for:				
Depreciation of property and equipment	35,858	38,280	254	344
Depreciation of investment property	147	139	-	-
Loss on disposal of property, plant and equipment	490	426	-	-
Property, plant and equipment write off	8	-	-	-
Collective assessment allowance	80,358	96,019	-	-
Individual assessment allowance	36,982	24,454	-	-
Reversal of impairment losses on other assets	(864)	-	-	-
Allowance for impairment loss on financial assets available-for-sale	255	-	-	-
Net gain on sale of financial assets held-for-trading	(4,472)	(3,325)	-	-
Net gain on sale of financial assets available-for-sale	(33,256)	(8,117)	-	-
Fair value (gain)/loss on financial assets held-for-trading	(15,535)	2,892	-	-
Net derivative loss	5,308	3,104	-	-
Dividends from securities	(3,854)	(2,304)	(438)	(438)
Dividends from subsidiaries	-	-	(166,863)	(167,803)
Reversal of allowance for doubtful debts	(2)	(52)	-	-
Change in actuarial reserves/ unearned contributions reserves	1,288	20,071	-	-
Equity settled share-based payment	3,111	1,939	-	-
Amortisation of intangible assets	6,132	-	-	-
Gain on disposal of an associate company	-	(247)	-	(247)
Finance cost	56,453	38,608	36,774	35,300
Operating profit/(loss) before working capital changes	606,613	642,073	(2,331)	(4,870)

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

**Condensed Consolidated Statement of Cash Flows for the six months
ended 30 June 2016 (continued)**

	Group		Company	
	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
Operating profit/(loss) before working capital changes	606,613	642,073	(2,331)	(4,870)
Changes in working capital:				
Deposits and placements of banks and other financial institutions	1,439,961	(262,290)	-	-
Financing of customers	(2,155,032)	(1,705,529)	-	-
Statutory deposits with Bank Negara Malaysia	244,470	(56,740)	-	-
Other assets	431,121	41,219	110	39
Deposits from customers	(4,293,962)	2,288,819	-	-
Investment accounts from customers	2,321,298	23,543	-	-
Other liabilities	(280,596)	63,900	(1,543)	(1,389)
Bills and acceptances payable	216,758	92,246	-	-
Cash (used in)/generated from operations	(1,469,369)	1,127,241	(3,764)	(6,220)
Zakat paid	(3,227)	(12,963)	-	-
Tax paid	(93,349)	(113,994)	(458)	(299)
Tax refund	6,808	474	-	428
Net cash (used in)/generated from operating activities	(1,559,137)	1,000,758	(4,222)	(6,091)
Cash flows from investing activities				
Net proceeds from disposal of securities	1,113,779	(425,601)	-	-
Purchase of property and equipment	(21,834)	(47,927)	(4)	-
Proceeds from disposal of property and equipment	258	651	-	-
Dividend from subsidiaries	-	-	166,863	167,803
Dividend from securities	3,854	2,304	438	438
Subscription of ordinary shares pursuant to Dividend Reinvestment Plan	-	-	(64,874)	(66,117)
Disposal of an associate company	-	247	-	247
Net cash generated from/(used in) investing activities	1,096,057	(470,326)	102,423	102,371

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

**Condensed Consolidated Statement of Cash Flows for the six months
ended 30 June 2016 (continued)**

	Group		Company	
	6 months ended	6 months ended	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
Cash flows from financing activities				
Subordinated Sukuk Murabahah	-	300,000	-	-
Dividends paid by holding company	(188,150)	(219,545)	(188,150)	(219,545)
Dividends paid to non-controlling interest	(23,835)	(22,644)	-	-
Proceeds from share issuance of ordinary shares pursuant to Dividend Reinvestment Plan	157,462	180,691	157,462	180,691
Payment of coupon on Sukuk	(19,679)	-	-	-
	-----	-----	-----	-----
Net cash (used in)/generated from financing activities	(74,202)	238,502	(30,688)	(38,854)
	-----	-----	-----	-----
Net (decrease)/increase in cash and cash equivalents	(537,282)	768,934	67,513	57,426
	-----	-----	-----	-----
Cash and cash equivalents at beginning of the period	4,280,835	4,619,496	214,354	123,566
	-----	-----	-----	-----
Foreign exchange differences	27,932	(28,862)	-	-
	-----	-----	-----	-----
Cash and cash equivalents at end of the period	3,771,485	5,359,568	281,867	180,992
	=====	=====	=====	=====
Cash and cash equivalents comprise:				
Cash and short-term funds	2,805,950	4,328,867	281,867	180,992
Deposits and placements with financial institutions	965,535	1,030,701	-	-
	-----	-----	-----	-----
	3,771,485	5,359,568	281,867	180,992
	=====	=====	=====	=====

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Explanatory Notes to the Unaudited Interim Financial Statements for the six months ended 30 June 2016

1. Basis of preparation

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

The unaudited interim financial statements of the Group for the six months ended 30 June 2016 comprise that of the Company and its subsidiaries (together referred to as the Group).

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

These unaudited interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, 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 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 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 Group since the financial year ended 31 December 2015.

The audited financial statements of the Group for the financial year ended 31 December 2015, are available upon request from the Company's registered office at 31st Floor, Menara Bank Islam, No. 22 Jalan Perak, 50450 Kuala Lumpur.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

1. Basis of preparation (continued)

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)*

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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 Company:

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 Company 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 Company 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*.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

1. Basis of preparation (continued)

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.

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. Audit report of preceding financial year ended 31 December 2015

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

3. Seasonality and cyclicity of operations

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

4. 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 for the six months ended 30 June 2016.

5. Changes in estimates of amounts reported previously

There were no material changes in estimates of amounts reported in the prior financial year that may have a material effect to the financial statements for the six months ended 30 June 2016.

6. Issuance or repayment of debt and equity securities

On 22 January 2016, the Company increased its issued and paid-up capital from RM1,542,209,734 to RM1,588,679,214 via the issuance of 46,469,480 new ordinary shares of RM1.00 each at a consideration of RM3.3885 each arising from the Dividend Reinvestment Plan.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

- **Dividend received**

On 17 February 2016, Syarikat Takaful Malaysia Berhad paid a single tier dividend of 7.35 sen per ordinary share totalling RM36.129 million for the financial year ended 31 December 2015.

On 18 May 2016, Bank Islam paid a final single tier dividend of 5.49 sen per ordinary share totalling RM129.744 million for the financial year ended 31 December 2015. From the total dividend amount, approximately 50% was reinvested for acquisition of 20,927,000 new ordinary shares of Bank Islam of RM1.00 each at the consideration value of RM3.10 each via the Dividend Reinvestment Plan.

8. Cash and short-term funds

	30.06.2016	31.12.2015
	RM'000	RM'000
Group		
Cash and balances with banks and other financial institutions	716,281	822,169
Money at call and interbank placements with remaining maturity not exceeding one month	2,089,669	2,481,836
	<u>2,805,950</u>	<u>3,304,005</u>
	=====	=====
Company		
Cash and balances with banks and other financial institutions	281,867	214,354
	<u>281,867</u>	<u>214,354</u>
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

9. Deposits and placements with financial institutions

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
Licensed banks	952,030	968,716
Other financial institutions	13,505	8,114
	<u>965,535</u>	<u>976,830</u>
	=====	=====

10. Financial assets held-for-trading

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
At fair value		
<i>Quoted securities in Malaysia</i>		
- Shares	64,240	64,215
- Unit trusts	5,345	5,255
<i>Quoted securities outside Malaysia</i>		
- Shares	67,557	61,435
- Unit trusts	7,533	9,392
	<u>144,675</u>	<u>140,297</u>
	-----	-----
<i>Unquoted securities in Malaysia</i>		
- Malaysian Government Investment Issues	177,141	241,717
- Sukuk	387,223	193,465
<i>Unquoted securities outside Malaysia</i>		
- Sukuk	79,510	94,527
	<u>643,874</u>	<u>529,709</u>
	-----	-----
	<u>788,549</u>	<u>670,006</u>
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

12. Financial assets available-for-sale

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
At fair value		
<i>Quoted securities in Malaysia</i>		
- Unit trusts	233,273	237,679
- Shares	510,396	600,540
<i>Quoted securities outside Malaysia</i>		
- Unit trusts	72,861	72,265
- Shares	36,200	53,818
- Sukuk	305	311
	853,035	964,613
	-----	-----
<i>Unquoted securities in Malaysia</i>		
- Malaysian Government Islamic Papers	161,364	164,728
- Malaysian Government Investment Issues	2,146,204	2,556,539
- Sukuk	9,380,455	9,952,942
- Shares	380	380
- Institutional Trust Account	156,245	152,641
<i>Unquoted securities outside Malaysia</i>		
- Shares	41	42
	11,844,689	12,827,272
	-----	-----
At cost		
<i>Unquoted securities in Malaysia</i>		
- Unquoted shares in Malaysia	23,400	24,319
Less: Accumulated impairment loss*	(18,119)	(19,328)
	5,281	4,991
	-----	-----
<i>Unquoted securities outside Malaysia</i>		
- Unquoted shares outside Malaysia	329	329
Less: Accumulated impairment loss	(310)	-
	19	329
	-----	-----
	-----	-----
	12,703,024	13,797,205
	=====	=====

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

12. Financial assets available-for-sale (continued)

	Company	
	30.06.2016	31.12.2015
	RM'000	RM'000
At fair value		
<i>Quoted securities in Malaysia</i>		
- Unit trusts	19,591	19,215
	=====	=====

13. Financial assets held-to-maturity

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
<i>Unquoted securities in Malaysia</i>		
- Malaysian Government Islamic Papers	145,094	145,157
- Sukuk	438,988	440,710
Less: Accumulated impairment loss	(6,887)	(6,887)
<i>Unquoted securities outside Malaysia</i>		
- Sukuk	62,763	64,184
	-----	-----
	639,958	643,164
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

14. Financing, advances and others

(a) By type and Shariah contract

Group	Bai'		Bai		Ijarah	Ijarah			Total
30 June 2016	Bithaman	Murabahah	Al-Inah	At-Tawarruq	Muntahiah	Thumma	Istisna'	Ar-Rahnu	RM'000
	Ajil				Bit-Tamleek	Al-Bai			
	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
	<u>7,065,319</u>	<u>1,800,812</u>	<u>298,689</u>	<u>27,408,251</u>	<u>90,753</u>	<u>126,635</u>	<u>163,788</u>	<u>76,064</u>	<u>37,030,311</u>
	=====	=====	=====	=====	=====	=====	=====	=====	

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 RM1,997,051,000 and RM1,000,352,000 respectively as disclosed in Note 18 of these financial statements.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

14. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group	Bai'		Bai		Ijarah	Ijarah			Total
31 December 2015	Bithaman	Murabahah	Al-Inah	At-Tawarruq	Muntahiah	Thumma	Istisna'	Ar-Rahnu	RM'000
	Ajil				Bit-Tamleek	Al-Bai			
	RM'000	RM'000	RM'000	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
	<u>7,540,774</u>	<u>1,847,525</u>	<u>339,794</u>	<u>24,779,486</u>	<u>81,223</u>	<u>129,168</u>	<u>168,373</u>	<u>73,883</u>	<u>34,960,226</u>
	=====	=====	=====	=====	=====	=====	=====	=====	

Allowance for impaired financing, advances and others

- collective assessment allowance
- individual assessment allowance

(541,065)
(124,471)

Net financing, advances and others

34,294,690

^ 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.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

14. Financing, advances and others (continued)

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
(b) By type of customer		
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		
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		
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>
	=====	=====
(e) By geographical distribution		
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>
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

14. Financing, advances and others (continued)

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
(f) By sector		
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>
	=====	=====
(g) Movement in impaired financing and advances (“impaired financing”) are as follows:		
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
	<u>390,613</u>	<u>381,270</u>
	=====	=====
Gross impaired financing as a percentage of gross financing, advances and others	1.05%	1.09%
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

14. Financing, advances and others (continued)

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
(h) Impaired financing by geographical distribution		
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
	<hr/>	<hr/>
	390,613	381,270
	=====	=====
(i) Impaired financing by sector		
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
	<hr/>	<hr/>
	390,613	381,270
	=====	=====
(j) Movement of allowance for impaired financing		
<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
	<hr/>	<hr/>
At 30 June 2016/31 December 2015	542,249	541,065
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

14. Financing, advances and others (continued)

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

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
<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
	<hr/>	<hr/>
At 30 June 2016/31 December 2015	155,680	124,471
	<hr/> <hr/>	<hr/> <hr/>

15. Other assets

	30.06.2016	31.12.2015
	RM'000	RM'000
Group		
Clients' and dealers' debit balances	22,610	215,265
Deposits and prepayments	47,832	47,600
Other financing	80,676	85,496
Other receivables	115,857	138,494
	<hr/>	<hr/>
	266,975	486,855
	<hr/> <hr/>	<hr/> <hr/>
Company		
Amount due from subsidiaries	107	887
Deposits and prepayments	386	429
Income receivable	1,296	966
Other receivables	441	59
	<hr/>	<hr/>
	2,230	2,341
	<hr/> <hr/>	<hr/> <hr/>

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

16. Takaful assets

		Group	
	Note	30.06.2016	31.12.2015
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	21(a)(i)	305,160	404,205
- Contribution liabilities	21(a)(ii)	54,561	55,893
- Actuarial liabilities	21(a)(iii)	140,721	242,477
		<hr/>	<hr/>
		500,442	702,575
		-----	-----
Takaful receivables			
- Due contributions		166,059	119,350
- Due from retakaful/co-takaful		54,649	36,440
		<hr/>	<hr/>
		220,708	155,790
Less: Reversal/(Allowance) for impaired receivables		8,243	(7,517)
		<hr/>	<hr/>
		228,951	148,273
		-----	-----
		729,393	850,848
		=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

17. Deposits from customers

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
(a) By type of deposit		
Savings deposits		
<i>Wadiah</i>	4,641,107	4,674,687
Demand deposits		
<i>Wadiah</i>	9,761,767	10,567,552
Term Deposit	24,322,752	27,781,846
Special Investment Accounts <i>Mudharabah</i>	24,987	26,058
General Investment Accounts <i>Mudharabah</i>	429,452	478,802
Term & Special term deposit-i <i>Tawarruq</i>	21,191,467	23,982,499
Negotiable Islamic Debt Certificates (NIDC) <i>Waheed-i</i>	2,676,846	3,287,644
	-	6,843
Others	98,941	94,444
Total Deposits	38,824,567	43,118,529
	38,824,567	43,118,529
(b) Maturity structure of term deposits are as follows:		
Due within six months	17,573,534	22,794,274
More than six months to one year	5,567,878	4,000,106
More than one year to three years	1,139,605	946,690
More than three years to five years	41,735	40,776
	24,322,752	27,781,846
	24,322,752	27,781,846

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

17. Deposits from customers (continued)

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
(c) By type of customer		
Government and statutory bodies	6,450,810	7,419,397
Business enterprises	10,043,300	11,746,178
Individuals	5,548,370	5,576,637
Others	16,782,087	18,376,317
	<u>38,824,567</u>	<u>43,118,529</u>
	=====	=====

18. Investment accounts of customers

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
- <i>Mudharabah</i>	988,712	461,312
With maturity		
- <i>Wakalah</i>	2,008,691	214,793
	<u>2,997,403</u>	<u>676,105</u>
	=====	=====
Restricted investment accounts [^]		
With maturity		
- <i>Wakalah</i>	116,215	82,567
	<u>116,215</u>	<u>82,567</u>
	=====	=====
Investment portfolio:		
Unrestricted investment accounts		
- <i>House financing</i>	1,997,051	676,105
- <i>Personal financing</i>	1,000,352	-
	<u>2,997,403</u>	<u>676,105</u>
	=====	=====
Restricted investment accounts		
- <i>Other term financing</i>	116,215	82,567
	<u>116,215</u>	<u>82,567</u>
	=====	=====

[^] Restricted investment account ("RIA") is an arrangement between Bank Islam ("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 rights and obligations 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.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

19. Deposits and placements of banks and other financial institutions

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

20. Other liabilities

	30.06.2016	31.12.2015
	RM'000	RM'000
Group		
Accruals and other payables	725,958	745,785
Clients' and dealers' credit balances	20,631	214,578
Dividend payable	-	188,150
	<u>746,589</u>	<u>1,148,513</u>
	=====	=====
Company		
Accruals and other payables	2,738	3,684
Amount due to subsidiaries	115	274
Dividend payable	-	188,150
	<u>2,853</u>	<u>192,108</u>
	=====	=====

The amount due to subsidiaries is non-trade, unsecured, not subject to financing charge and repayable on demand.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

21. Takaful liabilities

		Group	
	Note	30.06.2016	31.12.2015
		RM'000	RM'000
Takaful contract liabilities	21(a)	6,392,995	6,350,983
Expense reserves	21(b)	156,517	142,258
Takaful payables	21(c)	56,044	95,647
		-----	-----
		6,605,556	6,588,888
		=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

21. Takaful liabilities (continued)

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following:

		Group	
	Note	30.06.2016	31.12.2015
		RM'000	RM'000
Provision for outstanding claims	21(a)(i)	666,188	741,069
Provision for unearned contributions	21(a)(ii)	312,018	297,773
Participants' fund	21(a)(iii)	5,414,789	5,312,141
		<u>6,392,995</u>	<u>6,350,983</u>
		=====	=====

(i) Provision for outstanding claims

The provision for outstanding claims is further analysed as follows:

		30.06.2016		
		Gross	Retakaful	Net
		RM'000	RM'000	RM'000
Group				
Provision for claims reported by participants	310,644	(196,504)	114,140	
Provision for IBNR*	355,544	(108,656)	246,888	
		<u>666,188</u>	<u>(305,160)</u>	<u>361,028</u>
		=====	=====	=====
			Note 16	

		31.12.2015		
		Gross	Retakaful	Net
		RM'000	RM'000	RM'000
Group				
Provision for claims reported by participants	393,705	(277,771)	115,934	
Provision for IBNR*	347,364	(126,434)	220,930	
		<u>741,069</u>	<u>(404,205)</u>	<u>336,864</u>
		=====	=====	=====
			Note 16	

* Incurred-but-not-reported ("IBNR")

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(i) Provision for outstanding claims (continued)

Movement of provision for outstanding claims:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2015	808,491	(405,867)	402,624
Claims incurred during the year	961,213	(194,906)	766,307
Adjustment to claims incurred in prior accident years	(69,483)	25,192	(44,291)
Claims paid during the year	(910,336)	155,586	(754,750)
(Decrease) / Increase in IBNR	(53,636)	16,531	(37,105)
Effect of movement in exchange rates	4,820	(741)	4,079
	-----	-----	-----
At 31 December 2015/ 1 January 2016	741,069	(404,205)	336,864
Claims incurred during the year	471,442	(39,939)	431,503
Adjustment to claims incurred in prior accident years	-	-	-
Claims paid during the year	(554,268)	121,143	(433,125)
Increase in IBNR	8,230	17,697	25,927
Effect of movement in exchange rates	(285)	144	(141)
	-----	-----	-----
At 30 June 2016	666,188	(305,160)	361,028
	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(ii) Provision for unearned contributions

The provision for unearned contributions is further analysed as follows:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
30.06.2016	312,018	(54,561)	257,457
	=====	=====	=====
		Note 16	
31.12.2015	297,773	(55,893)	241,880
	=====	=====	=====
		Note 16	

Movement of provision for unearned contributions:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2015	290,899	(69,949)	220,950
Contributions written during the year	476,051	(186,996)	289,055
Contributions earned during the year	(470,462)	201,266	(269,196)
Effect of movement in exchange rates	1,285	(214)	1,071
	-----	-----	-----
At 31 December 2015/ 1 January 2016	297,773	(55,893)	241,880
Contributions written during the year	271,939	(94,935)	177,004
Contributions earned during the year	(257,435)	96,222	(161,213)
Effect of movement in exchange rates	(259)	45	(214)
	-----	-----	-----
At 30 June 2016	312,018	(54,561)	257,457
	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(iii) Participants' fund

Participants' fund balance at end of the reporting period comprises the following:

	Gross	Group	Net
	RM'000	Retakaful	RM'000
		RM'000	RM'000
30.06.2016			
Actuarial liabilities	4,379,673	(140,721)	4,238,952
Unallocated surplus/accumulated surplus	873,252	-	873,252
AFS reserve	(29,150)	-	(29,150)
Translation reserve	224	-	224
Net assets value attributable to unitholders	190,790	-	190,790
	<u>5,414,789</u>	<u>(140,721)</u>	<u>5,274,068</u>
	=====	=====	=====
		Note 16	
31.12.2015			
Actuarial liabilities	4,222,570	(242,477)	3,980,093
Unallocated surplus/accumulated surplus	1,001,257	-	1,001,257
AFS reserve	(81,639)	-	(81,639)
Translation reserve	(162)	-	(162)
Net assets value attributable to unitholders	170,115	-	170,115
	<u>5,312,141</u>	<u>(242,477)</u>	<u>5,069,664</u>
	=====	=====	=====
		Note 16	

(b) Expense reserves

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
At 1 January 2016 / 2015	142,258	142,127
Provision for the year, net	14,351	(333)
Effect of movement in exchange rates	(92)	464
	<u>156,517</u>	<u>142,258</u>
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

21. Takaful liabilities (continued)

(c) Takaful payables

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
Due to retakaful companies	33,286	73,198
Due to Intermediaries/Participants	22,758	22,449
	<u>56,044</u>	<u>95,647</u>
	=====	=====

22. Sukuk liabilities

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Sukuk liabilities	1,215,359	1,178,585	1,215,359	1,178,585
Subordinated Sukuk Murabahah	704,380	704,380	-	-
	<u>1,919,739</u>	<u>1,882,965</u>	<u>1,215,359</u>	<u>1,178,585</u>
	=====	=====	=====	=====

The Sukuk liabilities comprise the following:

- a) The 10-year Islamic securities of RM1.66 billion (2015: RM1.66 billion) in nominal value issued by the Company on 12 December 2013; and
- b) Two (2) Tranches of the Subordinated Sukuk Murabahah amounting to RM700 million (June: RM300 million) issued by Bank Islam Malaysia Berhad are as follows:
 - On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of the 10-year Subordinated Sukuk Murabahah which is due on 22 April 2025, with optional redemption on 22 April 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.75% per annum payable semi-annually in arrears.
 - On 15 December 2015, the Bank issued the second tranche of RM400 million which is due on 15 December 2025, with optional redemption on 15 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum payable semi-annually in arrears.

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

23. Other reserves

Breakdown of other reserves are as follows:

	Group	
	30.06.2016	30.06.2015
	RM'000	RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
Statutory reserve	1,123,355	862,266
Fair value reserve	44,940	18,900
Translation reserve	(95,925)	(69,525)
LTIP reserve	3,287	4,268
	<u>1,211,820</u>	<u>952,072</u>
Acquisition reserve	(1,199,747)	(1,199,747)
	<u>12,073</u>	<u>(247,675)</u>
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

23. Other reserves (continued)

Group	Capital reserve RM'000	Statutory reserve RM'000	Warrant reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	LTIP* reserve RM'000	Total RM'000
At 1 January 2015	6,863	738,606	129,300	(24,669)	(40,283)	3,099	812,916
Foreign exchange translation differences	-	-	-	-	(29,242)	-	(29,242)
Fair value reserve:							
Net change in fair value	-	-	-	53,546	-	-	53,546
Net amount reclassified to profit or loss	-	-	-	(9,977)	-	-	(9,977)
Transfer from current year profit	-	123,660	-	-	-	-	123,660
Share-based payment transactions	-	-	-	-	-	1,169	1,169
At 30 June 2015	<u>6,863</u>	<u>862,266</u>	<u>129,300</u>	<u>18,900</u>	<u>(69,525)</u>	<u>4,268</u>	<u>952,072</u>
At 1 January 2016	6,863	992,022	129,300	(16,356)	(123,644)	4,613	992,798
Foreign exchange translation differences	-	-	-	-	27,719	-	27,719
Fair value reserve:							
Net change in fair value	-	-	-	113,376	-	-	113,376
Net amount reclassified to profit or loss	-	-	-	(33,432)	-	-	(33,432)
Income tax credit relating to components of other comprehensive income	-	-	-	(18,648)	-	-	(18,648)
Transfer from current year profit	-	131,333	-	-	-	-	131,333
Share-based payment transactions	-	-	-	-	-	1,864	1,864
LTIP exercised	-	-	-	-	-	(3,190)	(3,190)
At 30 June 2016	<u>6,863</u>	<u>1,123,355</u>	<u>129,300</u>	<u>44,940</u>	<u>(95,925)</u>	<u>3,287</u>	<u>1,211,820</u>

* Long Term Incentive Plan

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

24. Income derived from investment of depositors' funds

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	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
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>
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

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

Group	Quarter 3 months ended		Year-to-date 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	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 deposit with financial institutions	160	1,110	330	1,886
	<u>18,469</u>	<u>24,103</u>	<u>25,270</u>	<u>50,123</u>
	-----	-----	-----	-----
Other dealing income				
Net gain/(loss) from sale of financial assets held-for-trading	43	(12)	136	167
Net (loss)/gain on revaluation of financial assets held-for-trading	(13)	(69)	103	57
	<u>30</u>	<u>(81)</u>	<u>239</u>	<u>224</u>
	-----	-----	-----	-----
Other operating income				
Net gain from sale of financial assets available-for-sale	505	255	861	360
	<u>505</u>	<u>255</u>	<u>861</u>	<u>360</u>
	-----	-----	-----	-----
	<u>19,004</u>	<u>24,277</u>	<u>26,370</u>	<u>50,707</u>
	=====	=====	=====	=====
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	209	316	420	678
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	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
Finance, income and hibah				
Financing, advances and others				
- Other deposits	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 deposit 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 (loss)/gain 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>
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

25. Income derived from investment account funds

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	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
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	15,222	-	24,291	-
- <i>Wakalah</i>	1,525	-	1,883	-
	<u>16,747</u>	<u>-</u>	<u>26,174</u>	<u>-</u>
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

26. Income derived from investment of shareholders' funds

Group	Quarter		Year-to-date	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Financing income and hibah				
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	1,354	306	2,863	4,134
	<u>44,444</u>	<u>36,149</u>	<u>89,924</u>	<u>69,904</u>
Other dealing income				
Net gain from foreign exchange transactions	17,997	15,036	36,474	42,721
Net (loss)/gain from sale of financial assets held-for-trading	(298)	72	(558)	107
Net gain/(loss) on revaluation of financial assets held-for-trading	342	(300)	571	512
Net derivatives (loss)/gain	(1,122)	1,116	(5,308)	(3,104)
	<u>16,919</u>	<u>15,924</u>	<u>31,179</u>	<u>40,236</u>
Other operating income				
Net gain from sale of financial assets available-for-sale	424	-	424	-
Reversal of allowance for doubtful debts	-	6	2	52
Gross dividend income from securities:				
- Quoted in Malaysia	15	108	36	196
- Unquoted in Malaysia	1,612	1,611	1,612	1,611
- Unit trust outside Malaysia	-	59	-	59
- Unit trust in Malaysia	1,222	338	2,206	438
Fees and commission	53,075	50,664	107,605	94,913
Net gain/(loss) on disposal of property, plant and equipment	29	(90)	(490)	(426)
Gain on disposal of shares in associated company	-	247	-	247
Rental income	368	537	731	832
Others	40	13	54	52
	<u>56,785</u>	<u>53,493</u>	<u>112,180</u>	<u>97,974</u>
	<u>118,148</u>	<u>105,566</u>	<u>233,283</u>	<u>208,114</u>

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Company	Quarter 3 months ended		Year-to-date 6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Financing income and hibah				
Money at call and deposits with financial institutions	2,479	860	4,535	1,601
	<u>2,479</u>	<u>860</u>	<u>4,535</u>	<u>1,601</u>
	-----	-----	-----	-----
Other operating income				
Gross dividend income from securities:				
- Unit trust in Malaysia	335	338	438	438
Gross dividend income from subsidiary companies	130,734	167,803	166,863	167,803
Gain on disposal of shares in associated company	-	247	-	247
Others	-	3	2	15
	<u>131,069</u>	<u>168,391</u>	<u>167,303</u>	<u>168,503</u>
	-----	-----	-----	-----
	<u>133,548</u>	<u>169,251</u>	<u>171,838</u>	<u>170,104</u>
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

27. Net income from Takaful business

Group	Quarter		Year-to-date	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Net earned contributions				
Gross earned contributions	430,717	399,967	857,081	773,187
Contribution ceded to retakaful	(53,938)	(68,339)	(116,986)	(140,930)
	<u>376,779</u>	<u>331,628</u>	<u>740,095</u>	<u>632,257</u>
	-----	-----	-----	-----
Other income				
Administration income	10,659	9,023	25,360	21,268
Investment income	68,610	67,639	132,198	128,802
Realised gains and losses	(3,396)	13,814	936	38,909
Fair value gains and losses	6,164	(13,210)	11,322	(4,318)
Other operating income	1,047	1,349	2,080	4,469
	<u>83,084</u>	<u>78,615</u>	<u>171,896</u>	<u>189,130</u>
	-----	-----	-----	-----
Net benefits and claims				
Gross benefits and claims paid	(304,685)	(242,808)	(554,268)	(457,837)
Claims ceded to retakaful	80,215	48,735	121,143	83,945
Gross change to contract liabilities	57,146	5,918	74,596	(49,251)
Change to contract liabilities ceded to takaful	(57,915)	(6,484)	(98,901)	40,874
	<u>(225,239)</u>	<u>(194,639)</u>	<u>(457,430)</u>	<u>(382,269)</u>
	-----	-----	-----	-----
Expense reserves	6,056	7,403	(14,351)	1,308
	<u>240,680</u>	<u>223,007</u>	<u>440,210</u>	<u>440,426</u>
	-----	-----	-----	-----
Income from takaful business	240,680	223,007	440,210	440,426
Profits attributable to participants/ takaful operator	(71,224)	(72,493)	(90,887)	(125,661)
	<u>169,456</u>	<u>150,514</u>	<u>349,323</u>	<u>314,765</u>
	=====	=====	=====	=====
Net income from takaful business	169,456	150,514	349,323	314,765

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

28. Allowance for impairment on financing and advances

Group	Quarter 3 months ended		Year-to-date 6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 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)
	<u>31,211</u>	<u>25,515</u>	<u>65,822</u>	<u>55,968</u>
	=====	=====	=====	=====

29. Income attributable to depositors

Group	Quarter 3 months ended		Year-to-date 6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Deposits from customers				
- Mudharabah Fund	4,179	17,535	8,445	53,674
- Non-Mudharabah Fund	240,561	238,104	506,678	443,482
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	-	714	-	2,261
- Non-Mudharabah Fund	17,268	202	23,223	202
	<u>262,008</u>	<u>256,555</u>	<u>538,346</u>	<u>499,619</u>
	=====	=====	=====	=====

30. Income attributable to investment account holders

Group	Quarter 3 months ended		Year-to-date 6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	293	-	466	-
- <i>Wakalah</i>	727	-	727	-
	<u>1,020</u>	<u>-</u>	<u>1,193</u>	<u>-</u>
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

31. Personnel expenses

	Quarter		Year-to-date	
	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
Group				
Salaries and wages	137,542	106,248	265,378	224,435
Employees' Provident Fund	16,731	15,546	33,571	31,209
Directors' remuneration	1,947	1,457	4,554	3,503
Others	13,952	13,601	30,174	28,410
	<hr/>	<hr/>	<hr/>	<hr/>
	170,172	136,852	333,677	287,557
	<hr/>	<hr/>	<hr/>	<hr/>
Company				
Salaries and wages	1,343	1,046	3,457	2,212
Employees' Provident Fund	161	76	314	203
Directors' remuneration	574	224	975	682
Others	119	108	257	216
	<hr/>	<hr/>	<hr/>	<hr/>
	2,197	1,454	5,003	3,313
	<hr/>	<hr/>	<hr/>	<hr/>

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

32. Other overhead expenses

Group	Quarter		Year-to-date	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Promotion				
Advertisement and publicity	13,289	8,016	24,109	15,446
Credit and debit card expenses	6,751	3,707	12,840	8,451
Commission	37,813	33,136	91,084	76,685
	<u>57,853</u>	<u>44,859</u>	<u>128,033</u>	<u>100,582</u>
Establishment				
Office rental	14,041	13,915	28,346	27,752
Depreciation of property and equipment	17,791	19,664	35,858	38,280
Depreciation of investment property	73	69	147	139
Information technology expenses	13,004	8,769	24,403	12,952
Rental equipment	884	1,309	2,339	2,654
Office maintenance	5,041	4,796	9,236	9,596
Utilities	6,156	4,321	11,107	9,490
Security services	4,867	2,716	8,706	6,139
Takaful and insurance	4,854	2,233	5,353	4,479
Others	232	362	775	610
	<u>66,943</u>	<u>58,154</u>	<u>126,270</u>	<u>112,091</u>
General expenses				
Auditors' remuneration	525	496	997	984
Professional fees	10,134	7,485	20,715	13,408
Office supplies	2,619	2,236	5,514	5,213
Travelling & transport	2,927	3,156	5,420	5,249
Subscription fees	822	847	2,251	1,688
Outsourcing fees	4,944	5,334	8,863	8,829
Processing charges	126	712	385	1,191
Others	24,082	36,014	47,812	50,180
	<u>46,179</u>	<u>56,280</u>	<u>91,957</u>	<u>86,742</u>
	<u>170,975</u>	<u>159,293</u>	<u>346,260</u>	<u>299,415</u>

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

32. Other overhead expenses (continued)

Company	Quarter 3 months ended		Year-to-date 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	84	26	84	1,115
	<u>84</u>	<u>26</u>	<u>84</u>	<u>1,115</u>
	-----	-----	-----	-----
<i>Establishment</i>				
Office rental	254	254	506	494
Depreciation of property and equipment	94	172	254	344
Information technology expenses	5	1	7	2
Rental equipment	25	26	50	51
Office maintenance	5	18	8	26
Utilities	9	5	17	11
Takaful and insurance	29	23	58	46
	<u>421</u>	<u>499</u>	<u>900</u>	<u>974</u>
	-----	-----	-----	-----
<i>General expenses</i>				
Auditors' remuneration	37	32	75	64
Professional fees	29	6	128	12
Office supplies	12	15	22	26
Travelling & transport	4	2	6	4
Subscription fees	1	1	1	2
Others	288	826	903	1,320
	<u>371</u>	<u>882</u>	<u>1,135</u>	<u>1,428</u>
	-----	-----	-----	-----
	<u>876</u>	<u>1,407</u>	<u>2,119</u>	<u>3,517</u>
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

33. Operating segment information

The Group comprises of the following main business segments:

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

33. Operating segment information (continued)

Quarter ended 30 June 2016	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	722,793	169,456	957	-	893,206
Inter-segment revenue	-	635	136,616	(137,251)	-
Total revenue	722,793	170,091	137,573	(137,251)	893,206
Net income from operations (before allowance for impairment on financing and other assets)	454,723	170,091	137,573	(132,209)	630,178
Operating overheads	(230,077)	(110,590)	(6,327)	965	(346,029)
Operating results	224,646	59,501	131,246	(131,244)	284,149
Allowance for impairment	(30,292)	-	-	-	(30,292)
Finance cost	(9,786)	-	(18,387)	-	(28,173)
Profit before zakat and taxation	184,568	59,501	112,859	(131,244)	225,684

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

33. Operating segment information (continued)

Quarter ended 30 June 2015	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	662,215	150,514	1,977	-	814,706
Inter-segment revenue	-	215	170,215	(170,430)	-
Total revenue	662,215	150,729	172,192	(170,430)	814,706
Net income from operations (before allowance for impairment on financing and other assets)	403,716	150,729	172,192	(168,486)	558,151
Operating overheads	(198,219)	(97,894)	(6,358)	683	(301,788)
Operating results	205,497	52,835	165,834	(167,803)	256,363
Allowance for impairment	(25,515)	-	-	-	(25,515)
Finance cost	(3,308)	-	(17,650)	-	(20,958)
Profit before zakat and taxation	176,674	52,835	148,184	(167,803)	209,890

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

33. Operating segment information (continued)

Year-to-date 6 months ended 30 June 2016	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	1,438,453	349,323	2,222	-	1,789,998
Inter-segment revenue	-	1,271	177,326	(178,597)	-
Total revenue	1,438,453	350,594	179,548	(178,597)	1,789,998
Net income from operations (before allowance for impairment on financing and other assets)	889,662	350,594	179,548	(169,345)	1,250,459
Operating overheads	(445,107)	(233,822)	(13,630)	1,972	(690,587)
Operating results	444,555	116,772	165,918	(167,373)	559,872
Allowance for impairment	(65,213)	-	-	-	(65,213)
Finance cost	(19,679)	-	(36,774)	-	(56,453)
Profit before zakat and taxation	359,663	116,772	129,144	(167,373)	438,206
Segment assets	49,744,355	7,560,910	5,392,672	(5,521,785)	57,176,152
Segment liabilities	45,426,933	6,832,398	1,240,533	(563,513)	52,936,351

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

33. Operating segment information (continued)

Year-to-date 6 months ended 30 June 2015	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	1,302,277	314,765	6,746	-	1,623,788
Inter-segment revenue	-	872	171,089	(171,961)	-
Total revenue	1,302,277	315,637	177,835	(171,961)	1,623,788
Net income from operations (before allowance for impairment on financing and other assets)	800,241	315,637	177,835	(169,544)	1,124,169
Operating overheads	(390,641)	(202,114)	(13,493)	6,841	(599,407)
Operating results	409,600	113,523	164,342	(162,703)	524,762
Allowance for impairment	(55,968)	-	-	-	(55,968)
Finance cost	(3,308)	-	(35,300)	-	(38,608)
Profit before zakat and taxation	350,324	113,523	129,042	(162,703)	430,186
Segment assets	48,383,627	7,402,938	5,231,729	(5,180,605)	55,837,689
Segment liabilities	44,457,330	6,793,107	1,259,158	(333,952)	52,175,643

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

34. 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 six months ended 30 June 2016.

35. Changes in composition of the Group

There were no changes in the composition of the Group for the six months ended 30 June 2016.

36. 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 adopted are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rates swap and structured debt. The sources of input parameters include Bank Negara Malaysia ("BNM") indicative yields or counterparty credit risk.

There has been no transfer between Level 1 and 2 Fair values during the six months ended 30 June 2016.

- 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 following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include short-term / on demand financial assets and financial liabilities where the carrying amount is a reasonable approximation of their fair value:

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

36. Fair value of financial instruments (continued)

Fair value information

30.06.2016 RM'000 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Financial assets held-for-trading	211,307	577,242	-	788,549	-	-	-	-	788,549	788,549
Derivative financial assets	-	29,018	-	29,018	-	-	-	-	29,018	29,018
Financial assets available-for-sale	765,004	11,776,054	156,245	12,697,303	-	-	5,300	5,300	12,702,603	12,703,024
Financial assets held-to-maturity	-	-	-	-	59,968	529,811	57,696	647,475	647,475	639,958
Financing, advances and others	-	-	-	-	-	-	36,326,640	36,326,640	36,326,640	36,332,382
Total assets	976,311	12,382,314	156,245	13,514,870	59,968	529,811	36,389,636	36,979,415	50,494,285	50,492,931
Financial liabilities										
Derivative financial liabilities	-	27,712	-	27,712	-	-	-	-	27,712	27,712
Sukuk liabilities	-	-	-	-	-	-	1,948,641	1,948,641	1,948,641	1,919,739
Total liabilities	-	27,712	-	27,712	-	-	1,948,641	1,948,641	1,976,353	1,947,451
30.06.2016 Company										
Financial assets										
Financial assets available-for-sale	19,591	-	-	19,591	-	-	-	-	19,591	19,591
Total assets	19,591	-	-	19,591	-	-	-	-	19,591	19,591
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	1,215,359	1,215,359	1,215,359	1,215,359
Total liabilities	-	-	-	-	-	-	1,215,359	1,215,359	1,215,359	1,215,359

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

36. Fair value of financial instruments (continued)

Fair value information (continued)

31.12.2015 RM'000 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Financial assets held-for-trading	220,177	449,829	-	670,006	-	-	-	-	670,006	670,006
Derivative financial assets	-	119,259	-	119,259	-	-	-	-	119,259	119,259
Financial assets available-for-sale	879,013	12,759,809	152,641	13,791,463	-	-	5,320	5,320	13,796,783	13,797,205
Financial assets held-to-maturity	-	-	-	-	61,770	522,051	59,352	643,173	643,173	643,164
Financing, advances and others	-	-	-	-	-	-	34,334,821	34,334,821	34,334,821	34,294,690
Total assets	1,099,190	13,328,897	152,641	14,580,728	61,770	522,051	34,399,493	34,983,314	49,564,042	49,524,324
Financial liabilities										
Derivative financial liabilities	-	101,913	-	101,913	-	-	-	-	101,913	101,913
Sukuk liabilities	-	-	-	-	-	-	1,891,568	1,891,568	1,891,568	1,882,965
Total liabilities	-	101,913	-	101,913	-	-	1,891,568	1,891,568	1,993,481	1,984,878
31.12.2015 Company										
Financial assets										
Financial assets available-for-sale	19,215	-	-	19,215	-	-	-	-	19,215	19,215
Total assets	19,215	-	-	19,215	-	-	-	-	19,215	19,215
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	1,178,585	1,178,585	1,178,585	1,178,585
Total liabilities	-	-	-	-	-	-	1,178,585	1,178,585	1,178,585	1,178,585

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

36. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2016 for the Group:

	6 months 30.06.2016 RM'000	12 months 31.12.2015 RM'000
<i>Financial assets available-for-sale</i>		
At 1 January 2016 / 2015	152,641	153,933
Purchases	-	69,313
Maturity	-	(73,115)
Gains	3,604	7,130
Allowance for impairment	-	(4,620)
	<hr/>	<hr/>
At 30 June 2016 / 31 December 2015	156,245	152,641
	=====	=====

The following table shows 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
Institutional trust account	Discounted cash flows using market profit rate for a similar instrument at the measurement date	4.58%	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

36. Fair value of financial instruments (continued)

(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 flow analysis. Where discounted cash flow 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.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

37. Off balance sheet financial instruments by value of contracts classified by remaining period to maturity/net re-pricing date (whichever earlier)

Group Items	30.06.2016				
	Principal Amount RM'000	up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000
Foreign exchange related contracts					
- forwards	1,157,656	137,290	207,147	19,099	794,120
- swaps	1,335,823	477,358	124,092	61,897	672,476
- spot	756,091	756,091	-	-	-
Total	3,249,570	1,370,739	331,239	80,996	1,466,596

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 may be reduced through offsetting on and off-balance sheet positions. As at 30 June 2016, the amount of contracts which were not hedged and, hence, exposed to market risk was RM692.67 million. (31 December 2015: RM668.16 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 2016, the credit risk measured in terms of the cost to replace the profitable contracts was RM103.48 million (31 December 2015: RM184.32 million).

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

38. Commitments and contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These exclude all contracts cleared in the normal course of the takaful business.

The off-balance sheet and counterparties credit risk for Bank Islam is as follows:

As at 30.06.2016	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit-related Exposures				
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 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 are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,668,011		-	-
	9,916,708	-	2,159,492	1,709,625
Derivative Financial Instruments				
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
	14,015,757	29,018	2,262,968	1,752,621

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

38. Commitments and contingencies (continued)

The off-balance sheet and counterparties credit risk for Bank Islam is as follows (continued):

As at 31.12.2015	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit-related Exposures				
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 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 are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	5,822,088		-	-
	<u>9,506,449</u>	<u>-</u>	<u>1,550,142</u>	<u>1,298,010</u>
Derivative Financial Instruments				
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
	<u>3,185,854</u>	<u>119,259</u>	<u>184,323</u>	<u>85,061</u>
	<u>12,692,303</u>	<u>119,259</u>	<u>1,734,465</u>	<u>1,383,071</u>

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

39. Capital adequacy

Total capital and capital adequacy ratios of Bank Islam Group ("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.

	30.06.2016	31.12.2015
	%	%
Common Equity Tier I (CET I) Capital Ratio	12.708	12.087
Total Tier I Capital Ratio	12.708	12.087
Total Capital Ratio	15.900	15.320

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

	30.06.2016	31.12.2015
	RM'000	RM'000
<u>Tier I capital</u>		
Paid-up share capital	2,384,210	2,363,283
Share premium	219,399	175,452
Retained earnings	387,025	385,913
Other reserves	1,326,788	1,107,920
Less: Deferred tax assets	(16,534)	(35,182)
Less: 55% of fair value reserve	(19,800)	-
Total CET I and Tier I Capital	4,281,088	3,997,386
Sukuk Murabahah	700,000	700,000
Collective assessment allowance ^	375,615	369,414
Total Tier II Capital	1,075,615	1,069,414
Total Capital	5,356,703	5,066,800

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

39. Capital adequacy (continued)

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

	30.06.2016	31.12.2015
	RM'000	RM'000
Credit risk	30,049,163	29,553,110
Market risk	692,668	668,158
Operational risk	2,947,127	2,851,129
	<u>33,688,958</u>	<u>33,072,397</u>
	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

**Explanatory notes pursuant to Appendix 9B of the listing requirements of
Bursa Malaysia Securities Berhad**

B1. Performance review for the six months ended 30 June 2016

BIMB Holdings Berhad ("BHB") Group registered a consolidated Profit After Zakat and Taxation ("PAZT") of RM315.7 million for the six months ended 30 June 2016, representing a RM15.7 million or 5.2% growth compared to the previous corresponding period.

The net profit attributable to shareholders was higher by 5.0% or RM13.4 million at RM279.0 million for the six months ended 30 June 2016.

Islamic Banking

Bank Islam Group ("Bank Islam" or "the Bank") reported a PAZT 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 deposits 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 Bank'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 16.0% and 1.5% respectively against the Banking System's 12.4% and 1.3% respectively. In addition, the Bank'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.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B1. Performance review for the six months ended 30 June 2016 (continued)

Takaful

For the six months ended 30 June 2016, Syarikat Takaful Malaysia Berhad Group's ("Takaful Malaysia") operating revenue increased by 10.0% to RM1,095.5 million from RM996.0 million in the same period of the preceding year. The increase was mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

For the same period, Family Takaful generated gross earned contributions of RM599.6 million as compared to RM524.3 million in the corresponding period last year. The increase was mainly attributable to higher sales from Family Takaful Group Medical and Family Takaful mortgage related products. Similarly, General Takaful recorded gross earned contributions of RM257.5 million as compared to RM248.8 million in the corresponding period last year. The growth was mainly from Fire and commercial classes.

For the six months period, the surplus transfer from Family Takaful decreased by RM5.2 million to RM34.6 million as compared to RM39.8 million in the same period last year. The lower surplus transfer from Family Takaful was mainly due to lower realized gains on disposal of investments. For the same period, the surplus transfer from General Takaful was RM10.3 million as compared to RM16.1 million last year. General Takaful reported lower surplus transfer mainly due to higher claims and realized losses on disposal of investments.

For the six months period, Takaful Malaysia recorded PAZT of RM91.7 million, an increase of 7.5% as compared to RM85.3 million achieved in the same period last year. The higher profit was attributed to higher wakalah fee income.

B2. Comparison with the preceding quarter's results for the three months performance (Second Quarter 2016 vs. First Quarter 2016)

For the second quarter ended 30 June 2016, the BHB Group reported a PAZT of RM162.3 million against a PAZT of RM153.4 million achieved for the first quarter ended 31 March 2016, an increase of RM8.9 million or 5.8%.

Bank Islam's PAZT of RM134.7 million for the second quarter ended 30 June 2016 was higher by RM7.2 million or 5.6% compared to the preceding quarter ended 31 March 2016 of RM127.5 million.

Takaful Malaysia's PAZT of RM45.3 million was lower than the preceding quarter ended 31 March 2016 by 2.4% or RM1.1 million.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B3. Prospects for 2016

Outlook on the economy

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.

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 a 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%).

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B3. Prospects for 2016 (continued)

Islamic banking

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, being more customer-focused by continuously seeking to attain service excellence remains vital.

Takaful

For the year 2016, Takaful Malaysia will continue its value proposition of rewarding its customers with 15% Cash Back for General Takaful products and establish a strong foothold in the local insurance and takaful arena as the preferred choice for insurance. Through its extensive range of products and services, Takaful Malaysia continues to be the market leader in the Group Family Takaful business. The successful implementation of core initiatives in Operational Excellence, Technology Driven Capabilities, Product Innovation and Performance Oriented Culture will enable Takaful Malaysia to be ahead of its competitors, increase its overall market share and continuously improve shareholders' value.

B4. Variance from profit forecast and profit guarantee

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

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B5. Tax expense

Major components of tax expense

	Group		Company	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense	120,631	117,327	550	359
Over provision in prior years	(756)	-	-	-
Deferred tax expense:				
Origination and reversal of temporary differences	(2,383)	6,384	-	-
	-----	-----	-----	-----
	117,492	123,711	550	359
	=====	=====	=====	=====

A reconciliation of effective tax expense for the Group and Company are as follows:

Profit before tax	438,206	430,186	127,942	127,974
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	105,169	107,547	30,706	31,994
Non-deductible expenses	26,555	21,644	1,065	1,491
Non-deductible Sukuk's finance cost	8,826	8,825	8,826	8,825
Non-taxable income	(22,302)	(14,305)	(40,047)	(41,951)
	-----	-----	-----	-----
	118,248	123,711	550	359
Over provision in prior years	(756)	-	-	-
	-----	-----	-----	-----
Tax expense	117,492	123,711	550	359
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B6. Corporate proposals

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

B7. Status of utilisation of proceeds raised from corporate proposals

The proceeds raised from the issuances of all debt securities in prior years have been used for working capital, general banking and other corporate purposes, as intended.

B8. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of the Group		
- realised	1,040,121	858,636
- unrealised	54,850	74,614
	<hr/>	<hr/>
	1,094,971	933,250
Less: Consolidation adjustments	(860,145)	(846,468)
	<hr/>	<hr/>
Total retained earnings	234,826	86,782
	<hr/> <hr/>	<hr/> <hr/>

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 the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B9. Deposits and placements of financial institutions and debt securities

	Group	
	30.06.2016	31.12.2015
	RM'000	RM'000
Deposits from customers		
Mudharabah accounts deposits, tawarruq account deposits and negotiable instruments of deposits		
- One year or less (short-term)	24,259,609	27,702,591
- More than one year (medium/long-term)	63,143	79,255
	24,322,752	27,781,846
Current accounts	9,761,767	10,567,552
Savings accounts	4,641,107	4,674,687
Others	98,941	94,444
	38,824,567	43,118,529
	38,824,567	43,118,529
Investment accounts of customers		
- One year or less (short-term)	2,997,403	676,105
	2,997,403	676,105
	2,997,403	676,105
Deposits and placements of banks and other financial institutions		
- One year or less (short-term)	1,439,961	-
	1,439,961	-
	1,439,961	-

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B10. 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 2015.

- (a) On 27 August 2007, Bank Islam filed a civil suit against four (4) senior management staff of Bank Islam Labuan Ltd (BILL) ("the Defendants") claiming for an amount of USD8,586,483.00 being the outstanding financing facilities granted by BILL to certain customers whose accounts had 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 claimed that the Defendants had acted contrary to the interest of BILL and were in breach of their statutory duties, common law duty of care and skill and contractual duties. All the Defendants are no longer in BILL or under Bank Islam's employment. On 16 June 2015 the High Court decided in favour of Bank Islam and ordered the Defendants to pay damages totaling USD8,586,483.00 to Bank Islam.

On 13 July 2015, the Defendants (except for the 3rd Defendant) appealed to the Court of Appeal ("COA") against the High Court's decision. The COA fixed 1 August 2016 for hearing.

- (b) On 7 March 2013, Saharuddin Abd Jabar ("the Plaintiff") filed a civil suit against Bank Islam Malaysia Berhad ("Bank Islam") claiming for damages totaling RM10,716,383.77 and unspecified special damages for libel. The Plaintiff alleged that Bank Islam had defamed him by negligently sending the letter of demand to a wrong address. As a consequence, the Plaintiff claimed that the letter was opened by a third party and pursuant to that suffered humiliation, mental distress, and huge financial loss. Bank Islam defended that the financing was granted to the Plaintiff and Encik Mohd Razlan (jointly). The letter was addressed to Encik Mohd Razlan and it was private and confidential.

On 26 October 2015, the High Court had partially allowed the Plaintiff's claims and awarded RM50,000.00 as damages and RM30,000.00 for cost to the Plaintiff. Based on our solicitor's advice and the assessment made by Legal Department, Bank Islam decided not to further appeal to the Court of Appeal as the Bank's liability was much lower than the amount claimed by the Plaintiff. However, on 25 November 2015, the Plaintiff appealed to the Court of Appeal ("COA") against the quantum awarded by the High Court.

On 24 June 2016, the Court of Appeal has dismissed the Plaintiff's appeal.

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B11. Dividend

On 22 January 2016, the Company had paid an interim dividend of 12.20 sen per ordinary share totaling RM188,149,587 in respect of the financial year ended 31 December 2015. From the total dividend amount, approximately 16.3% or RM30.7 million was distributed as cash dividend whilst the remaining 83.7% amounting to RM157.5 million was reinvested to subscribe for 46,469,480 new ordinary shares of RM1.00 at RM3.3885 each via the Dividend Reinvestment Plan.

B12. Earnings per share

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

Group	Quarter		Year-to-date	
	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
Net profit for the period under review attributable to equity holders of the parent	143,712	129,890	278,966	265,589
Number of ordinary shares	1,588,679	1,542,210	1,588,679	1,542,210
Number of average ordinary shares	1,588,679	1,542,210	1,583,317	1,538,981
Earnings per share (sen)	9.05	8.42	17.62	17.26

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

B13. Economic profit statement

Group	Quarter		Year-to-date	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Net Operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	225,684	209,890	438,206	430,186
Zakat & Taxation	(63,359)	(63,323)	(122,452)	(130,165)
NOPAT	<u>162,325</u>	<u>146,567</u>	<u>315,754</u>	<u>300,021</u>
Economic charge computation				
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)	5,360,633	4,805,901	5,167,511	4,625,400
Weighted Average Cost of Capital (WACC) (%)	6.18	7.91	6.18	7.91
Economic charge	82,369	94,776	158,804	181,431
Economic profit	79,956	51,791	156,950	118,590

By order of the Board

MARIA MAT SAID (LS 0009400)
Company Secretary
July 28, 2016