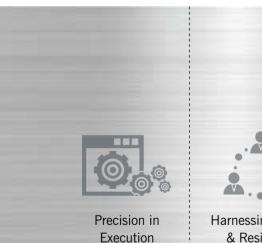


Strengths

MENYELARASKAN KEKUATAN



Aligning Strengths





& Resilience



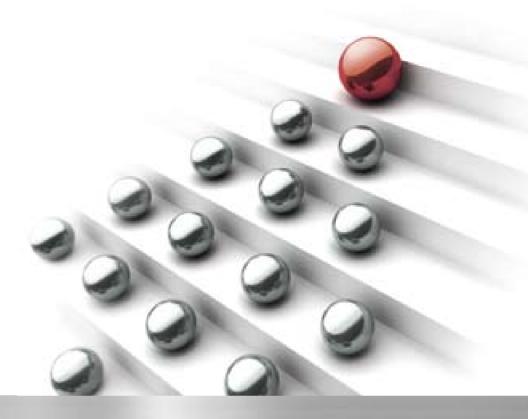
Embedding a Culture of AMAL



Adhering to Integrity



Pioneering Possibilities



Step by step and phase by phase, Bank Islam has pioneered change and emerged new possibilities in Islamic banking by adhering to strategy with precision and resilience. Anchored on enduring Islamic principles and values, we continue to be the ultimate guide and source of reference for innovative Shariah-based products and services.

Moving forward, we are guided by a new strategic plan to see us through the challenges that lie ahead for the industry at large. By aligning core strengths, we steadfastly fortify our resilience to stay the course on our journey towards excellence.



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Vision & Mission Statement, Core Brand Values
About Us
Bank Islam Key Highlights
2013-2015 Milestones
Journey of Innovation

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Vision

TO BE A GLOBAL LEADER IN ISLAMIC BANKING

"Global Leader" is defined as being the ultimate guidance and source of reference for innovative Shariah-based products and services

Core Brand Values





A LEADER

Our Islamic products are the Benchmark.

Reputed as the pioneer in Islamic banking, we helped build the Islamic banking industry.

DYNAMIC

Progressive and Innovative.

We are constantly moving ahead as we offer new and technologically advanced products and services.

Mission Statement

- To continually develop and innovate universally accepted financial solutions in line with Shariah principles
- To provide a reasonable and sustainable return to shareholders
- To provide a conducive working environment and to become an Employer of Choice for top talents in the market
- To deliver comprehensive financial solutions of global standards using state-of-the-art technology
- To be a responsible and prudent corporate citizen







PROFESSIONAL

Fast, Efficient and Responsive Service.

We are knowledgeable and equipped to handle global business challenges.

TRUSTWORTHY

Dependable and Reliable.

100% Shariah-based products, services and corporate values.

CARING

Approachable and Supportive Partner.

We help fulfill every customer's financial needs.





BANK ISLAM IS THE FIRST SHARIAH BASED BANKING INSTITUTION IN MALAYSIA AND SOUTH EAST ASIA; AND HAS BEEN PLAYING THE LEADING ROLE IN THE DEVELOPMENT OF THE NATION'S ISLAMIC BANKING INDUSTRY.

About Us

In fact, Bank Islam has provided technical assistance in the setting up of several Islamic institutions in the Asian region such as Indonesia, Thailand and Sri Lanka. Incorporated in 1983, it was originally established with the sole purpose of assisting with the financial needs of the Muslim population of Malaysia. Since then, Bank Islam has extended its services to the wider, non-Muslim, population fulfilling its "Banking-for-All" principle.

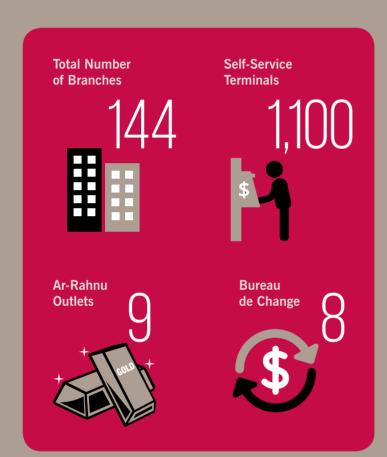
Today, with over 70 innovative and sophisticated Islamic banking products and services, Bank Islam offers a comprehensive range of Shariah-compliant banking and financial solutions to its more than five million customers. Primarily a retail bank, with consumer banking constituting more than 70% of total financing, Bank Islam's list of products ranges from the traditional financing, savings and investment solutions exclusively for individual customers, to banking and financial solutions designed to fulfil the fast-changing financial needs of customers from all categories including those related to micro financing, wealth management, capital market, treasury and structured products. The variety of financial services offered by the Bank has come a long way since its early days when it acted as the lead arranger for the world's first Sukuk issuance of RM125 million in 1990 by Shell MDS Sdn Bhd.

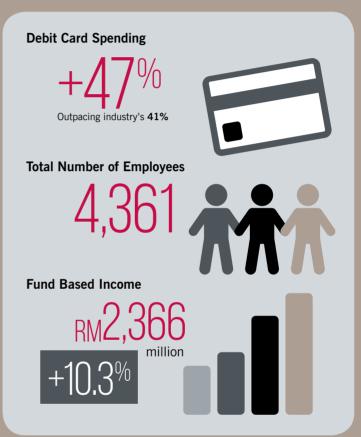
In serving its ever expanding customer base, Bank Islam currently has the widest dedicated Islamic banking network in Malaysia with 144 branches and more than 1,000 self-service terminals nationwide.

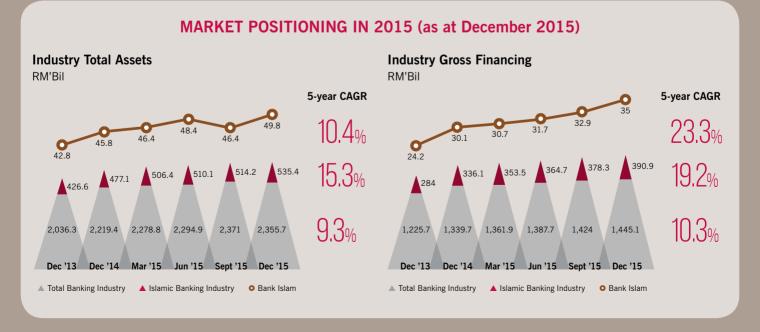
A pioneer in the industry, Bank Islam believes in the importance of innovation and has produced some of the most innovative banking solutions for the market. A strong advocate of ethical and responsible financing, Bank Islam's pioneering status has also given it an advantage by having a strong brand name and franchise that significantly differentiates it from its competitors creating an appealing image of being the purest Islamic bank which has attracted and continue to attract a growing, loyal customer base. In addition, the Bank has always been committed to corporate responsibility. not just by giving back to the community in which it operates but the Islamic finance industry as a whole through knowledge sharing and becoming the source of reference. In recent years, the Bank had not only exhibited improvements in terms of financial performance but applied robust risk management as well to ensure sustainability of growth.

Bank Islam's vision to become 'A Global Leader in Islamic Banking' illustrates its commitment to the expansion of Malaysia's brand of Islamic finance into global markets. By placing importance on a culture of service excellence, Bank Islam continues to offer only the best and cater to the differing needs of the customers as it strives to uphold its status as the symbol of Islamic banking in Malaysia.

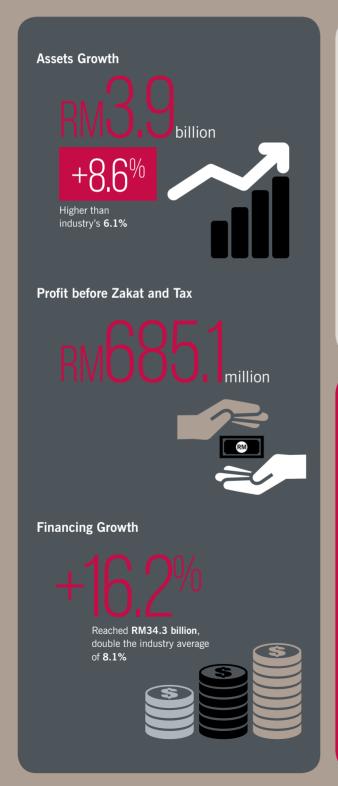
Bank Islam







Key Highlights



Growth of Total Financing Assets

100

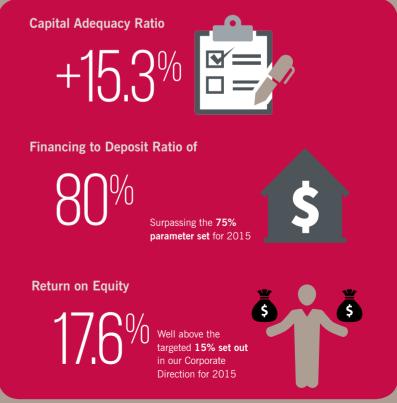
Lower than 1.14% in 2014 and Industry's 1.6%

Growth of Deposits

CASA to Deposits Ratio

35.1%

to RM43.6 Billion



Awarded

"Islamic Bank of the Year"

Asia by The European Global Banking & Finance Awards 2015



Awarded

STRONGEST ISLAMIC RETAIL BANK

in Malaysia by ISLAMIC RETAIL BANKING AWARDS 2015 (Cambridge IF Analytica – UK)



Voted **TOP 3**Most Popular

Graduate Employer
in Banking and Financial
Services Sector, ahead of

many leading financial

institutions



Ranked 13th in the **TOP MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS - 2015** putting us amongst

the country's top 20 graduate recruiters



Reaffirmed by RAM Rating Services Berhad with its AA3/Stable/P1 financial institution ratings





Awarded

"BEST ISLAMIC BANK MALAYSIA"

by The International Banker Asia & Australasia Banking Awards 2015



"Innovation In Retail

Banking Malaysia"
category from The International
Banker Asia & Australasia
Banking Awards 2015

Ranked **NO. 9** for Malaysian Bonds category and ranked **NO. 8** for Malaysian Ringgit Islamic Sukuk category based on the Bloomberg Capital Market League Table for Financial Year 2015



Received a **Highly Commended award**for Best Debit Card
Offering category for
the UniDebit Card by
Cards & Electronic
Payments International
("CEPI") Asia Summit &
Awards 2015

Recognised as Best Islamic Bank - Malaysia & Award for Excellence in Shariah Compliant Banking

by Wealth & Finance INTL's 2015 Finance



COLLABORATED WITH YAYASAN

ISLAM PERLIS to develop a school on waqf land at Mata Ayer, Perlis (Sekolah Menengah Agama [Perempuan]

Al-Maahad Al-Alawiyah Ad-Diniyyah)



Entered a Syndicated term financing with Malaysia Debt Ventures and Credit Guarantee Corporation for banking facilities totaling RM122 million for Kerian Energy Sdn Bhd



Introduced a new product/ service called Voucher Encashment ("VE") for the Bank's corporate customers in April 2015







BIMB Investment launched BIMB-Arabesque i Global Dividend Fund 1. the first BIMB Invest Unit Trust fund that has 100% overseas exposure and Malaysia's first Environmental, Social and Governance ("ESG") compliant fund. Unit Trust sales hit RM19 million during the 45 days Initial Offering Period

.....



Visa Malaysia Bank Awards: Highest Payment Volume Growth - Bank Islam Team Harimau

Visa Malavsia Bank Awards: Largest Payment Volume for Islamic Debit Card





Pioneered the development of Investment Account ("IA") products in accordance to the IFSA 2013. Three IA products were launched on 1 June 2015:

- 1. Special Investment Account Mudharabah,
- 2. Waheed Investment Account Wakalah and
- 3. Al-Awfar Investment Account



Successfully issued a

SUB-DEBT OF A TOTAL OF RM700 MILLION

in 2015; i.e. RM300 million via private placement and RM400 million via book-building



Awarded the "Best Commercial Bank -Malaysia" in conjunction with the 10th Islamic Business & Finance Awards by CPI Financial, Dubai.

Received approval for the first Restricted Investment Account ("RIA") under IFSA of RM200 million under Al-Ansar SME Financing. This was launched by the Prime Minister of Malaysia under collaboration with Lembaga Tabung Haji. The fund aims to strengthen and lift the economy of Muslim SMEs in Malaysia through financing facilities up to RM1 million







Ustaz Mohd Nazri Chik received the Promising Young Banker Award 2014 by The Asian Banker

Appointed as Kronologi Asia Berhad's principal adviser, sponsor, sole underwriter and placement agent for its initial public offering ("IPO") in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad

Signed an MOU with Kolei Universiti Insaniah on "cash wagf" initiative to develop a mosque in the main campus of the university

Named Best Customer Service Provider Asia by International Banker Awards 2014

Dato' Sri Zukri Samat was awarded Banking CEO of the Year, Asia, by International Banker Awards 2014

Bank Islam's long-term rating was upgraded from A1/Stable to AA3/Stable by RAM Rating

•••••

Completion of Syndicated Business Financing-i Facility of RM365 million granted to Projek Lintasan Shah Alam Sdn Bhd

Named Best Islamic Bank Malaysia by International Banker Awards 2014

Voted Top 3 Most Popular Graduate Employer in Banking and Financial Services Sector

Received Most Outstanding Islamic Retail Banking Award from KLIFF Islamic Finance Awards 2014

Ranked 16th in the Top Malaysia's 100 Leading Graduate Employers – 2014, putting us amongst the country's top 20 graduate recruiters

Awarded Best Islamic Finance Case 2014 by Global Islamic Finance Awards ("GIFA")

Received Top Merchant Acquirer for B2C honour by Malaysian Electronic Clearing Corporation Sdn Bhd ("MyClear")

1st Masterclass on Islamic Banking for Malaysian Students in the Middle East

•••••

Secured approvals from Bank Negara Malaysia and the Securities Commission for Bank Islam Malaysia Berhad's RM1 Subordinated Sukuk hillion Murabahah Programme

2014 2013

Named 'Most Innovative Islamic Bank in Malaysia' in International Finance Magazine Awards 2013

•••••

Upgraded the award-winning TAP-i functionality with the addition of mIBFT (mobile Internet Banking Funds Transfer) feature which enables money transfer or payment in real-time

Introduced Labbaik Account-i, a 2-in-1 savings account with Takaful coverage tailored for customers who are saving up to perform Hajj

•••••

Awarded 'Islamic Bank of the Year (Malaysia)' by The Banker publication

Introduced the electronic payment facility 'mPOS' for the traders at Pasar Siti Khadijah in Kota Bharu, Kelantan, the first such implementation in the country

Awarded 'IFN Deal of the Year (Equity) 2013' by Islamic Finance News for the acquisition exercise by BIMB Holdings Berhad of the remaining Bank Islam share from Dubai Financial Group

Appointed as the main banker for the Malaysian Government in conjunction with the implementation of 'Sistem Perakaunan Luar Negeri', which facilitates payment of foreign telegraphic transfers to countries across the globe

Ranked as the 5th strongest bank in Malaysia by The Asian Banker, a renowned global financial publication

Launched Bank Islam Team Harimau VISA Debit Card-i in collaboration with the Football Association of Malaysia ("FAM")

Dato' Sri Zukri Samat received the 'Trailblazer of the Year 2013' award by Banking & Payments Asia ("BPA") in recognition of his achievements in helming the Bank to record profitability; while Bank Islam received the 'Special Commendation in Mobile Banking (Financial Inclusion)' for its innovative TAP-i mobile banking solution

Named winner of the 'Platinum Award' for Islamic Financial Services for five consecutive years in the annual Reader's Digest Trusted Brands Award 2013

Dato' Sri Zukri Samat became the recipient of 'Islamic Banker of the Year 2013' award at the Global Islamic Finance Awards ("GIFA") 2013 event, in recognition of his accomplishments at Bank Islam

Received 'Special Recognition Award for Payments Innovation' in recognition of the Bank's innovative use of Well Fargo's Cyberpay web-based payment system; and Commerzbank's 'STP Award' for the fourth consecutive year since 2009

.....

Expanded Bank Islam's family of card offerings with the launch of VISA Platinum Credit Card-i

Introduced Property Financing-i (Tawarruq), a property financing product that utilises the Shariah concept of Tawarrug

Journey of

2015

Received the "Innovation in Retail Banking Malaysia" category award from The International Banker Asia & Australasia Banking Awards 2015



2013

Named 'Most Innovative Islamic Bank in Malaysia' in International Finance Magazine Awards 2013



2009

Manager for the Terengganu Investment Authority RM5 billion IMTN Programme; a landmark 30-year issue, longest tenured bond issued in Malaysia for both Sukuk and conventional bond markets

2009

First Bank to join effort with LTH in launching the Uniteller Service



2009

First Commercial Bank as Adviser for equity-linked transactions for YSP Southeast Asia Holdings Berhad on Rights Issue

2009

Launched Al-Awfar, first-of-itskind combination of savings-i and investment-i account which offers cash prizes



2008

Recorded highest profit of RM308.27 million in 25 years



2008

Launched An Najah NID-i, the first Shariah-based structured product with healthcare as the investment theme

2001

Achieved Excellence Performance Award by Association of Islamic Banking Institutions Malaysia



2001

Lead arranger for First Global Sukuk Inc, the world's first Islamic global corporate Sukuk



2002

First bank in Asia-Pacific region to introduce EMV-compliant credit cards with chip-based system



2000

Awarded ISO 9001:2000 Certification by SIRIM for its Trade Financing and Bills operations



1992

First bank in Malaysia to introduce chip-based ATM card (Smart Card)



1992

First Islamic financial institution to be listed on Bursa Malaysia
Securities Berhad



Innovation

2013

Launched Bank Islam Team Harimau VISA Debit Card-i in collaboration with the Football Association of Malaysia



2013

Introduced mPOS electronic payment facility for traders at Pasar Siti Khadijah in Kota Bharu, the first such implementation in Malaysia

2011

Charted Malaysian corporate history by being the first Islamic bank to advise on a listing exercise for APFT Berhad



2010

Launched Waheed-i, a first-of-its-kind Malaysian Ringgit fixed term deposit product based on the Wakalah (Agency) contract



2010

Launched Malaysia's first mobile banking service without requirement of internet access – Transact at Palm or TAP Mobile Banking-i



2011

Awarded "Anugerah Inovasi Islam Peringkat Kebangsaan 2011 bagi Inovasi Kewangan Islam" by MOSTI



2007

Launch of the new corporate identity of Bank Islam



2007

Entered into its first Islamic cross-currency swap agreement



2006

First bank in South East Asia to introduce an Islamic Platinum MasterCard



2002

Co-manager for Malaysia Global Sukuk Inc, the world's first Islamic sovereign Sukuk



2003

First bank to offer zakat payment facilities via ATM & credit card



2004

First bank in Malaysia to offer SMS banking service



1990

Lead arranger for Shell MDS Sdn Bhd, Malaysia's first ringgit-denominated Islamic corporate bond issuance



1983

Officiated by former Prime Minister Tun Dr Mahathir Mohamad as Malaysia's Islamic banking flag-bearer

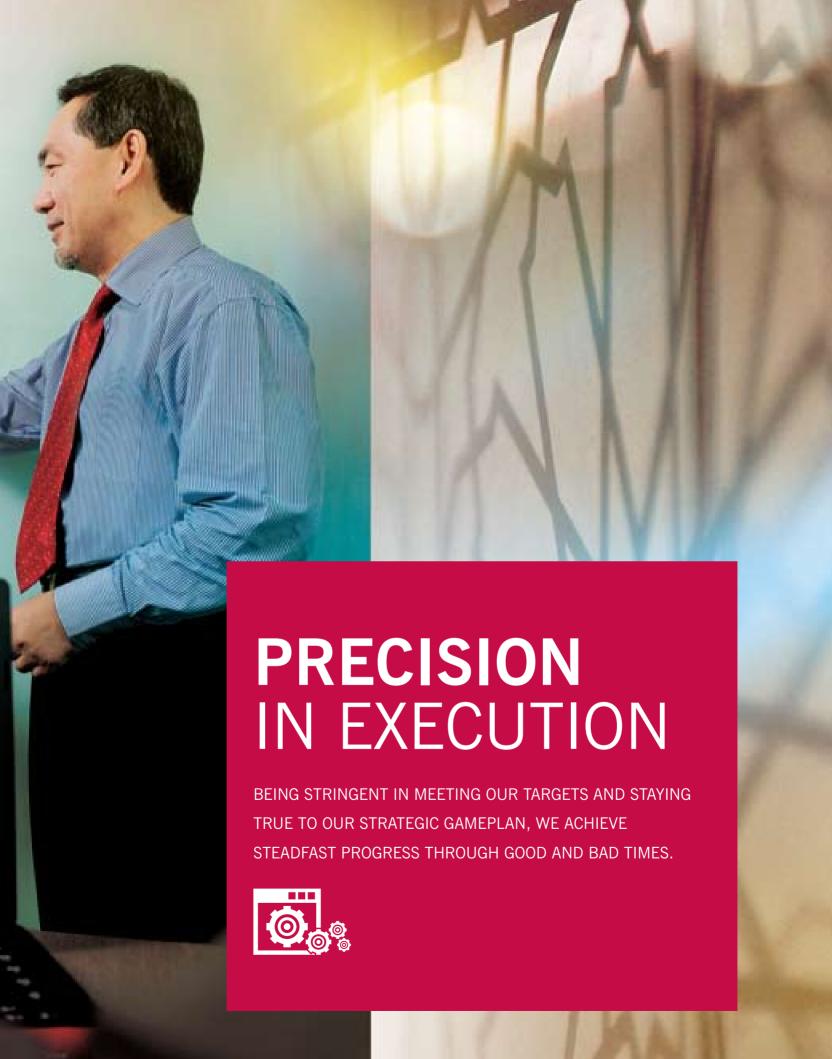




Robust Organic Ch

Service Excellence





Financial Highlights

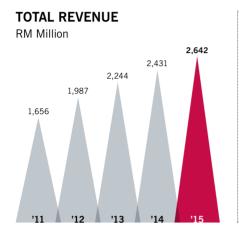
FINANCIAL YEAR ENDED 31 DECEMBER

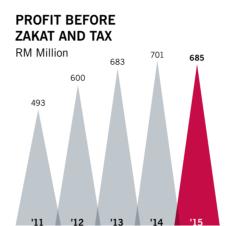
	2015	2014	2013	2012	20111
Operating Results (RM'000)					•
Total Revenue	2,641,702	2,431,396	2,244,308	1,987,431	1,656,204
Profit before Zakat and Tax	685,131	701,190	683,018	600,303	492,998
Profit after Zakat and Tax	506,833	509,031	491,645	430,785	376,333
Key Statements of Financial Position Items (RM'000)					
Total Assets	49,767,067	45,829,287	42,836,531	37,450,798	32,226,504
Total Financing	34,294,690	29,524,571	23,740,948	19,508,733	14,160,337
of which:					
Gross Impaired Financing	381,270	344,539	285,302	308,709	379,790
Securities	10,416,243	11,214,411	13,699,154	14,706,915	12,563,418
Deposits from Customers	43,594,947	41,021,556	37,272,452	32,583,175	28,304,907
of which:					
Current and Savings Deposits ("CASA")	15,287,867	15,631,394	14,565,958	13,426,139	12,282,776
Investment Accounts of Customers	676,105	_	_	_	_
Shareholders' Equity	4,033,053	3,730,628	3,329,374	3,099,615	2,800,957
of which:					
Share Capital	2,363,283	2,319,907	2,298,165	2,265,490	2,265,490
RATIO ANALYSIS					
Return on Assets	1.43%	1.58%	1.70%	1.72%	1.57%
Return on Equity	17.65%	19.86%	21.25%	20.35%	18.51%
Cost Income Ratio	52.47%	51.95%	54.12%	51.42%	53.79%
Capital Adequacy Ratio	15.28%	13.32%	13.97%	14.09%	16.83%
Gross Impaired Financing Ratio	1.09%	1.14%	1.18%	1.55%	2.61%
Financing to Deposits Ratio	78.64%	73.40%	65.04%	61.23%	51.45%
Earnings per Share	22 sen	22 sen	22 sen	19 sen	17 sen
Net Tangible Assets Backing	171 sen	161 sen	145 sen	137 sen	124 sen

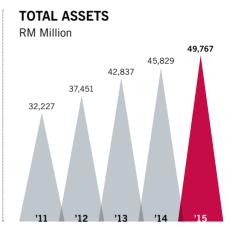
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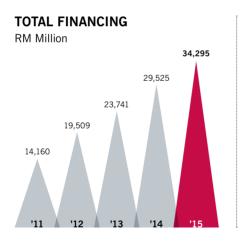
Restated arising from adoption of MFRS. Transition date as at 1 January 2011.

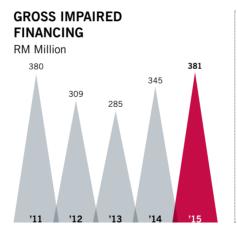
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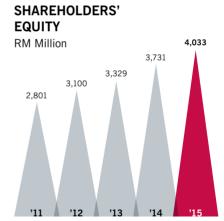


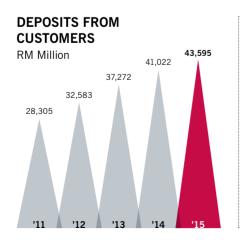




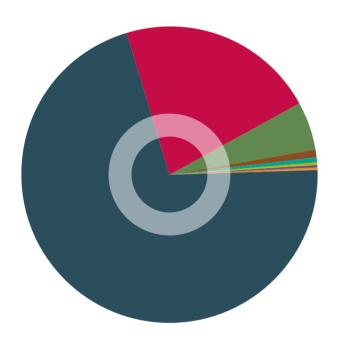








Financing by Contract (RM'000)

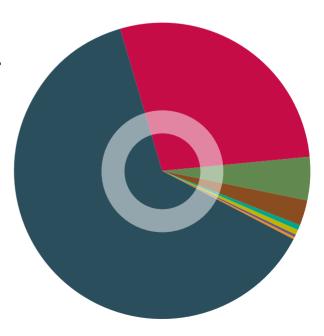


2015

- ◆ At-Tawarruq RM24,779,486 (70.9%)
- ◆ Bai' Bithaman Ajil RM7,540,774 (21.6%)
- Murabahah RM1,847,525 (5.3%)
- ◆ Bai Al-Inah RM339,794 (1.0%)
- ◆ Istisna' RM168,373 (0.5%)
- ljarah RM129,168 (0.3%)
- ◆ Ijarah Muntahiah Bit-Tamleek RM81,223 (0.2%)
- **Ar-Rahnu** RM73,883 (0.2%)

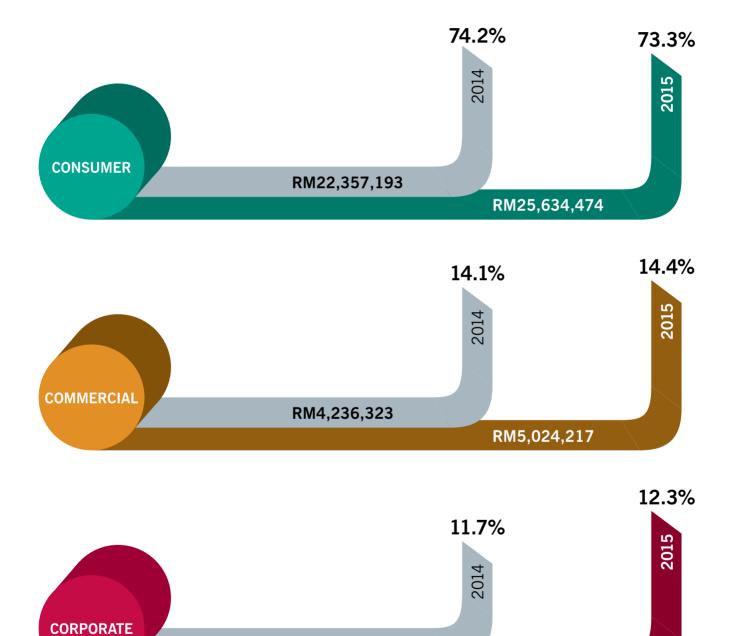
2014

- ◆ At-Tawarruq RM18,921,260 (62.8%)
- ♦ Bai' Bithaman Ajil RM8,474,275 (28.2%)
- ◆ Murabahah RM1,451,035 (4.8%)
- ◆ Bai Al-Inah RM797,589 (2.7%)
- ◆ Istisna' RM159,551 (0.5%)
- Ijarah RM153,573 (0.5%)
- ♦ Ijarah Muntahiah Bit-Tamleek RM64,141 (0.2%)
- ◆ Ar-Rahnu RM90,288 (0.3%)



RM4,301,535

Financing by Segment of Business Units (RM'000)



RM3,518,196

Chairman's Statement

PROFIT BEFORE ZAKAT AND TAX

RM685.1
MILLION

FINANCING GROWTH



+16.2%





IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

السلامعليكم ورحمة الله وبركاته ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH

DEAR VALUED SHAREHOLDERS,

BANK ISLAM ("THE BANK") FACED WINDS OF CHANGE IN 2015, CHALLENGED BY SLOWER THAN EXPECTED ECONOMIC RECOVERY, A NEW BANKING REGULATORY FRAMEWORK AND AGGRESSIVE MARKET COMPETITION AMIDST FLAT EARNING CONDITIONS. HOWEVER, GUIDED BY THE FINAL PHASE OF OUR HIJRAH TO EXCELLENCE ("H2E") ROADMAP, THE BANK WAS ABLE TO NAVIGATE ITS WAY FORWARD AND PIONEER NEW INROADS. THIS ENSURED SUSTAINED PERFORMANCE, WITH THE BANK ACHIEVING AN ABOVE INDUSTRY PERFORMANCE IN FINANCING GROWTH COUPLED WITH SOUND ASSET QUALITY, AND A COMMENDABLE RM685.1 MILLION IN PROFIT BEFORE ZAKAT AND TAX ("PBZT"). THE BANK'S RETURN ON EQUITY ("ROE") IMPROVED TO 17.6%, SURPASSING THE INDUSTRY AVERAGE OF 12.4%; WHILE RETURN ON ASSETS ("ROA") WAS 1.4% COMPARED WITH THE INDUSTRY'S 1.3%.

ON BEHALF OF THE BOARD OF DIRECTORS, I TAKE GREAT PLEASURE IN PRESENTING BANK ISLAM'S ANNUAL REPORT FOR THE YEAR 2015.

The year saw the Bank once again leveraging on change to become the first Islamic bank to offer products that comply with the guidelines set by the Islamic Financial Services Act ("IFSA") 2013. IFSA 2013 brought about the need to re-classify existing deposit products based on the underlying Shariah contracts to differentiate between deposit and investment accounts ("IA"). Under the IFSA 2013, all existing Islamic deposit products that apply the Shariah contracts of Mudharabah, Musharakah and Wakalah are now classified as IA products. As part of a major enhancement exercise of its existing product line-up, the Bank rolled-out three new IA products on 1 June 2015. These were 'Special Investment Account (Mudarabah)', 'Waheed Investment Account (Wakalah)' and 'Al-Awfar Investment Account'. The different Shariah contracts provide different profit payment methods thus expanding the Bank's range of Shariah-compliant investment options with differing risk-return profiles to our depositors and investors. Within six months since its roll-out, the IA balances stood at RM676.1 million.

Further details on these products are available on page 28 to 29 of this annual report.

Chairman's Statement

(cont'd)

Towards end-October 2015, the Bank was also one of the four founding Islamic banks to form a consortium to market IAs via the Investment Account Platform ("IAP"). IAP is a centralised multi-bank platform which will be used to match investors (either individual, corporate or institutional investors) with viable ventures or projects that require financing. The IAP essentially provides a channel to bring together investors and ventures and catalyse growth opportunities through IA solutions.

The Bank's adherence to a high performance culture earned greater industry recognition in 2015 as attested by the growing number of awards and accolades received. Some of the noteworthy honours included "Islamic Bank of the Year - Asia" by The European Global Banking & Finance Awards 2015; "Strongest Islamic Retail Bank in Malaysia" by Islamic Retail Banking Awards 2015 (Cambridge IF Analytica-UK); "Best Islamic Bank Malaysia" by The International Banker Asia & Australasia Banking Awards 2015; "Best Islamic Bank – Malaysia" & "Award for Excellence in Shariah Compliant Banking" by Wealth & Finance INTL's 2015 Finance Awards; and "Best Commercial Bank – Malaysia" in conjunction with the 10th Islamic Business & Finance Awards by CPI Financial, Dubai. Another notable attainment was the Bank's improvement in ranking, from 16th to 13th, as Malaysia's Top Leading Graduate Employers and its continued reign as a Top 3 Most Popular Graduate Employer in Banking and Financial Services Sector, ahead of many leading financial institutions. The full list of awards and accolades are listed on page 44 of this annual report.

In its continued commitment to provide greater accessibility and convenience, five more Bank Islam branches were opened in underserved areas during the year. This brings the total number of branches to 144 while our Bureau de Change ("BDC") stands at eight outlets and Ar-Rahnu at nine outlets with more in the pipeline for the coming year.

2015 FINANCIAL PERFORMANCE

The Bank continued to outperform its set targets as well as surpass industry performance in 2015. Consumer financing portfolio was the key driver of growth in 2015, as it contributed to robust double-digit financing growth of 16.2% or RM4.8 billion to RM34.3 billion as at 31 December 2015, doubling the 7.9% recorded by the banking industry. PBZT however, dropped slightly by 2.3% to RM685.1 million from RM701.2 million in 2014; mainly attributed to the finance cost incurred on the Subordinated Sukuk Murabahah and the higher income attributable to depositors and IA Holders.



Deposits grew by 6.3% to RM43.6 billion despite the intense competition for customer deposits that continues to afflict the industry; while current and savings account ("CASA") ratio stood at 35.1% compared with the banking industry's CASA ratio of 25.6%.

Overall the corporate scorecard showed a healthy financing to deposits ratio of 78.7% which surpassed the Bank's H2E target of 75% for 2015.

The Bank's capital position remains robust with a total Capital ratio of 15.3%, in part due to the establishment of the Bank's 30-year Subordinated Sukuk Murabahah Programme of up to RM1 billion in nominal value ("Sukuk Programme") where the Bank had issued two tranches of the subordinated Sukuk under the Sukuk Programme amounting to RM300 million and RM400 million on 22 April 2015 and 15 December 2015 respectively. This is well above the new regulatory capital requirement of 8.63% effective from January 2016. The subordinated Sukuk issued under the Sukuk Programme qualified as Tier II capital for the computation of the regulatory capital of the Bank in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components) whilst enhancing the capital adequacy of the Bank based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision and Islamic Financial Services Board. It is heartening to note that RAM Ratings Services Berhad had in October 2015 reaffirmed the Bank's AA3/ Stable/P1 financial institution ratings. The AA3 rating indicates a strong capacity for the Bank to meet its financial obligations while the P1 rating reflects a strong capacity for the Bank to meet its short-term financial obligations. Concurrently, the A1/Stable rating of the Sukuk Programme has also been reaffirmed.

ADVANCING ON ALIGNED STRENGTHS

Towards the end of 2015, the banking system recorded slower activity with lending growth moderating from 9.3% in December 2014 to 7.9% in December 2015 mainly due to slower growth in household financing. Augmented by narrowing net income margin due to rising cost of funding as well as higher operating and regulatory costs, another challenging year awaits the industry.



Nevertheless, Bank Negara Malaysia ("BNM") has put in place measures to preserve monetary and financial system stability, and ensure that the liquidity condition in the system continues to remain ample, complemented recently with the reduction in Statutory Reserve Requirement ("SRR") by 50 basis points in January 2016. Monetary policy has been kept steady and has remained accommodative and supportive of economic activity. As such, the economy is expected to register growth of between 4% and 4.5% in the year 2016.

In response to the continued challenging environment, Bank Islam is intent on adhering to a recently developed strategic plan for 2016 that will focus on sustaining capital through robust liability management. This will see us pursuing growth by aligning the strengths of our unique offerings through focus on liability management, particularly in driving retail deposits, coupled with enhanced service excellence. The Bank will also continue to focus on safeguarding asset quality as part of our strategy to maintain a healthy capital position. In addition, we will continue to assess capital requirements to ensure the Bank is well positioned to support its business growth strategies.

We also intend to aggressively market our IA products which not only benefit the Bank as they provide a more effective funding structure that allows for capital optimisation and liquidity management. Our customers would also be able to enjoy better return on their investment.

Chairman's Statement

(cont'd)



FORTIFYING GOVERNANCE IN ALL WE DO

The Board is fully committed to the adoption of sound corporate governance standards and practices. Regular reviews were made to assess the adequacy of our controls as well as the risk management framework to ensure they are in line with sound and best practices of corporate governance. The Bank emphasises the importance of integrity, transparency and accountability in all of our transactions.

The Bank complies with and continues to strengthen our adherence to BNM's requirements under the Revised Guidelines on Corporate Governance for Licensed Islamic Banks ("BNM/GP1-i") and BNM Shariah Governance Framework.

During the period under review, two of our non-independent non-executive directors retired from the Board following the expiry of their tenure. Independent non-executive directors make up 50% of the Board.

During the year under review, the Bank has also appointed a new member and a non-Shariah scholar Subject Matter Expert to its Shariah Supervisory Council.

A detailed report on our corporate governance best practices and Shariah compliance is available on pages 116 to 140 of this annual report.

REFINING OUR CORPORATE RESPONSIBILITY STRATEGY

On 6 July 2015, during the holy month of Ramadan, Bank Islam strategically aligned our Corporate Responsibility ("CR") initiatives as a core pillar of the Bank's activities by launching the AMAL brand. The word AMAL (meaning good deeds or actions in Arabic) was chosen to reflect the essence of CR within Islamic values; thus helping us expand the social impact of our CR activities in line with our growing repute as Malaysia's premier Islamic bank.

The CR-related activities undertaken under the AMAL brand name focus on four strategic priorities: Community Development, Education, Projek Bantuan Rumah (Housing Aid Project) and the Environment. Initiatives under these priorities are longstanding efforts that have evolved to grow in scope and impact. In 2015, our commitment to inclusive and sustainable CR was recognised when we were accorded the Best CSR Initiative by the Golden Globe Tigers Awards 2015 for our flagship initiative Projek Bantuan Rumah.

BANK ISLAM MALAYSIA BERHAD | Annual Report 2015

The Bank has always encouraged management and staff to get personally involved in our CR programmes as well as any other welfare work and charity projects; in keeping with Prophet Muhammad SAW's reminder that "There are two blessings which many people lose: (They are) health and free time for doing good". Instilling the desire for AMAL within our people is thus a responsibility we commit ourselves to in providing opportunities for our employees to experience fulfillment and the joys of caring and sharing. To this end, I am happy to note that in 2015 our people collectively contributed 152,881 hours of their own time to be involved in gotong-royong activities and other voluntary work initiated by the Bank.

During the year, the Bank also distributed a total of RM12.7 million in zakat, a 2.6% increase compared with RM12.4 million in 2014. This is distributed to 14 state zakat management agencies and is then used for projects to uplift Muslim communities in need by financing diverse projects targeting the poor and underprivileged. As the first Islamic bank in Malaysia, Bank Islam has paid over RM95 million in zakat since 1984.

A detailed report of the Bank's CR activities can be found on pages 98 to 107 of this annual report.

ACKNOWLEDGEMENTS

Our greatest strength moving ahead is the support and continued loyalty of Bank Islam's customers, management team and employees. Your trust, engagement and passion fuel the Bank's progress through thick and thin.

The regulatory authorities, in particular BNM and the Securities Commission, have played a pivotal role in Bank Islam's growth and the sustainability of Islamic banking as a whole. On behalf of the board, I take this opportunity to acknowledge their role in making Malaysia a leading force in the industry and for continuing to evolve its dynamic future.

I also take this opportunity to express gratitude to Tan Sri Ismee Ismail and Dato' Johan Abdullah, who have retired from the Board. Their valued contribution is acknowledged and I am privileged to record our deep appreciation.

I would also like to thank my fellow directors and members of the Bank's Shariah Council as well as the Bank's committed employees – all 4,361 of them, for their dedication and astuteness in expanding the boundaries of Islamic banking. I thank them for their tireless efforts and perseverance to ensure the Bank's success, and indirectly the success of the industry, as well as pay tribute to their valued contribution.

On behalf of the board, I also thank our shareholders and all other stakeholders for your unwavering support through the years. Your steadfast trust and endorsement are core strengths the Bank relies on in braving the challenges that lie ahead.

Datuk Zamani Abdul Ghani

Chairman

Managing Director's Operational Review

DEAR STAKEHOLDERS,

TRUE WORTH CAN ONLY BE ASSESSED WHEN PUT TO THE TEST. THE YEAR 2015 CHALLENGED BANK ISLAM TO RAISE ITS GAME IN FACING ANOTHER YEAR OF UNCERTAIN ECONOMIC GROWTH, TIGHTER MARGINS AND INTENSE COMPETITION. ALHAMDULILLAH, I AM PLEASED TO REPORT THAT WE WERE ABLE TO RISE TO THE CHALLENGE AND AS WE ALIGNED OUR STRENGTHS TOWARDS INNOVATION IN PRODUCTS AND SERVICE EXCELLENCE; WHILE CONTINUING TO INVEST IN PEOPLE, PRESENCE, AND ACROSS-THE-BOARD CUSTOMER CARE INITIATIVES.

AT THE CLOSE OF THE YEAR, IN REVIEWING OUR PERFORMANCE AS PER OUR HIJRAH TO EXCELLENCE ("H2E") CORPORATE BLUEPRINT (WHICH CAME TO AN END IN 2015), IT WAS GRATIFYING TO SEE OUR ACHIEVEMENTS ON MOST KEY PERFORMANCE INDICATORS ("KPIS") SET UNDER THE SIX PILLARS OF ROBUST ORGANIC GROWTH, SERVICE EXCELLENCE, SHARIAH-LED INNOVATION, RESOURCE OPTIMISATION, EMPLOYER OF CHOICE AND REGIONALISATION.

ALIGNING STRATEGIES FOR ROBUST ORGANIC GROWTH

In 2015, Malaysia's banking industry took concerted action to improve the fundamentals of its businesses, in pursuit of long-term sustainable profitability. New regulatory requirements such as the Basel III Liquidity Cover Ratio ("LCR") and supplementary Leverage Ratio that were finalised in 2014, have made it necessary to restructure and improve balance sheet management. Within an increasingly competitive environment of tighter margins, it has become more important for banks to become savvier in their choice of target segments, product offerings and pricing.

Having already embarked on strategies to strengthen its key fundamentals, Bank Islam was able to weather a demanding operating environment by adhering to H2E and its set targets which include among others, asset and financing growth as well as non-fund based income ratio. The Bank was also resolute in guarding its asset quality, introducing several internal measures and minimum requirements in line with the Responsible Financing guidelines laid down by the Central Bank. This has stayed the Bank's course towards profitability, improved asset quality, healthy capitalisation and robust financing growth. In addition, the Bank also leveraged on changes in Islamic banking regulations to its advantage by being one of the first banks to pioneer new Investment Account ("IA") products.

BANK ISLAM MALAYSIA BERHAD | Annual Report 2015







+8.6%

Managing Director's Operational Review (cont'd)

Despite facing challenges in 2015, revenue grew by 8.6% to RM2.6 billion; net fund based income however grew by only 3.2% to RM1.3 billion due to the higher income attributable to depositors and IA holders. As a result, net income margin compressed further by 20 bps to 2.78%. Net non-fund based income reduced by 4% to RM275.9 million mainly arising from lower Forex income in 2015.

Profit before zakat and tax ("PBZT") for 2015 was RM685.1 million, a slight decrease from RM701.2 million the previous year. Other than higher cost of deposits, the lower PBZT was also due to finance cost incurred on the Bank's Subordinated Sukuk Murabahah capital raising exercise of RM700 million out of the RM1 billion programme which qualifies as Tier 2 Capital.

As at 31 December 2015, the Bank's Tier 1 Capital Ratio stood at 12% and total Capital Ratio at 15.3%.

Reaping the results of aggressive promotion and expansion of marketing channels, we sustained a healthy financing growth momentum to achieve a double-digit growth of 16.2% or RM4.8 billion to reach RM34.3 billion; outpacing the industry average of 7.9%. In terms of composition, ratio of Consumer to Corporate/Commercial financing stood at 73:27 compared with 74:26 in 2014. The Bank intends to achieve a more balanced ratio of 70:30 (Consumer: Corporate/Commercial) in the longer term. Accordingly, assets grew by 8.6% in 2015 to RM49.8 billion.

The Bank's ongoing initiatives to safeguard asset quality ensured its resilience despite strong expansion in the financing portfolio. Gross impaired financing ratio improved to 1.09% from 1.14% in 2014. We continued to surpass the banking industry average which was 1.6% at end of December 2015. The strong asset quality is a result of the Bank's cautious and prudent measures in its approval processes as well as its effective recovery processes.

ALIGNING OPPORTUNITIES FOR SHARIAH-LED INNOVATION

Innovation and advancing Shariah capabilities form one of the main thrusts of the H2E Plan. Having nimbly responded to regulatory developments and reclassification of its deposit products, Bank Islam made further inroads in 2015 by pioneering new IA products under different Shariah contracts towards enhancing the value proposition of Islamic banking and the vibrancy of the industry by providing more Shariah-compliant investment channels. These have earned us the "Innovation in Retail Banking (Malaysia)" award by The International Banker.



One of the key milestones achieved for the industry was the launch of Al-Ansar on 2 April 2015, the first Restricted Investment Account ("RIA"), which was introduced with a strategic collaboration with Lembaga Tabung Haji ("LTH"). This is the first RIA that was structured off balance sheet in compliance with the Malaysian Financial Reporting Standards 10 ("MFRS 10"). For Al-Ansar, LTH specifies the mandate with regards to the purpose, asset class, economic sector and period of investment. As of 31 December 2015, we have disbursed 42% of the total fund or RM84 million which is in line with the target set. The investment is subject to the credit risk of the underlying financing asset, which is borne by the fund provider.

In June 2015, we rolled out three more IAs; Special Investment Account (Mudarabah) ("SIA Mudarabah"), Waheed Investment Account (Wakalah) ("WIA Wakalah") and Al-Awfar Account. The Bank has also taken the initiative to create awareness and educate its customers on the features and benefits of IAs. At the same time we are also equipping our staff with knowledge essential for them to effectively market the products. Our delivery channels and infrastructure have also been enhanced to support the roll-out of these IAs. I am pleased to report that less than six months after the roll-out, these IAs have managed to garner RM676.1 million.

SIA Mudarabah and WIA Wakalah are both housed under the Unrestricted Investment Account ("URIA") whereby the Bank is given the mandate to make decisions without any specifications, restrictions or conditions. Though each contract provides different profit payment methods, both returns commensurate the risk profile of the assets, and are supported by the Bank's secured financing portfolio to mitigate the level of risk.

Al-Awfar was previously offered as a savings product and has been redesigned with new terms and features and reclassified as an investment account. Our customers were given the option to select whether to place their fund in another deposit product or participate in the new Al-Awfar investment account. The encouragement factor of the Al-Awfar investment account is in the form of reward and the chance to win monthly and quarterly prize draws as well as RM1 million cash prize during campaign periods. To date, we have created three millionaires via our Al-Awfar RM1 million cash prize.

With the introduction of these innovative financial products including its participation in Investment Account Platform ("IAP"), Bank Islam now provides a wider range of Shariah-compliant investment options with differing risk-return profiles to our investors. This has enabled Bank Islam to lead the expansion of the traditional role of Islamic banks from credit provider to investment intermediary.

The year also saw the launch of BIMB-Arabesque-i Global Dividend Fund 1, Malaysia's first multi-currency, Shariah and Environment, Social and Governance ("ESG") compliant global equity fund; in collaboration with global asset manager, Arabesque Asset Management Holdings Ltd, UK. Launched in December 2015, the fund achieved RM19 million in sales during the Initial Offering period of 45 days.

Innovation was also extended to finding solutions in zakat payment. The Bank has introduced "MudahZakat", a multi-channel consolidated zakat payment system to improve the efficiency of zakat management. The system facilitates zakat payment through Internet banking, credit card-i, debit card-i, MPos and JomPAY, as well as the TAP Mobile Banking-i service that does not require an Internet connection.

Progressing as a Shariah Centre of Excellence, in 2015, Bank Islam continued to provide advisory services, training and engagements with co-ops and corporate clients to create greater awareness and acceptance of Shariah financing knowledge. During the year, we worked with Tabung Ekonomi Kumpulan Usaha Niaga ("TEKUN"), a dedicated initiative to provide financing facilities for entrepreneurs to kick-start or expand their business; and Amanah Ikhtiar Malaysia ("AIM"), an initiative to provide microfinancing primarily to women for income generating activities; to convert to fully Shariah-compliant operations.

ALIGNING SYSTEMS AND PROCESSES TO ENHANCE SERVICE EXCELLENCE AND RESOURCE OPTIMISATION

Servicing our customers well is the cornerstone of the H2E Plan. Bank Islam is resolute in providing an outstanding banking experience by enhancing competencies and process efficiencies.

Much strides have been made in the Bank's journey towards greater service excellence. The Bank's network, already the widest dedicated Islamic banking network in Malaysia, has expanded in 2015 to offer 144 branches and over 1.100 self-service terminals across the country. These complemented the eight outlets of Bureau de Change ("BDC") and nine outlets of Ar-Rahnu.

Investing in technology as an enabler to serve customers better, the year saw the Automated Teller Machine ("ATM") system upgrade and the revamp of Internet banking system. The latter's revamp was to cater for all mobile devices apart from the standard personal computers. This enhancement saw the Bank's Internet banking customer base growing by almost 100% in 2015, complemented by a 48% growth in the number of transactions and 43% growth in total non-fund based income.

In line with Bank Negara Malaysia ("BNM")'s journey to e-payment, we are among the pioneer banks to launch the JomPAY system which links our Internet banking customers to numerous Malaysian merchants for easy online payments. The Bank also rolled out MyGST system to enable tax payers to pay their Goods and Services Tax ("GST") via its electronic channels.

Managing Director's Operational Review (cont'd)

In line with BNM's effort to promote e-Payment, the Bank actively conducted e-Payment workshops which saw a reduction of 50% in bankers cheques issuance – from 150,000 in 2014 to 77,000 cheques in 2015. The introduction of Voucher Encashment ("VE") service in April 2015 further provided an alternative payment to one-off customers, such as, zakat beneficiaries, who need not open an account with the Bank to cash in the monies due to them. Zakat organisations also enjoy faster turnaround time in facilitating payment to asnaf beneficiaries without having to wait two to three days for cheque clearance.

Our branch operations continued to record across the board improvements in 2015. Processes were simplified via CIF MyKad integration, standardisation of forms and establishment of Digitalised Account Opening. Less forms to fill and sign have led to improved turnaround time for account opening.

Among the customer service initiatives put in place during the year, as part of our continuous commitment to nurture service excellence, is the establishment of a Customer Service Rating System ("SCRS") at 30 selected branches to obtain immediate customer feedback. Focus Group workshops for best branches have also been established to promote the sharing of best service excellence practices.



ALIGNING PEOPLE AND POTENTIAL AS AN EMPLOYER OF CHOICE

The Bank invests in a Human Resource ("HR") vision of developing "Professional Mukmin". This is built on ongoing initiatives under "Growing Our Own Timber" and "Competency, Commitment and Results Oriented" programmes for our 4,361 employees.

In 2015, several game changing HR strategies include strengthening of internal talent pipeline by building our supply chain of future leaders. This leverages on a Talent Management Programme to build an internal talent pool. Training programmes are continuously invested in and in 2015, a collaboration with Islamic Science University of Malaysia ("USIM") on an Upward Mobility Programme for clerical staff; Branch Management Development Programme, a training programme to certify the Bank's staff with Islamic Banking and Finance Institute Malaysia ("IBFIM") certification; and the Mukmin Professional Programme were included.

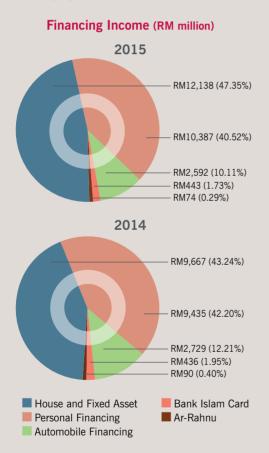
We proactively work in support of government initiatives in creating a larger pool of human capital for the industry through programmes such as SL1M, FSTEP and GEMS. In 2015 Bank Islam has successfully trained 166 graduates through the programmes aforementioned.

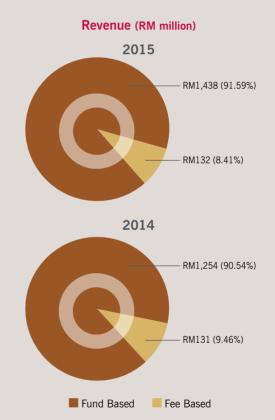
Our staff attrition rate of 4.1% is much lower than the industry average attrition rate and I am proud to note that we continue to make strides as an Employer of Choice. In Malaysia's 100 Leading Graduate Employers Poll conducted by GTI Media and powered by the Trendence Graduate Barometer, Bank Islam jumped to $13^{\rm th}$ place from $16^{\rm th}$ in 2014, in its rank as most popular employer and is amongst the top 3 in Malaysia's Banking and Financial Services.

REVIEW OF BUSINESS OPERATIONS

CONSUMER BANKING

"In an environment of intense competition guided by Responsible Financing Guidelines, Bank Islam's Consumer Banking Division's ("Consumer Banking") outperformed the industry by registering a double digit growth in 2015."





2015 KEY MILESTONES

- Achieved Visa Malaysia Bank Awards 2015 in the categories of:
 - Highest Payment Volume Growth Bank Islam Team Harimau Debit Card
 - Largest Payment Volume for Islamic Debit Card
 - Highest Payment Volume Growth Consumer Debit
- Unidebit recognised as Best Debit Card Offering 2015 by Cards and Electronic Payment International
- Utilisation numbers for credit card FY2015-RM726.2 million
- Growth in YoY debit spending of 47% outpacing industry's 41%

Managing Director's Operational Review (cont'd)

2015 was a year fraught with challenges for the consumer banking sector due to rising household debt that led to lower approval rates and more stringent regulatory measures. The shrinking market saw an upsurge in new and exciting value propositions by competing banks thus giving rise to the risk of customer migration. Through much hard work, focus and adherence to strategy, Consumer Banking managed to record better than expected performance, achieving a financing growth of 14.7%.

Financing growth was mainly driven by 25.6% growth in house and fixed asset financing. This was spurred by our strategy to increase market penetration by promoting house financing via Employer Tie Up-Package, supporting government initiatives for home ownership, and engaging in aggressive joint promotion with developers, residence associations and management corporations.

In line with the Responsible Financing Guideline, personal financing grew only by 10.1% compared with 19.4% in 2014.

As a result of our prudent underwriting guidelines, gross impaired financing ratio continues to be contained below 1%, though assets increased by 14.7% to hit RM3.3 billion.

The year contained several achievements on the promotion of the Bank's debit and credit cards, spurred on by the Government's initiatives towards a cashless society. These included the deployment of POS Terminals, aggressive card spending campaigns throughout the year and the introduction of the UniDebit Card for students of Universiti Utara Malaysia, and the newly launched premier card – VISA Infinite Card which targeted high end customers.

On the debit card front, we continue to receive recognition from Visa Malaysia Bank Awards 2015. This achievement inspires us onwards on our journey to be recognised as the most admired Islamic bank for Credit and Debit card offerings.

To accelerate the momentum of our Term Deposit-i Tawarruq ("TDT") deposit product launched in 2014, we introduced the TDT Premium in September 2015 which promotes the acquisition of deposits by differentiating valued depositors from the mass. By the end of 2015, TDT had contributed RM2.4 billion in deposits to the Bank.



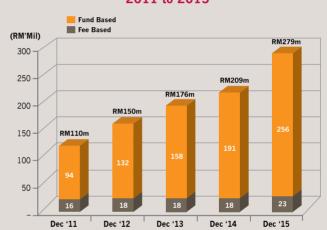
COMMERCIAL BANKING

"Bank Islam's Commercial Banking Division ("Commercial Banking") continues to focus on protecting asset quality via stringent approval criteria, prudent disbursement, early care management, heightened monitoring of projects and contracts financing facilities."

Asset Growth (including BILOB) Dec '11 to Dec '15



Income (including BILOB) 2011 to 2015



2015 KEY MILESTONES

- 10.5% contribution to total Bank revenue
- Total revenue growth of 32.5%
- Total approval of RM118.9 million under Al-Ansar programme

Commercial Banking's overall asset growth remained positive in 2015 as the division recorded a 16.3% growth with total asset of RM4.8 billion. This was contributed by increases in both term financing of 19.5%, and trade products of 13.1%. Both fund based and non-fund based incomes contributed to an increase of 32.5% in total income from RM208.7 million in 2014 to RM276.6 million in 2015. At the same time, asset quality improved as impaired financing ratio reduced to 2.3% in 2015, from 2.9% in 2014. This reflects the continued success in Commercial Banking's focus on secured financing and dedicated efforts in providing early care management of potential delinquent customers.

Emerging Corporate was the key contributor in 2015, registering a growth of 22.2% from key targets such as state government related companies. This was followed by Small Medium Enterprises ("SME") which contributed asset growth of RM181.1 million or 12.2%; mainly from property financing, transportation and property development in strategic areas.

In increasing non-fund based incomes, Commercial Banking actively marketed the Al-Ansar fund - a collaboration between Lembaga Tabung Haji and Bank Islam, in response to the government's call to support Bumiputera entrepreneurs and SMEs with better financing. Al-Ansar, which has a total fund size of RM200 million, offers credit financing facility worth up to RM1 million per customer. A total of RM118.9 million has been approved under this programme.

Managing Director's Operational Review (cont'd)

The sustained good performance of Commercial Banking reflects the strong risk management and compliance culture that has been embedded amongst staff over the past few years. Proper due diligence and comprehensive credit underwriting process have been vital to ensure continuous improvement in asset quality. The establishment of the Financing Collection Unit and Business Monitoring Unit are critical in ensuring assets quality are maintained. Both played important roles in 2015 in protecting the Bank's exposures especially in contract and project financing via its aggressive early care management in view of the challenging economic circumstances.

Moving forward, our focus will be on companies involved in healthcare, palm oil, rubber, semiconductor and electronics industries. We also foresee continued opportunities in construction-related industries which should benefit from the spill-over effect of the Government's continued spending in infrastructure projects such as the Pan Borneo Highway, Sungai Besi-Ulu Klang Expressway, Malaysian Vision Valley, Cyber City Centre, Rapid Pengerang, High Speed Rail, LRT 3 and MRT 2.

CORPORATE BANKING

"Bank Islam continues to be involved in project financing and also supports the Government's effort in green technology. This boosted the Bank's ability to maintain steady growth in its corporate banking assets and income, within an increasingly price sensitive environment hounded by stiff competition."

Asset ("TOS") Growth Dec 2010 to Dec 2015



Revenue Growth Dec 2010 to Dec 2015



2015 KEY MILESTONES

- · 22% increase in asset growth from 2014
- 22% increase in total revenue from 2014

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Given the uncertain business environment and increased competition in 2015, Bank Islam's Corporate Banking Division ("Corporate Banking") sustained steady positive asset growth of RM783.3 million, an increase of 22% to RM4.3 billion. This was largely driven by a strong focus in gaining more market share from existing customer portfolio as well as enhancing better business relationships with targeted corporate sectors.

During the year, Corporate Banking approved a total financing of over RM2.7 billion; out of which more than 50% or RM1.4 billion was disbursed during the year itself. Total revenue increased by 22% to RM187.5 million from RM153 million in 2014. This fund based income growth trajectory was also driven by the higher facility utilisation ratio from existing customers as well as disbursement from new financing assets. The positive growth was accompanied by a commendable improvement in asset quality as impaired financing ratio reduced to 0.5% compared with 0.8% in 2014.

Corporate Banking also managed to chart an increase in non-fund based income of RM7.3 million, to RM15.3 million. This was mainly from processing and participating fees.

This sustained good performance is a result of enhanced relationships forged within and outside the Bank. Corporate Banking continued to engage in collective marketing efforts with Trade Sales, Treasury and Support divisions in 2015, to optimise opportunities with each division's existing clientele. Efforts were also dedicated to elevate service delivery with improvements in turnaround time and by fostering stronger working relationships with internal and external business partners.

Our greatest strength moving ahead is the trust and relationships we have nurtured and the proven track record of the Bank as a reliable partner with an experienced team capable of structuring and executing large and unique transactions, including project financing. One such example was the project financing transaction exercise for Kerian Energy Sdn Bhd, a governmental green technology project. The Bank was the lead arranger for this syndicated transaction and completed the exercise via syndicated Islamic financing facilities of RM121.4 million under the Shariah principal of Tawarrug. This will be used to fund the construction of a 14-megawatt mini hydropower plant in Sungai Kerian, Perak.

For 2016, Corporate Banking continues to focus on structured financing and project financing on infrastructure development arising from high government investment in public transportation and energy sectors. These will be accompanied with initiatives to capture a higher cross selling ratio and improving the facility utilisation ratio from existing customers.

TREASURY

"Treasury's balance sheet underwent a period of change as part of the Bank's strategy in reshaping its balance sheet, thus, a reduction of 7.2% in Treasury assets, as the Bank increased its non-Treasury assets. Total Treasury deposits grew by RM2.1 billion mainly contributed by placements in Term Deposit Tawarrug Special ("TDTS")".

Bank Islam's Treasury Division ("Treasury") contributed 34% or RM94.7 million to the Bank's total non-fund based income and 21% or RM496.5 million to the Bank's fund based income in 2015. This was a commendable performance given the prevailing market challenges brought about by economic slowdown and escalating price war among financial institutions.

The launch of four new Term Investment Account products on 1 June 2015 which is in line with IFSA 2013 and BNM's IA policy helped drive a RM2.1 billion growth in total deposits for 2015. These were Special Investment Account – Mudarabah ("SIA Mudarabah"); Waheed Investment Account - Wakalah ("WIA Wakalah"); Interbank Investment Account - Mudarabah; and Interbank Investment Account - Wakalah.

Margin optimisation initiatives helped sustain Treasury non-fund based revenue from foreign exchange activities despite a slight drop in foreign currency turnover. The revenue from Foreign Exchange ("Forex") activities dropped by 14% or RM13.7 million from RM95.4 million in 2014 to RM81.7 million in 2015, while the volume has shown a slight decrease of 6% from RM8.172 billion in 2014 to RM7.678 billion in 2015. The downward trend in Foreign Currency volume was also noted industry-wide. Based on BNM's ROMs reports, the turnover of Forex transactions in the industry for 2015 was USD1.368 billion (a total of Commercial and Interbank Forex transactions) i.e. a drop of 25% compared to 2014's USD1.834 billion.

Managing Director's Operational Review (cont'd)



CAPITAL MARKET

"Malaysia's Sukuk market shrunk by 13% in total issuance value - from RM62 billion in 2014 to RM54 billion in 2015. Despite tougher market conditions, Bank Islam managed to maintain top 10 position on the Bloomberg's 2015 Malaysia Capital Market League Tables."

2015 KEY MILESTONES

- Maintained ranking of 8th position for Malaysian Ringgit Islamic Sukuk
- Improved ranking to 9th position (from 10th) for Malaysian Bonds

Bureau de Change ("BDC"), the other Forex revenue contributor to Treasury, has also recorded an encouraging revenue number for the year. In 2015, BDC recorded revenue of RM6.86 million i.e. an increase of 9% or RM606,000 compared to 2014's RM6.25 million.

Moving forward to 2016, tighter liquidity conditions and more stringent rules and requirements are foreseen. Thus, Treasury has relooked at the overall liability management via robust restructuring of deposit components in order to ensure the Bank's liquidity is intact. Meanwhile, volatility on the Forex market is expected to remain high which will provide window of opportunities for Forex activities in term of matching the clients hedging requirements.

Treasury will continue to offer competitive pricing to help ensure customer retention and innovatively expand its solutions for Islamic Money Market, Fixed Income, Forex and Hedging instruments to retain its position as the leading Islamic Treasury in Malaysia as well as the BNM Islamic Principal Dealer. Based on the BNM Islamic Principal Dealer Assessment Scorecard ("IPDAS") issued by BNM on 28 December 2015, Bank Islam has achieved No. 1 spot for Q3 2014, Q4 2014 and Q2 2015; while for Q1 2015 Bank Islam managed to achieve No. 2 position. The IPDAS for Q3 2015 and Q4 2015 has yet to be issued by BNM.

In 2015, Sukuk issuances dropped 17% to 247 from 297 issuances in 2014 (based on Bloomberg's data). However Bank Islam's Capital Market Division ("Capital Market"), despite being a small outfit, maintained a steady stream of capital market activities. Amongst the mandates concluded by Capital Market during the year under review, are its role as joint lead manager for Malaysia Debt Ventures Berhad's Islamic Medium Term Notes Programme of RM1.5 billion and Pengurusan Air SPV Berhad's Islamic Medium Term Notes Programme of RM20 billion. Capital Market has also successfully arranged the issuance of two tranches of Sukuk totalling RM700 million under Bank Islam's Subordinated Sukuk Murabahah Programme of up to RM1 billion, which qualify as Tier 2 regulatory capital under BNM's Capital Adequacy Framework for Islamic Banks. These issuances marked the first Sukuk issuances by Bank Islam.

Moving ahead, in addition to its existing product offerings, Capital Market will be embarking on RIA through the IAP acting as the intermediary to manage the funds channeled by the investors to finance specific viable ventures or projects in exchange for returns that commensurate with the risks taken.

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ALIGNING NEW STRATEGIES FOR SUSTAINABLE GROWTH

The road ahead for Malaysia's banking industry is forecast to be even more challenging as reflected by a decline in most banking stocks. Some of the expected headwinds include loan growth easing further on slower economic growth, net interest margin remaining under pressure and non-interest income remaining subdued. However, there are also positive drivers. Asset quality is expected to stay moderate this year as the Bank continues to seek new creditworthy customers and there is ample liquidity to fund domestic growth.

Within the industry, Islamic banking continues to grow faster than conventional banking. BNM statistics show that the amount of outstanding Islamic financing grew 16.3% from December 2014 to December 2015, while total financing expanded by 7.9%. As at December 2015, 27% of financing worth RM391 billion in Malaysia were Islamic, according to BNM.

A recent survey by FT Confidential Research, a Financial Times research service, found that 73% of Malaysians say that they either use Islamic banking services primarily or as often as conventional ones. The appeal of Islamic banking is also reaching beyond the Muslim population as the same survey shows that 25% of Malaysian Islamic banking customers were non-Muslims.

Thus the potential for long-term growth is still positive, especially with the continued support given by the Malaysian government and authorities - such as the additional RM1 billion for the Shariah-compliant SME Financing Scheme until 31 December 2017, whereby the Government will subsidise 2% of the financing profit rate. To further invigorate the capital markets, the Government has also agreed to implement several initiatives, including tax deduction on issuance costs of Sustainable and Responsible Investments ("SRI") Sukuk and 20% stamp duty exemption on Shariah-compliant financing instruments to finance the purchase of houses.

Moving ahead in braving the challenges of 2016, cost and resource optimisation will be of paramount importance given the cautious operating outlook. In the next year, expansion plans will be tempered by potential returns. Continuous diligence in sourcing for revenue stream, defending market share and optimising costs remain the pinnacle of our next course of action.

Shariah-led innovation will be maintained as another core focus as this anchors the Bank's ability to continue creating our own niche and maintain our status as a leader in the industry.

Service delivery will continue to reign as a key differentiating factor with continued leveraging on technology to enable greater efficiency and convenience at all touchpoints and for key end-to-end business process. The Bank is embarking on a major review of its processes to streamline business procedures in ensuring consistent delivery of its brand promise.

Our journey ahead has been mapped out in a strategic development plan that will focus on sustaining capital through robust liability management, safeguard asset quality, and driving earnings growth mainly through strong promotion of the Bank's IA.

Dato' Sri Zukri Samat Managing Director

Economic Review for 2015 and Prospects for 2016

THE FALL IN OIL PRICES, SLOWING CHINA'S ECONOMY, AND THE COMMENCEMENT OF THE FIRST RATE HIKE IN US ARE SOME OF THE COMMON THEMES IN 2015. INDEED, IT WAS A VOLATILE YEAR AS SENTIMENTS CONTINUED TO ROTATE AROUND THESE THREE FACTORS, CAUSING ERRATIC MOVEMENT IN CAPITAL FLOWS.



Policy divergence also clouds the view as Europe extended their Quantitative Easing measures to March 2017. Similarly, the Bank of Japan's surprise move to introduce negative interest rates also indicates that the balance of risks is tilted to the downside. Meanwhile, other economies such as China, India, Indonesia, South Korea and Thailand are prescribing monetary easing as well as fiscal stimulus in the face of external headwinds. At the very least, the rate hike by the US monetary authority in December has cleared the timing uncertainty. The US Federal Open Market Committee decided to raise the Federal Fund Rate – a rate charged among banks to meet the reserve requirement – by 25 basis points from 0.25% to 0.5% on December 16. This was the first rate rise since December 2008. Subsequent decisions will be based on the evolving outlook on inflation which continues to be below the 2% target. Hence, the journey is still long and patchy at times.

The recent lifting of economic sanctions against Iran suggests that the supply glut in the crude oil market is unlikely to be reversed anytime soon. This is especially true when the Iranian government pledged to increase oil export by 500 thousand barrels per day following the removal of nuclear sanctions in January 2016. As a result, Dated Brent fell to as low as USD27.9 per barrels on January 20 before recovering to USD33.9 on January 28 this year. Prior to that, the Organisation of Petroleum Exporting Countries ("OPEC") decided to scrap the production quota, leaving each of its member countries to freely decide on oil production. Oil production by OPEC members continues to be above the 30 million barrels per day quota for 19 months in a row, reflecting that excessive production by OPEC members is nothing new.

Malaysia's political landscape was also in the limelight following the cabinet reshuffling in July last year. Consequently, the Malaysian ringgit against the US dollar was the immediate casualty as it surpassed the RM4.00 mark in August. The devaluation of Chinese Renminbi during the same month has aggravated the foreign exchange market as China's economy appeared to be struggling to meet its 7% growth target. Be that as it may, the depreciation of Malaysian ringgit has been a boon for its electrical & electronics and medical devices markets. Medical devices products such as rubber gloves has become more competitive in the global markets. Both industries reported respectable gains in production growth, creating steady demand for labour as well as capital expenditure requirements. Similarly, foreign holdings in Malaysian Government Securities ("MGS") and Government Investment Issue ("GII") were not badly affected by the negative sentiments

surrounding the market. In fact, both instruments showed rising ownership to 47.7% and 5.4% in December from 43.8% and 2.8% in January 2015.

Despite that, the rise in cost of living is a major concern among Malaysian citizens. The implementation of Goods and Services Tax ("GST") in April resulted in sharp increases in prices of goods. In addition, the upward adjustment in administered prices such as public transportation fare, cigarette, gas prices for nonpower sectors as well as toll rate for highways have magnified the effect to the general price level. The Consumer Price Index ("CPI") went up from a mere 0.9% in March to 3.3% in July before tapering down to 2.7% in December. Excluding food & non-alcoholic beverage and transport sub-indices, the inflation rate appeared to have gone up to 4.1% in December. This has led consumers to be more pessimistic as real income was severely impaired. This is reflected in the sharp fall in consumer sentiment index which currently hovers at a seven-year low.

On the Properties front, the house price index ("HPI") recorded slower appreciation of 5.3% in the third guarter of 2015. This is lower compared with HPI averages in 2012 and 2013 whereby house prices recorded double digit increases of 11.8% and 10.9% respectively. At the same time, new residential property launches were also lower at 9,357 units in the third quarter of 2015 compared with 15,738 units in the first quarter of the year. This indicates measures to correct the imbalances in the property markets are taking hold to ensure stability in the financial market condition. Consequently, lending growth in the residential property moderated from 12.9% in January to 11.9% in December last year.

The Oil & Gas industry faced challenging prospects as prices have yet to exhibit stability in view of lower crude oil prices. Within the industry value chain, the upstream sector is the most vulnerable to the prevailing environment as oil majors continued to cut down their capital expenditure. Petronas, for instance, announced the reduction in oil rigs from more than 30 to about 15 by end of 2015. Such announcements have major implications to the service providers which saw some of their fixed assets remaining underutilised, leading to impairment charges to their bottom line. Nonetheless, a slew of contract awards in RAPID projects offer hope to the industry especially those companies involved in the construction of infrastructure surrounding the project facility.

Crude Palm Oil ("CPO") prices were also not spared by the decline in global commodities market. Spot CPO prices reached its lowest level at RM1,811 per metric tonne during August as the inventory levels continued to be above the psychological level of two million metric tonnes since April 2015. However, CPO prices have recovered recently as talks of El Nino gained further momentum towards the end of year. In addition, the production cost which is estimated at around RM1,500 per metric tonne indicates that industry players are generally in-the-money in view of the current prices which hover above RM2,300 per metric tonne. As such, profit margins among the industry players are fairly reasonable at the current juncture.

The banking system recorded slower activity as lending growth moderated from 9.3% in December 2014 to 7.9% in December 2015. Much of this was due to slower growth in household loans with growth descending to 7.7% in December 2015 from 9.9% in the previous year. Asset quality was generally stable with gross impaired ratio dropping from 1.65% to 1.60% in the month of December. It is also heartening to note that Liquidity Coverage Ratio ("LCR") remained in excess of 100%, suggesting that banks have ample cash to withstand challenges arising from liquidity risks.

All in all, the economy posted slower growth in 2015. GDP growth decelerated to 5% in 2015 compared with 6% growth recorded in the previous year. Both drivers of domestic demand - consumption and investment - were mostly on lower gear in 2015. Slower growth was more pronounced in consumer spending as private consumption grew by only 6% during the year - the lowest growth since 2010.

Meanwhile, net export contracted by 3.7% in 2015 after recording 12.8% expansion the previous year. The labour market was also not in top form when the average unemployment rate rose to 3.3% in December 2015 from 3% in 2014. The increase in the total number of retrenched workers reinvigorated such view. The total number of retrenched workers increased by 15.6% in the first nine months, led by higher retrenchment in the mining sector.

Against such a backdrop, policies were geared towards stabilising the impending slowdown, both from internal as well as external forces. The reduction in Statutory Reserve Requirement ("SRR") by 50 basis points in January 2016 indicates Bank Negara Malaysia's ("BNM") resolve in taking a pre-emptive measure to ensure liquidity condition in the system continues to remain ample. Additionally, the announcement of Recalibration of Budget 2016 by the Prime Minister suggests a pragmatic approach in dealing with the external uncertainty without forsaking the need to reduce the budget gap. In view of this, the economy is expected to register growth of between 4% and 4.5% in the year 2016.

Media



Bank Islam, YIPs meterai usaha sama kumpul dana wakaf RM22 juta untuk bina sekolah



Bank Islam in RM121m Kerian financing deal

Bank Islam offers moratorium for flood-hit customers

Bank Islam beri peluang orang ramai berwakaf

Utusan Malaysia 22 Jul 2015

Bank Islam yakin capai sasaran 15 peratus



Kerjasama Bank Islam, Petronas

Bank Islam sees

limited impact from floods — Analysts



Bank Islam perkenal 3 produk akaun pelaburan baharu

Bank Islam's financial institution ratings reaffirmed

Malaysian Res 16 Oct 201



Bank Islam Releases New Term Investment Account Products



Highlights



Fatimah jutawan Al-Awfar

Berita Harian 21 Apr 2015

BIMB catat pertumbuhan 30.8% perbelanjaan kad

BANKOBLAM

Untung kasar BIMB menokok

more branches in



Berita Harian 01 Dec 2015

asset growth this year

under-served. locations by end of the year



BANK (ISLAM Mudah Zakat tarik 500,000 pengguna

Bank Islam sees 10pc

Bank Islam lancar jenama CSR, AMAL

Four Islamic banks team up to develop investment platform

BIMB's Bank Islam issues RM400 mln sukuk.

Bank Islam catat pertumbuhan 30 peratus

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Bank Islam serah zakat RM941,908.86

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Media Highlights

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SMK Tamparuli juara Persembahan Sains

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Bank Islam to focus on organic growth

Bank Islam Al-Ansar SME financing growing

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Berita Minggu 28 Jun 2015







6 Bank Islam perkenal kaedah pembayaran baru

04 Aug 2015



Bentuk konsortium bangunkan platform pasar produk akaun pelaburan

Empat bank Islam bergabung

K

Bank Islam perkenal Mudah Zakat

12 Jun 2015

Bank Islam eyes RM2bil fund size





Pulangan lumayan hasil wakaf

Bank Islam tingkatkan pembiayaan untuk projek teknologi hijau

1.39 juta pelanggan Bank Islam guna Petronas

12 Nov 2015

Bank Islam aims to give more financing for infrastructure projects

The Star 12 Aug 2015

BIMB lancar dana ekuiti patuh syariah

Bank Islam bantu 100 pelajar melalui zakat

BIMB sees better earnings, revenue in 2015

BETTER THE STATE OF THE STATE O

BIMB Q2 net profit sees flat growth at RM129m

Kempen Swipe & Drive Further galak kaedah pembayaran elektronik Transaksi melalui kad meningkat

MANEQUANT

Bank Islam unjur prestasi terus kukuh



CORPORATE HIGHLIGHTS

CORPORATE FRAMEWORK
INITIATIVES

Awards and Accolades



IT WAS A RECORD YEAR
OF AWARDS AND
ACHIEVEMENTS AS THE
BANK'S DISTINCTIVE
STRENGTHS WERE
RECOGNISED IN AN
INCREASINGLY COMPETITIVE
MARKETPLACE.

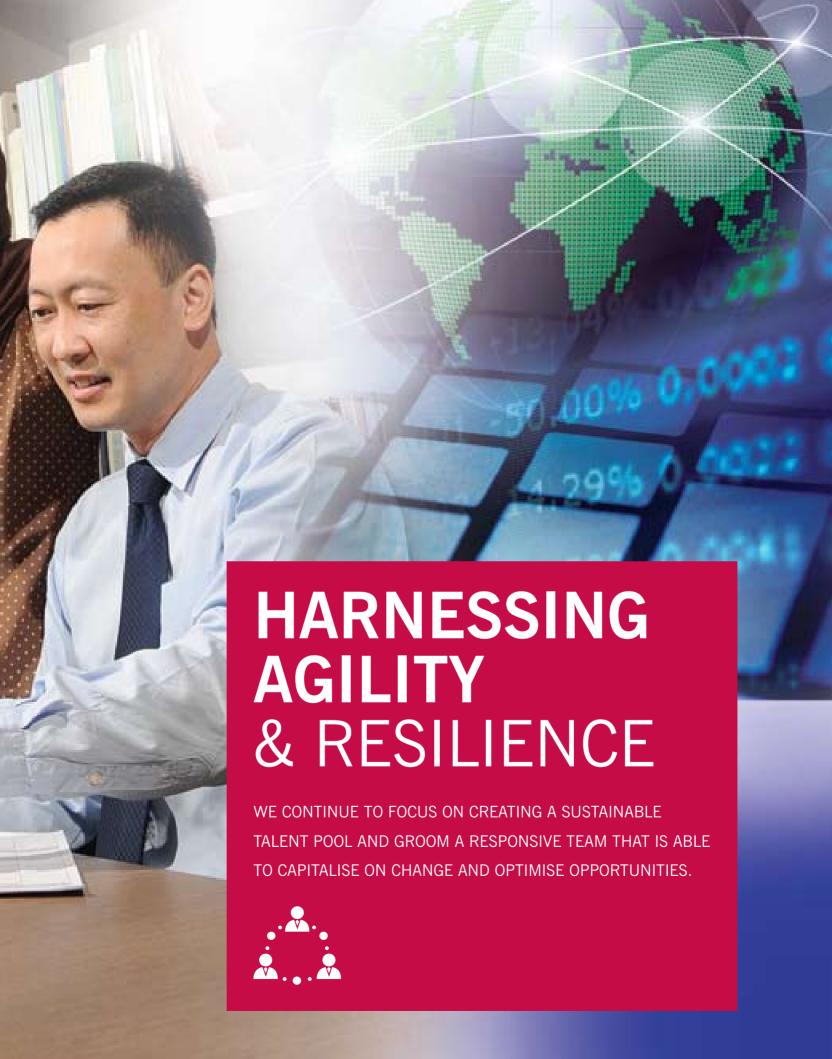
- Awarded "Islamic Bank of the Year Asia" by The European Global Banking & Finance Awards 2015
- Awarded "Strongest Islamic Retail Bank in Malaysia" by Islamic Retail Banking Awards 2015 (Cambridge IF Analytica – UK)
- Voted Top 3 Most Popular Graduate Employer in Banking and Financial Services Sector, ahead of many leading financial institutions
- Ranked 13th in the Top Malaysia's 100 Leading Graduate Employers – 2015, putting us amongst the country's top 20 graduate recruiters
- Awarded "Best Islamic Bank Malaysia" by The International Banker Asia & Australasia Banking Awards 2015
- Won an award in the "Innovation In Retail Banking Malaysia" category from The International Banker Asia & Australasia Banking Awards 2015

BANK ISLAM MALAYSIA BERHAD Annual Report 2015



- Ranked No. 9 for Malaysian Bonds category and ranked No. 8 for Malaysian Ringgit Islamic Sukuk category based on the Bloomberg Capital Market League Table for Financial Year 2015
- Received a Highly Commended award for Best Debit Card Offering category for the UniDebit Card from Cards & Electronic Payments International ("CEPI") Asia Summit & Awards 2015
- Named "Best Islamic Bank Malaysia" and received an award for Excellence in Shariah Compliant Banking by Wealth & Finance INTL's 2015 Finance Awards.
- Highest Payment Volume Growth Bank Islam Team Harimau;
 by Visa Malaysia Bank Awards
- Largest Payment Volume for Islamic Debit Card by Visa Malaysia Bank Awards
- Highest Payment Volume Growth Consumer Debit; by Visa Malaysia Bank Awards
- Awarded the "Best Commercial Bank Malaysia" in conjunction with the 10th Islamic Business & Finance Awards by CPI Financial, Dubai





Corporate Information

BOARD OF DIRECTORS

CHAIRMAN

Datuk Zamani Abdul Ghani

MANAGING DIRECTOR

Dato' Sri Zukri Samat

SHARIAH SUPERVISORY COUNCIL

CHAIRMAN

Professor Dato' Dr Ahmad Hidayat Buang

SECRETARY

Mohd Nazri Chik

MEMBERS

Dr Ahmad Shahbari @ Sobri Salamon

Assistant Professor Dr Uzaimah Ibrahim

Dr Muhammad Syafii Antonio

Dr Yasmin Hanani Mohd Safian

SUBJECT MATTER EXPERT (NON-MEMBER)

Muhammad Zahid Abdul Aziz

BOARD FINANCING REVIEW COMMITTEE

CHAIRMAN

Zahari @ Mohd Zin Idris

MEMBERS

Datuk Zaiton Mohd Hassan

Dato' Sri Zukri Samat

Dato' Johan Abdullah

ceased to be a director w.e.f. 17 February 2016

AUDIT AND EXAMINATION COMMITTEE

CHAIRMAN

Datuk Zaiton Mohd Hassan

MEMBERS

Datuk Zamani Abdul Ghani

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed Abdulla

BOARD RISK COMMITTEE

CHAIRMAN

Datuk Zaiton Mohd Hassan

MEMBERS

Datuk Zamani Abdul Ghani

Zahari @ Mohd Zin Idris

Professor Emeritus Tan Sri Dato' Dr Abdul

Shukor Husin

BANK ISLAM MALAYSIA BERHAD | Annual Report 2015

MEMBERS

Tan Sri Ismee Ismail ceased to be a director w.e.f. 9 October 2015

Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin

Dato' Johan Abdullah ceased to be a director w.e.f. 17 February 2016 Zahari @ Mohd Zin Idris

Datuk Zaiton Mohd Hassan

Mohamed Ridza Mohamed Abdulla

NOMINATION AND **ASSESSMENT COMMITTEE**

CHAIRMAN

Datuk Zamani Abdul Ghani

MEMBERS

Dato' Sri Zukri Samat

Tan Sri Ismee Ismail ceased to be a director w.e.f. 9 October 2015

Datuk Zaiton Mohd Hassan

Zahari @ Mohd Zin Idris

Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin appointed w.e.f. 2 February 2016

REMUNERATION COMMITTEE

Datuk Zamani Abdul Ghani

MEMBERS

Tan Sri Ismee Ismail ceased to be a director w.e.f. 9 October 2015

Datuk Zaiton Mohd Hassan

Zahari @ Mohd Zin Idris

Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin appointed w.e.f. 2 February 2016

COMPANY SECRETARIES

Maria Mat Said (LS0009400)

Norhidayati Mohamat Salim (MIA 27364)

REGISTERED ADDRESS

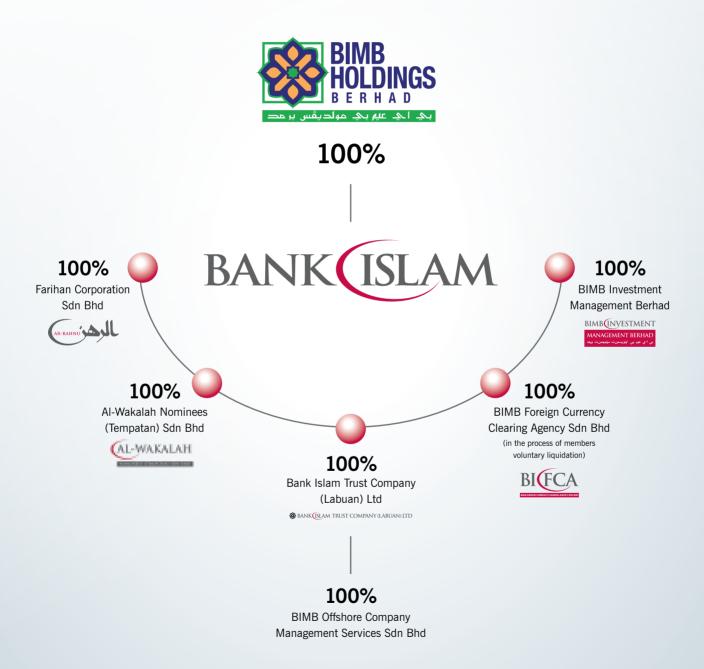
Bank Islam Malaysia Berhad (98127-X) Level 32, Menara Bank Islam 22, Jalan Perak 50450 Kuala Lumpur

Tel: (6) 03 2088 8000 Fax: (6) 03 2088 8033 Web: www.bankislam.com.my

AUDITORS

KPMG Desa Megat & Co (AF 0759) Level 10, KPMG Tower 8, First Avenue, Bandar Utama 47800 Petaling Jaya, Selangor

Shareholding Structure



Shareholders' **Information**

BIMB HOLDINGS BERHAD

Established on 20 March 1997, BIMB Holdings Berhad ("BHB") was listed on the Main Market of Bursa Malaysia on 16 September 1997. BHB is the first Islamic Financial Holding company approved by Bank Negara Malaysia under the Islamic Financial Services Act 2013. The core subsidiaries of the BHB Group are pioneers in various Islamic financial services including banking, takaful, stockbroking, and other related services, namely Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Berhad and BIMB Securities Sdn. Bhd. The company has gained in strength and stature over the years via its stable of strategic investments in various pioneering Islamic institutions. Being the leading Shariah-compliant financial services provider with an authorised capital of RM2 billion and paid-up capital of RM1,542,209,734, BHB is well-positioned to contribute to the nation's aspiration in establishing Malaysia as a vibrant International Islamic Financial Centre.



52 CORPORATE HIGHLIGHTS CORPORATE FRAMEWORK INITIATIVES

Subsidiaries' Information

BANK ISLAM TRUST COMPANY (LABUAN) LTD

Bank Islam Trust Company (Labuan) Ltd ("BTL") was incorporated on 20 November 2003. This wholly-owned subsidiary of Bank Islam Malaysia Berhad began its full operations in 2003. BTL is one of the trust companies in Labuan which offers Shariah-compliant products and services in relation to incorporation of Labuan offshore companies and establishment of other offshore businesses such as Wealth Management Services like Labuan Foundation & Labuan Trust.

BIMB INVESTMENT MANAGEMENT BERHAD

BIMB Investment Management Berhad ("BIMB Invest") is a wholly-owned subsidiary of Bank Islam Malaysia Berhad. Licensed by the Securities Commission as an Islamic Fund Management Company, BIMB Invest was incorporated on 14 September 1993 and commenced its operations on 20 June 1994. BIMB Invest has been in the unit trust industry for over 21 years. It has an authorised capital of RM20 million and issued and paid up capital of RM15 million. BIMB Invest currently manages six retail unit trust funds, namely BIMB i Growth, BIMB Dana Al-Fakhim, BIMB Dana Al-Munsif, BIMB Dana Al-Falah, BIMB i Dividend Fund and BIMB i Flexi Fund and four wholesale funds, namely BIMB-Arabesque i Global Dividend Fund 1, BIMB Invest Money Market Fund, BIMB i Cash Management Fund 3. The total funds under BIMB Invest's management is currently more than RM860 million.





GROW YOUR BUSINESS WITH OUR QUICK & SIMPLIFIED FINANCING

ELIGIBILITY CRITERIA

- Eligible for wholly Bumiputera Muslim owned companies
- At least 2 years in business operation
- Minimum 1 year profit records

KEY PRODUCT FEATURES

- Up to 5 years financing tenure
- RM50,000 to RM1,000,000 financing
- No processing fee



For more information, visit www.bankislam.com.my/alansar





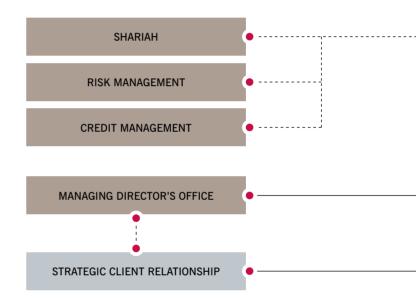


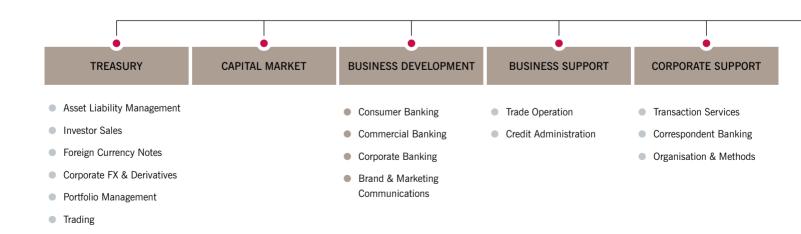


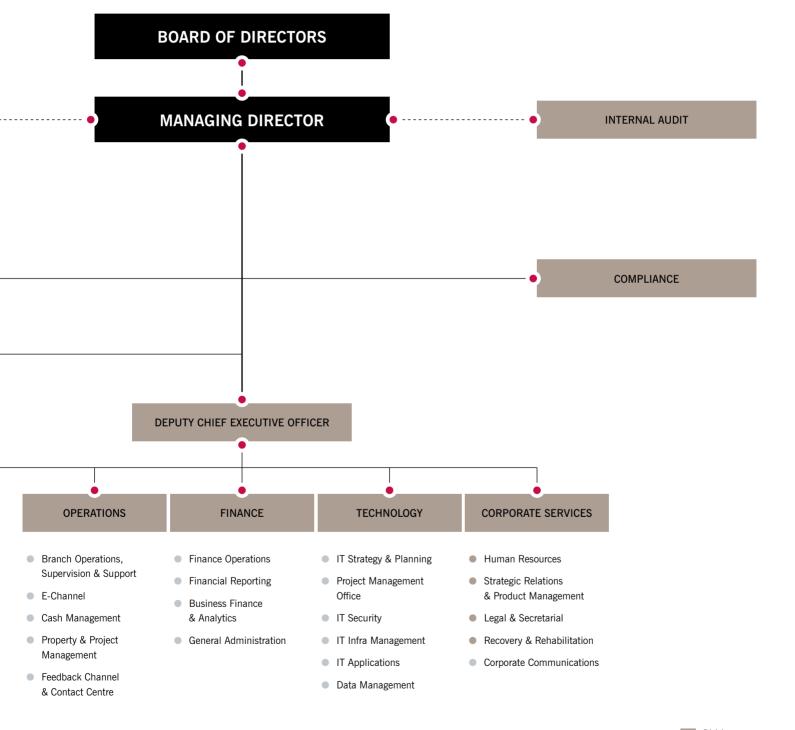
Consumer Banking | Commercial Banking | Corporate Investment Banking Cash Management and Trade Services | Treasury

Organisation Chart

as at 31 December 2015







Board of Directors



FROM LEFT TO RIGHT

Datuk Zamani Abdul Ghani Chairman

Dato' Sri Zukri Samat Managing Director

Dato' Johan Abdullah Non-Independent Non-Executive Director Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Non-Independent Non-Executive Director

Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director Datuk Zaiton Mohd Hassan Independent Non-Executive Director

Mohamed Ridza Mohamed Abdulla Independent Non-Executive Director



Profile of Board of Directors

DATUK ZAMANI ABDUL GHANI

Chairman, Independent Non-Executive Director

Master's Degree in Management, Asian Institute of Management, Manila, the Philippines Bachelor Degree in Economics (Analytical), University of Malaya, Kuala Lumpur Chairman of Nomination and Assessment Committee
Chairman of Remuneration Committee
Member of Audit and Examination Committee
Member of Board Risk Committee

Datuk Zamani Abdul Ghani started his career in Bank Negara Malaysia ("BNM") in early 1971 and served in a number of different capacities and departments. He was first attached with the Economics Department and then the Treasury Operations Department before being promoted as the Director of the Bank Regulation Department. He then headed the Bank's representative offices in London and New York between 1986 and 1989 and was then appointed as the Director of both the Insurance Regulation and Insurance Inspection Departments. Datuk Zamani was promoted as an Assistant Governor in 1995 and served as an Executive Director in the International Monetary Fund ("IMF") between 1996 and 1998. He was also, between 1998 and 1999, the Director General of the Labuan Offshore Financial Services Authority ("LOFSA"), now known as the Labuan Financial Services Authority ("Labuan FSA").

Datuk Zamani was the Chairman of the Credit Guarantee Corporation and Danamodal Nasional Berhad, both since 2004 until 2011. He was a Commissioner for the Securities Commission of Malaysia between 2000 and 2004 and a member of the Board of Directors of Lembaga Tabung Haji between 2004 and 2008. He represented Malaysia, between 2006 and 2010, as the Asia Chair in the Egmont Committee, the policy setting body of the Egmont Group of international financial intelligence units.

Datuk Zamani was, until 15 November 2010, the Deputy Governor of BNM and a member of BNM Board of Directors since 2004. He oversaw various departments within BNM which among others were responsible for the regulation and supervision of financial institutions, units combating abuses within the financial system as well as the Bank's corporate, personnel, property, security and related services. The financial services he oversaw include both conventional and Islamic banks, insurance entities and development financial institutions.

He is a fellow member of the Malaysia Institute of Bankers. Datuk Zamani has also been involved with the International Centre for Education in Islamic Finance ("INCEIF"), and was a member of the Governing Council and the Executive Committee of INCEIF. He is also a member of the Operations Review Panel of the Malaysian Anti Corruption Commission ("MACC") since 2011.

Prior to his appointment in Bank Islam, Datuk Zamani was the Special Advisor to BNM. He was also the Special Advisor to the Attorney General's Chambers of Malaysia from 2011 to 2014. Datuk Zamani was appointed as the Chairman of Bank Islam on 1 March 2011. He is also the Chairman of Raeed Holdings Sdn Bhd and IAP Integrated Sdn Bhd.

Datuk Zamani has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

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DATO' SRI ZUKRI SAMAT

Managing Director, Bank Islam Malaysia Berhad Group Chief Executive Officer, BIMB Holdings Berhad

MBA (Finance), University of Hull (UK) Member of Nomination and Assessment Committee Member of Board Financing Review Committee

Dato' Sri Zukri Samat started his career with Bank Bumiputra Malaysia Berhad before joining Public Bank Berhad where he served for seven years in various capacities, both at head office and branches.

Dato' Sri Zukri was the General Manager at Credit Agricole Indosuez, Labuan. He has also worked at Commerce International Merchant Bankers Berhad ("CIMB") for seven years; his last position being Deputy General Manager of Capital Markets where he was responsible for transactions involving corporate finance, private debt securities, project finance, corporatisation and privatisation of stateowned companies.

Prior to his appointment at Bank Islam, Dato' Sri Zukri was the Executive Director of Investment of Khazanah Nasional Berhad, the investment arm of the Government of Malaysia ("Government"). He was also the former Managing Director of Pengurusan Danaharta Nasional Berhad ("Danaharta"), a national asset management company set up by the Government during the 1997/1998 financial crisis. Dato' Sri Zukri joined Danaharta in October 1998 as the General Manager, Operations Division and was later promoted as the Director of Operations in August 2001, assuming direct line responsibility for all loan restructuring and recovery activities of Danaharta. On 1 July 2003, he was then appointed as the Managing Director until December 2005, when Danaharta ceased its operation.

Dato' Sri Zukri is the Chairman of Islamic Banking and Finance Institute Malaysia Sdn Bhd ("IBFIM"), the Chairman of Trustee of IBFIM, the Chairman of AIF-IBFIM Capacity Building Trust Fund, a director and an Exco member of the Asian Institute of Finance ("AIF"), the Chairman of MAIWP Dagang Sdn Bhd, council member of the Association of Islamic Banking Malaysia ("AIBIM"), an Investment Advisory Committee Member of CMREF 2 Sdn Bhd, a member of Majlis Agama Islam Wilayah Persekutuan ("MAIWP") and a member of Yayasan Budiman Universiti Teknologi MARA and a Board of Trustee of Dewan Amal Islami ("DAMAI"). He is also the Chairman of Bank Islam's subsidiary namely BIMB Investment Management Berhad as well as member to the Board of Raeed Holdings Sdn Bhd and IAP Integrated Sdn Bhd.

Dato' Sri Zukri was appointed as the Managing Director of Bank Islam on 9 June 2006 and the Group Chief Executive Officer of BIMB Holdings Berhad on 18 February 2015.

Dato' Sri Zukri has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

Profile of Board of Directors

DATO' JOHAN ABDULLAH

Non-Independent Non-Executive Director

MBA (Finance), Morehead State University (USA) BBA (Finance), Eastern Michigan University (USA) Diploma in Banking, University Technology MARA Member of Board Financing Review Committee

Dato' Johan Abdullah started his career with Kuala Lumpur Stock Exchange (currently known as Bursa Malaysia Securities Berhad) as a Listing Officer. In 1989, he joined the Corporate Finance Division of Bumiputra Merchant Bankers Berhad and left the Bank in early 1995 as Senior Manager. Later, Dato' Johan joined Damansara Realty Berhad as General Manager, Corporate Planning. Subsequently in 1999, he re-joined Bursa Malaysia Securities Berhad and took up various senior positions including that of Deputy Chief Regulatory Officer, Group Regulation. In May 2008, Dato' Johan served as Group Managing Director/Chief Executive Officer of a listed islamic financial holding company, BIMB Holdings Berhad.

Currently, Dato' Johan is the Deputy Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji and sits on the Board of several of its subsidiaries and associated companies. These include being Chairman of TH Heavy Engineering Berhad and Deru Semangat Sdn Bhd as well as member on the Board of BIMB Holdings Berhad, Syarikat Takaful Malaysia Berhad, TH Plantations Berhad, TH Properties Sdn Bhd, TH Hotel & Residence Sdn Bhd, BIMB Securities Sdn Bhd and BIMB Securities (Holdings) Sdn Bhd. Dato' Johan is also a Chairman of Edra Global Energy Berhad.

Dato' Johan was appointed as a director of Bank Islam on 1 August 2008.

Dato' Johan has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

PROFESSOR EMERITUS TAN SRI DATO' DR ABDUL SHUKOR HUSIN

Non-Independent Non-Executive Director

Doctor of Aqidah and Philosophy of Islam, University of Al-Azhar, Egypt Master of Agidah and Philosophy of Islam, University of Al-Azhar, Egypt Bachelor of Arts (Honours) Usuluddin, University of Al-Azhar, Egypt Diploma in Education, University of Ain Shams, Egypt Member of Board Risk Committee

Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin started his career as a lecturer in the Faculty of Islamic Studies, Universiti Kebangsaan Malaysia ("UKM"). In 1980, he was promoted as Associate Professor and in 1993 as Professor in the same faculty. In the administrative field, he was appointed as the Head of Usuluddin & Philosophy Department in 1980 and later was promoted as the Dean of the Faculty of Islamic Studies in 1985. In 1999, Tan Sri Dato' Dr Abdul Shukor was entrusted to lead the Islamic Science University of Malaysia ("USIM") as its Vice Chancellor until 2009. In 2012 he was appointed as the Chairman of the Board of the university until present.

Apart from the academic field, he also serves in several national and international committees. Amongst others as the Chairman of the Fatwa Committee of the National Council for Islamic Affairs Malaysia, Chairman of Shariah Advisory Committee of Tabung Haji, Chairman of Shariah Governance Index Malaysia, member of Jawatankuasa Majlis Kebangsaan bagi Hal Ehwal Islam Malaysia ("MKI") di Jabatan Perdana Menteri ("JPM"), member of Advisory Council of the world Fatwa Management and Research Institute ("INFAD") as well as permanent member of Jawatankuasa Mempromosikan Persefahaman dan Keharmonian di antara Penganut Agama JPM.

Tan Sri Dato' Dr Abdul Shukor is a Deputy Chairman of World Figh Academy ("RABITAH") cum representative of Malaysia since 2004 and member of Muslim World League, the International Organisation for Muslim Scholars Makkah al-Mukarramah.

In 2010, Tan Sri Dato' Dr Abdul Shukor received the Honorary Award of Dr Philosophy (Islamic Studies) by UKM and in 2011 he was conferred the Maal Hijrah Personality Award at the National level.

Tan Sri Dato' Dr Abdul Shukor sits on the Board of Lembaga Tabung Haji and TH Properties Sdn Bhd. He was appointed as a director of Bank Islam on 2 May 2014.

Tan Sri Dato' Dr Abdul Shukor has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

Profile of Board of Directors

ZAHARI @ MOHD ZIN IDRIS

Non-Independent Non-Executive Director

Senior Cambridge Certificate
Chairman of Board Financing Review Committee
Member of Audit and Examination Committee
Member of Board Risk Committee
Member of Nomination and Assessment Committee
Member of Remuneration Committee

Encik Zahari @ Mohd Zin Idris was the General Manager, Commercial Banking Division of Malayan Banking Berhad before he retired in 1996. Later, he became the Managing Director of Inter-City MPC (M) Sdn Bhd from 1999 to 2005. Encik Zahari is currently the Chairman of Bank Islam Trust Company (Labuan) Ltd, BIMB Offshore Company Management Services Sdn Bhd, BIMB Securities (Holdings) Sdn Bhd and BIMB Securities Sdn Bhd. He is also a director of BIMB Holdings Berhad.

Encik Zahari was appointed as a director of Bank Islam on 20 September 2002.

Encik Zahari has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

DATUK ZAITON MOHD HASSAN

Independent Non-Executive Director

Member of Malaysian Institute of Certified Public Accountants Fellow of Association of Chartered Certified Accountants (UK) Chairman of Board Risk Committee Chairman of Audit and Examination Committee Vice Chairman of Board Financing Review Committee Member of Nomination and Assessment Committee Member of Remuneration Committee

Datuk Zaiton Mohd Hassan was formerly the President/Executive Director of Malaysian Rating Corporation Berhad ("MARC"). She is currently the Managing Director of Capital Intelligence Advisors Sdn Bhd.

Datuk Zaiton is the Chairman of the Private Pension Administrator, a body approved by the Securities Commission to administer the private retirement scheme industry in Malaysia. She is also a director of BIMB Holdings Berhad, Sime Darby Berhad, Dolphin International Berhad and FIDE Forum.

Datuk Zaiton was appointed as a director of Bank Islam on 2 February 2006.

Datuk Zaiton has no family relationship with any director and/or major shareholder of Bank Islam. She has no conflict of interest with Bank Islam and neither has she been charged with any offences.

MOHAMED RIDZA MOHAMED ABDULLA

Independent Non-Executive Director

LLB (First Class Honours), International Islamic University Malaysia Institute of Chartered Secretaries and Administrators (London) Fellow of Institute of Chartered Secretaries and Administrators Fellow of Malaysian Society of Adjudicators Associate Member of the Chartered Institute of Arbitrators Member of Audit and Examination Committee

Encik Mohamed Ridza Mohamed Abdulla was called to the Malaysian Bar in 1993 and began his career as an advocate and solicitor in the Corporate Department of Messrs. Rashid & Lee in Malaysia. He later joined Arab Malaysian Corporation Berhad as the group legal adviser and was instrumental in setting up the legal department of the Amcorp Group of Companies. Encik Mohamed Ridza left Arab Malaysian to become the General Legal Counsel of Technip Asia Pacific based in Kuala Lumpur and was previously attached at Technip headquarters in Paris, France. He later joined Messrs. Zaid Ibrahim & Co as a partner and headed the Islamic Finance Division of the firm before leaving in 2005 to set up Messrs. Mohamed Ridza & Co. Encik Mohamed Ridza is currently the Managing Partner of Messrs. Mohamed Ridza & Co.

Encik Mohamed Ridza is a fellow of the Institute of Chartered Secretaries and Administrators ("FCIS") and an associate member of the Chartered Institute of Arbitrators ("ACI Arb"). He sat as a council member of the Chartered Secretaries Malaysia from 2005 to 2008. He is a member of the arbitration panel in the KL Arbitration Centre for Islamic Banking & Finance and a fellow of Malaysian Society of Adjudicators.

Encik Mohamed Ridza is also a trainer with Securities Industry Development Corporation (training arm of Securities Commission) and Financial Sector Talent Enrichment Programme ("FSTEP"). He currently sits on the board of TH Travel and Services Sdn Bhd as well as Theta Edge Berhad. Encik Mohamed Ridza was appointed as a director of Bank Islam on 1 December 2010.

Encik Mohamed Ridza has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.







Shariah Supervisory Council

- 1 Professor Dato' Dr Ahmad **Hidayat Buang** Chairman
- 2 Assistant Professor Dr Uzaimah Ibrahim Member
- 3 Ustaz Dr Ahmad Shahbari @ Sobri Salamon Member
- 4 Ustaz Dr Muhammad Syafii Antonio Member

- 5 Ustazah Dr Yasmin Hanani Mohd Safian Member
- 6 Encik Muhammad Zahid Abdul Aziz Subject Matter Expert
- Ustaz Mohd Nazri Chik Secretary

Profile of Shariah Supervisory Council

PROFESSOR DATO' DR AHMAD HIDAYAT BUANG

Chairman

Professor, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya Doctor of Philosophy, School of Oriental and African Studies, University of London

Master of Law, School of Oriental and African Studies, University of London Bachelor of Shariah, University of Malaya

Professor Dato' Dr Ahmad Hidayat Buang was appointed Chairman of the Shariah Supervisory Council of Bank Islam on 1 April 2015. He has been with the Council since 2011.

Professor Dato' Dr Ahmad Hidayat is currently a Professor at the Department of Shariah and Law, Academy of Islamic Studies, University of Malaya. He served as the academy's Director from October 2006 – January 2011. He also served as Deputy Director for the Research and Development section of the academy in 2006 as well as Head of Department of Shariah and Law from 1997-1999.

Professor Dato' Dr Ahmad Hidayat is currently holding a post as Chairman of Shariah Committee for Takaful Ikhlas Berhad. Prior to that, he served as a Shariah Advisor for several financial institutions and organisations, which includes CIMB Bank Berhad (2005-2006), OCBC Bank (2004-2005), Commerce Tijari Bank (2004-2005), Amanah Raya Unit Trust Management Sdn Bhd (2006-2007), ASM MARA Unit Trust Management Berhad (2004-2006), I-Free Capital Pte Ltd (Singapore) (2003-2005), Bumiputra Commerce Trustee Sdn Bhd (2002-2006) and Perbadanan Usahawan Nasional Berhad (2002). He was also formerly a member of the Shariah Working Committee for Islamic Banking and Takaful for Bank Negara Malaysia (2003-2004) and a member of the Islamic Education Coordination Advisory Council for the Council of Rulers Malaysia (2008-2011).

Professor Dato' Dr Ahmad Hidayat has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

ASSISTANT PROFESSOR DR UZAIMAH IBRAHIM

Member

Assistant Professor, Ahmad Ibrahim Kuliyyah of Laws, International Islamic University of Malaysia Doctor of Philosophy, University of Wales, United Kingdom Master in Comparative Law, International Islamic University of Malaysia LLB (Shariah), International Islamic University of Malaysia

Assistant Professor Dr Uzaimah Ibrahim was first appointed as a member of the Shariah Supervisory Council in 2009. She is currently an Assistant Professor in Ahmad Ibrahim Kuliyyah of Laws (Department of Islamic Law), International Islamic University of Malaysia ("IIUM").

Dr Uzaimah is also a Shariah Advisor for Hong Leong MSIG Takaful Berhad, a post she has held since 2006. Prior to that, she was a Shariah Advisor for Hong Leong Islamic Bank Berhad. In 2005, Dr Uzaimah became the Deputy Director of the Islamic Banking and Finance Institute, IIUM, an international centre for education and research in Islamic finance.

Dr Uzaimah was accredited as a Syar'ie lawyer in 1995 and has conducted various researches on Islamic commercial law, Islamic jurisprudence, Islamic banking law, derivatives and securitisation as well as takaful and corporate social responsibility. She has also given numerous presentations in seminars and workshops, and contributed a chapter to Halsbury's Laws of Malaysia published by Malaysian Law Journal.

Dr Uzaimah has no family relationship with any director and/or major shareholder of Bank Islam. She has no conflict of interest with Bank Islam and neither has she been charged with any offences.

USTAZ DR AHMAD SHAHBARI @ SOBRI SALAMON

Member

Executive Chairman, Pusrawi Corporation Sdn Bhd Doctor of Philosophy (Modern Middle Eastern History), New York University (USA) Master of Economic, Fairlaigh Dickinson University (USA) Bachelor of Shariah, Al-Azhar University, Egypt

Ustaz Dr Ahmad Shahbari @ Sobri Salamon was first appointed as a member of the Shariah Supervisory Council in 1984 and previously the Chairman of the Shariah Supervisory Council of Bank Islam until 31 March 2015. He is also the Chairman of the Shariah Advisory Body of Takaful Malaysia and Chairman of the Shariah Committee of BIMB Investment Management. Ustaz Dr Ahmad Shahbari started his career in 1978 as a lecturer at Universiti Kebangsaan Malaysia ("UKM") for it's Shariah Department, Faculty of Islamic Studies and was appointed as an Associate Professor in the Shariah Department in 1984. He had two stints as a lecturer at International Islamic University of Malaysia; the first was on secondment at the university's Kulliyah of Economics from 1983-1984, and for the second stint, he lectured for Ahmad Ibrahim Kulliyah of Law from 1986-1996. Later, he was appointed as the Executive Director of Pusat Rawatan Islam (Islamic Religious Council of Selangor or MAIS) from 1996-1999 and afterward was appointed as the Executive Chairman of the company until 2015.

Ustaz Dr Ahmad Shahbari previously served as Shariah Advisor to Abrar Group, Arab Malaysia Merchant Bank, Arab Malaysian Finance, PT Takaful Indonesia, Asean ReTakaful International Ltd,

Labuan Offshore Banking Financial Authority and a member of Board of Directors Yayasan Pembangunan Ekonomi Islam Malaysia ("YAPIEM") (1985-1995). He had served as a member of Majlis Agama Islam Selangor ("MAIS") for 21 years since 1985 and as a member of the Islamic Consultative Council in the Prime Minister's Office. Ustaz Dr Ahmad Shahbari is an approved Individual Shariah Advisor by the Securities Commissions of Malaysia.

Dr Ahmad Shahbari was awarded 'Tokoh Ulama' Bestari Negeri Selangor' in 2000 and received the 'Tokoh Ma'al Hijrah Negeri Selangor' in 2001. He has produced writings in educational history, economy, Islamic banking and Islamic law, for television and publication purposes. His body of work includes 14 books and translations of eight volumes of books on Islamic Jurisprudence by Professor Dr Sheikh Wahba Mustafa al-Zuhayli.

Dr Ahmad Shahbari has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

Profile of Shariah Supervisory Council (cont'd)

USTAZ DR MUHAMMAD SYAFII ANTONIO

Member

Chairman, Tazkia University College of Islamic Economics, Indonesia Doctor of Philosophy (Micro Finance), University of Melbourne, Australia Master of Economics, International Islamic University of Malaysia, Malaysia Bachelor of Shariah, University of Jordan

Dr Muhammad Syafii Antonio was appointed as a member of the Shariah Supervisory Council in 2011. He is currently the Chairman of Tazkia University College of Islamic Economics and Chairman of Asia Capital Asset Management.

Founder of Asyki Islamic Family Insurance in Indonesia, Dr Muhammad Syafii is also a member of Indonesia National Shariah Board and Financial Service Authority Development Committee. He has served for a number of years, as a member of Board of Commissioner and Shariah Advisor in several Islamic financial institutions, including Securities Commission of Malaysia, Dar al-Takaful Dubai, Bank Negara Malaysia, Indonesian Export Import Bank ("EXIM Bank"), Takaful Insurance Company Indonesia and many others. Dr Muhammad Syafii was appointed by the President of Indonesia as a member of the National Economic Council of Indonesia in June 2010.

In 2003, Dr Muhammad Syafii was given the Syariah Award by the Indonesian Central Bank for his contributions towards the development of Islamic banking and finance in Indonesia. Additionally, he was also the recipient for the Anti-corruption & Good Governance Award by Ministry of State Apparatus (2007), Arab Asia Finance Recognition Award by Arab Asia Finance Forum (2008) and Australian Alumni Award (in Business Leadership category) by the government of Australia (2009). He has published 31 books on Islamic banking, economics, zakat and leadership.

Dr Muhammad Syafii has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

USTAZAH DR YASMIN HANANI MOHD SAFIAN

Member

Senior Lecturer, Faculty of Syariah and Law, Universiti Sains Islam Malaysia Doctor of Philosophy in Islamic Studies, University of Exeter, United Kingdom Master in Islamic Studies, University of Birmingham, United Kingdom Bachelor of Shariah Islamiyyah, University Al-Azhar

Ustazah Dr Yasmin Hanani was appointed as a member of Shariah Supervisory Council in April 2015. She is currently a Senior Lecturer at Faculty of Syariah and Law, Universiti Sains Islam Malaysia ("USIM"). She also serves as a member of Islamic Consultative Committee Majlis Agama Islam Wilayah Persekutuan ("MAIWP"), Jabatan Kemajuan Islam Malaysia's ("JAKIM") Malaysian Halal Certification Advisory Committee, a member of Advisory Board for Islamic Finance and Wealth Management Institute ("IFWMI USIM") and a fellow for Institute of Halal Research and Management ("IHRAM USIM"). Ustazah Dr Yasmin Hanani is a Certified Halal Trainer as well as Islamic Banking and Finance Trainer.

Prior to joining Bank Islam, Ustazah Dr Yasmin Hanani was a Shariah Committee member for Affin Islamic Berhad since 2011 until 2015. She also served as the Dean of Faculty of Shariah Law, Deputy Dean of Postgraduate Centre USIM and was a senate member of USIM.

Ustazah Dr Yasmin Hanani has conducted various researches and written numerous articles on Islamic commercial law, Islamic jurisprudence, Islamic banking, and takaful. She is actively involved in conference presentation and research, training locally and internationally in the related area for both Muslim and Non-Muslim participants.

Ustazah Dr Yasmin Hanani has no family relationship with any director and/or major shareholder of Bank Islam. She has no conflict of interest with Bank Islam and neither has she been charged with any offences.

ENCIK MUHAMMAD ZAHID ABDUL AZIZ

Subject Matter Expert

Master of Science (MSc) in Islamic Banking & Finance, International Islamic University of Malaysia Bachelor of Economics, University of Exeter, United Kingdom

Encik Muhammad Zahid Abdul Aziz was appointed as the Subject Matter Expert of the Shariah Supervisory Council of Bank Islam on 1 April 2015.

Encik Muhammad Zahid Abdul Aziz is currently the Director of Muamalah Financial Consulting Sdn Bhd in Kuala Lumpur, an Islamic Capital Market & Islamic Financing Training and Consultancy Company since September 2000. He held various advisory appointments including Honorary Visiting Consultant on Islamic Banking and Finance at University Science of Malaysia, Penang.

Encik Muhammad Zahid Abdul Aziz started his career in 1977 by joining an International Accounting Firm, Arthur Young & Co. in London as an auditor before he returned to Malaysia in 1982 and served in Arab Malaysian Merchant Bank Kuala Lumpur. He joined Bank Islam Malaysia Berhad in 1990 where he pioneered and assisted in the development Islamic Corporate Banking specialising in Islamic Syndications and Sukuk Issuance. He left Bank Islam in September 2000 to form Muamalah Financial Consulting Sdn Bhd, an Islamic Financial Consultancy/Shariah Advisory company. Muamalah Financial Consulting Sdn Bhd was the first company licensed by the Securities Commission of Malaysia as Shariah Advisor. He then left for Riyadh in July 2006 until March 2009 and became the Head of Investment Banking/Sukuk Origination for AlBilad Investment Company Ltd, a CMA-licensed wholly owned subsidiary of Saudi Arabia's Bank AlBilad.

Encik Muhammad Zahid Abdul Aziz is actively involved in conference presentation and research, training locally and internationally in Islamic Finance and the Islamic Capital Market. He is a well known and prominent International Trainer in Islamic Banking and Finance, having taught in Dubai, Saudi Arabia, Brunei, Korea, Singapore, Indonesia, Sri Lanka, Russia, Nigeria, Kazakhstan, as well as Malaysia.

USTAZ MOHD NAZRI CHIK

Secretary

Chief Shariah Officer, Bank Islam Malaysia Berhad

Master of Shariah, University of Malaya Bachelor of Shariah (Islamic Jurisprudence), University of Malaya

Ustaz Mohd Nazri Chik is the Group Chief Shariah Officer of BIMB Holdings Berhad and Chief Shariah Officer of Bank Islam Malaysia Berhad. He was appointed as the Secretary of the Shariah Supervisory Council of Bank Islam in 2011.

Ustaz Mohd Nazri has over 12 years of experience in Shariah management within the Islamic banking industry. He first joined Bank Islam Malaysia Berhad in June 2004 before taking up the position of Shariah Audit Manager at Noor Investment Group in Dubai, UAE, in June 2009. During this period, he was appointed as a member of Bank Islam's Shariah Supervisory Council. Ustaz Mohd Nazri re-joined Bank Islam in January 2011 in his current position, and is instrumental in strengthening its Shariah governance framework and facilitating efforts to promote Shariahcompliant products and services. Started his career as a tutor at University of Malaya where he was also a graduate student, Ustaz Mohd Nazri continues to serve his alma mater as an academician.

Ustaz Mohd Nazri is also the Deputy Chairman of the Shariah Supervisory Council of Amana Bank Limited in Sri Lanka; Accredited Panel of the Finance Accreditation Agency: Member of Professional Practices Bureau Association of Shariah Advisors; Accredited Trainer for Islamic Banking and Finance Institute of Malaysia; and External Shariah Advisor of Ghazanfar Bank in Afghanistan. In May 2014, Ustaz Mohd Nazri was selected as the recipient of the "Promising Young Banker Award 2014" by The Asian Banker publication.

Management Committee

MANAGING DIRECTOR'S OFFICE





SUPPORT UNITS



- 6 Dato' Norasni Ayob
 - 7 Mohd Muazzam Mohamed
- 8 Ryan Liew Choon Ching

INDEPENDENT UNITS





BUSINESS UNITS



CORPORATE SERVICES



INDEPENDENT UNITS

Profile of Management Committee



HIZAMUDDIN JAMALLUDDIN

Chief Strategy Officer & Head, Managing Director's Office

Encik Hizamuddin Jamalluddin has spent most of his professional career in corporate management, particularly in corporate planning, cross border merger and acquisition activities, corporate finance and advisory, corporate and debt restructuring, privatisation, investor relations and strategic communications. He joined Bank Islam in 2007, and is responsible for the formulation of corporate master plans, annual business plans and overall management of key performance indicators of the Bank. His primary roles and responsibilities include setting key corporate and business strategies, strategic risk appetite of the Bank, driving transformation initiatives and overseeing the Bank's corporate exercises in areas related to strategic investments, composite risk rating and capital raising exercise. He is also entrusted to oversee the administrative and management of business support divisions of the Bank. Encik Hizamuddin holds a Bachelor of Science in Finance from Northern Illinois University, USA. He is currently a member of the Islamic Finance Committee of Malaysian Institute of Accountants ("MIA").

KHAIRUL KAMARUDIN

Director, Business Development

Encik Khairul Kamarudin has more than 20 years of experience in the banking industry. He joined Bank Islam in 2005 and has held the role of Director of Business Development since 2012. Encik Khairul is responsible for the overall positioning and strategic formulation of the three major divisions within the Bank, namely Consumer Banking, Commercial Banking and Corporate Banking, and has been credited with the development and implementation of the Bank's strategies. He also holds the position of a Non-Independent, Non-Executive Director of BIMB Investment Management Berhad and is a practicing member of the Association of Chartered Islamic Finance Professional. Encik Khairul is a holder of LLB (Hons) from UK.

MUJIBBURRAHMAN ABD RASHID

Head, Consumer Banking

Encik Mujibburrahman Abd Rashid has 21 years of experience in retail banking. He joined Bank Islam in 2007 as Senior Manager, Sales Management and was promoted to his current position as the Head of the Bank's Consumer Banking division. He was instrumental in introducing various Sales Initiatives to the Bank's workforce and has played a major role in improving its overall service and turnaround time. Encik Mujibburrahman holds a Bachelor's Degree in Accountancy from Universiti Utara Malaysia ("UUM").



PHILIP LOW KWOK WAH

Head, Treasury (Appointed 16 December 2015)

Mr Philip Low has over 35 years experience in various capacities in several financial institutions since 1973. His last position held was being a Director/Head of Asset & Liability Management, Treasury Division of OSK Investment Bank Bhd (2011 to 2012). Mr Philip Low began his career with Aseambankers Malaysia Berhad from 1973 to 1983, and thereafter spent 16 years in various positions in Southern Bank Berhad. In 1999, he was appointed as the Director of Treasury with AmBank Group/ AmInvestment Bank Berhad and in 2008, held a position at EON Bank Bhd/EON Bank Group as the Executive Vice-President/Head, Treasury Operations/Group Treasury. Mr Philip joined Bank Islam in December 2015 as the Head of Treasury. He holds a Diploma in Banking from Chartered Institute of Bankers, London,

NORIZAH DARUS

Acting Head, Treasury (FY2015)

Puan Norizah Darus has more than 25 years experience in Malaysia's banking landscape. Her career started with joining Mayban Finance Bhd (currently known as Maybank Bhd) as an Internal Auditor. In 1992, she joined Affin Bank Berhad as an internal auditor and had audited various banking operations including Credit, Branch Operations, Trade Finance and Treasury. After 7 years auditing the banking operations, Puan Norizah joined Affin Bank's Treasury as a Corporate Forex Dealer and ventured in Money Market in 1998. She was appointed as Head of Treasury for Affin Islamic Bank Berhad in 2006 and helped in setting-up the Treasury and its functions for Affin Islamic Bank. In July 2009, Puan Norizah joined Bank Islam as Head of Asset Liability Management and was appointed as Acting Head of Treasury from April 2015 to December 2015. Puan Norizah holds a Master's Degree in Business Administration (Finance) from Universiti Utara Malaysia.

DATO' NORASNI AYOB

Chief Operating Officer

Dato' Norasni Ayob has over 31 years of experience in banking operations. She joined Bank Islam in 2011 where she currently manages five major operations, which include Cash Management, Operations, Contact Centre, e-Channels as well as Property and Project Management. Dato' Norasni has also been entrusted to utilise her networking strength and expertise in growing the Bank's corporate and government deposits. Under her stewardship, various operational and management transformation initiatives have been implemented to strengthen the Bank's operational efficiency. She was instrumental in leading the customer service culture with the introduction of 'Senyum 3' and morning greetings at all the branches. Dato' Norasni holds a Master's Degree in Business Administration from Nottingham Trent University, UK.

MOHD MUAZZAM MOHAMED

Chief Financial Officer

Encik Muazzam carries with him 20 years of experience in the field of finance, audit and consulting. He joined Bank Islam as the Chief Financial Officer on 11 May 2015. Prior to that, he was a Partner with a Big 4 audit firm where he spent 19 years, carrying out projects in various countries and serving numerous clients in the financial services and oil & gas across public and private sectors. Encik Muazzam holds a Bachelor's Degree in Accounting from International Islamic University Malaysia and is a member of the Malaysian Institute of Certified Public Accountants, a Chartered Accountant with the Malaysian Institute of Accountants, a Chartered Public Finance Accountant and a Certified Information Security Auditor.

Profile of Management Committee (cont'd)



RYAN LIEW CHOON CHING

Chief Technology Officer

Mr Ryan Liew has 30 years of working experience within the banking industry. He joined Bank Islam in 2008 to head up the Bank's Information Technology division. As the Chief Technology Officer, Mr Ryan oversees the various aspects of the division's departments including Strategic & Planning, IT Application, IT Infrastructure, Project Management Office and IT Security.



DATO' WAN ISMAIL WAN YUSOH

Head, Strategic Relations & Product Management

Dato' Wan Ismail Wan Yusoh has 33 years of Islamic banking experience in a number of areas, ranging from IT and operations, O&M and product development, consultancy and advisory to consumer banking, corporate affairs and strategic relations. He has been with Bank Islam since its inception in 1983, and was appointed to his current post in 2008 with the directive to assist the Managing Director in managing the Bank's strategic marketing and business intelligence. Dato' Wan Ismail holds a Master's Degree in Mathematics from Indiana State University, USA.

MARIA MAT SAID

Head, Legal & Secretarial

Puan Maria Mat Said has over 23 years of experience in the banking industry, mainly, performing legal functions. She has been with Bank Islam since 2005 and was appointed to her current position in 2009. Her areas of responsibility include provision of legal and corporate secretarial services for the Bank. As the Company Secretary, Puan Maria ensures proper governance within the Bank. Puan Maria holds a Bachelor of Law from University of Malaya.



RAZMAN ISMAIL

Head, Human Resources

Encik Razman Ismail carries with him 20 years of experience in Human Resources ("HR") both as consultant and practicing HR professional. He joined Bank Islam as the Head of Human Resources on 1 July 2014. His initial focus has been on strengthening employer branding, establishing succession management process and developing the Bank's talent development blueprint. Prior to joining Bank Islam, he had held various senior HR positions at renowned banking institutions. Encik Razman started his career at a consulting firm before moving on to a major multinational technology company. As a consultant, his client engagements cut across various HR functions from organisation development, rewards, performance management, talent assessment as well as merger and integration. Encik Razman holds a Bachelor's Degree in Management with a major in human resources and a minor in communication from Universiti Sains Malaysia.

ALINA SYLVIA APPOO

Deputy Chief Risk Officer

Ms Alina Appoo has over 15 years banking experience focusing predominantly on Market Risk in Malaysia and the Asian region. She joined Bank Islam in 2012 as Head of Market & Operational Risk, and was appointed as Deputy Chief Risk Officer in January 2015. Prior to joining the Bank, Ms Alina held key leadership and management positions in related fields at various local banks. She has been instrumental in change management initiatives within Market Risk including driving required changes arising from Basel 2 & 3 together with systems enhancements to front-end risk infrastructure for Treasury and Risk. Ms Alina has a Bachelor Degree (with Honors) in Mathematics from Universiti Sains Malaysia.

KHAIRUL MUZAMEL PERERA

Chief Credit Officer

Encik Khairul Muzamel Perera has over 30 years of banking related experience including stints at a debt rating agency and a national asset management institution. He is currently the Chief Credit Officer overseeing the Credit Management Division which covers Credit Analysis, Credit Analytics, Valuation and the Central Financing Processing function in Bank Islam. Encik Khairul joined the Risk Management Division of the Bank in April 2009, heading the Credit Risk Management unit. He also served as the alternate Director to the Chief Risk Officer on the Board of Amana Bank Ltd (Sri Lanka). A Chartered Company Secretary by profession, Encik Khairul is an Associate Member of the Institute of Chartered Secretaries & Administrators, London.

Profile of Management Committee (cont'd)



USTAZ MOHD NAZRI CHIK

Chief Shariah Officer

Ustaz Mohd Nazri Chik has over 10 years of experience in Shariah management of an Islamic bank. He joined Bank Islam in June 2004 before leaving in 2009 to take up another position at an investment arm of Dubai government. He rejoined Bank Islam in January 2011 and is responsible for strengthening the Bank's Shariah governance framework and facilitating its effort in offering Shariah compliant products and services. An Accreditation Panel of Finance Accreditation Agency and an Executive Committee member of Association of Shariah Advisors Malaysia, Ustaz Mohd Nazri is also the Deputy Chairman of the Shariah Supervisory Council of Amana Bank Limited (Sri Lanka). Ustaz Mohd Nazri holds a Master's degree and a Bachelor's Degree in Shariah (Islamic Jurisprudence) from University of Malaya where he continued on as an academician.

NIK AZMIR NIK ANIS

Chief Compliance Officer

Encik Nik Azmir Nik Anis joined Bank Islam in 2013, bringing with him 18 years of banking experience having served various local and foreign banks specialising in Branch and Banking Operations, Anti-Money Laundering, Operational Risk Management and Compliance. His primary roles and responsibilities include managing the Bank's overall compliance risk and shaping the Bank's compliance culture. He also acts as key liaison officer to the regulators and is the Bank's Money Laundering Reporting Officer ("MLRO"). Encik Nik Azmir holds a Bachelor of Arts in Economics from University of Pittsburgh, USA and a Master in Business Administration from Nottingham Trent University, UK.

MOHAMED IRAN MORIFF MOHD SHARIFF

Chief Internal Auditor

Encik Mohamed Iran Moriff began his career at Messrs Price Waterhouse, specialising in the audit of Banks and Financial Institutions before going on to further his studies and work in the United Kingdom for 10 years. Encik Iran joined Bank Islam in October 2009 as an Assistant General Manager in the Consumer Banking Division. Encik Iran was appointed as the Bank's Chief Internal Auditor in May 2014. A Certified Public Accountant ("CPA") and a fellowship member of the Association of Chartered Certified Accountants ("ACCA"), Encik Iran completed the Certificate in Internal Auditing for Financial Institutions ("CIAFIN") examinations with a distinction. Encik Iran holds a Masters in Business Administration from Strathclyde Business School, Glasgow and a Bachelors in Accountancy from University of East Anglia, Norwich, UK.



Islamic Bank of the Year Asia by The European Global Banking & Finance Awards 2015



The Strongest Islamic Retail Bank in Malaysia 2015 by Islamic Retail Banking Awards



Best Commercial Bank Malaysia in conjunction with the 10th Islamic Business & Finance Awards 2015 by CPI Financial, Dubai



Best Islamic Bank - Malaysia & Award for Excellence in Shariah Compliant Banking by Wealth & Finance INTL's 2015 Finance Awards.



Most Popular Banking & Financial Services Finalist by Top Malaysia's 100 Leading Graduate Employers 2015



Best Debit Card Offering category for the UniDebit Card by Cards & Electronic Payments International (CEPI) Asia Summit & Awards 2015



The Strongest Islamic Retail Bank in Malaysia 2015 by the Awards Committee of Islamic Retail Banking Awards



Highest Payment Volume Growth -Bank Islam Team Harimau by Visa Malaysia Bank Awards 2014



Best Customer Service Provider Asia by International Banker Awards 2014

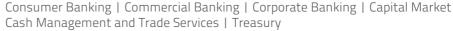
We Know No Bounds

Since our establishment in 1983, we have expanded by offering a wide range of innovative Islamic banking products and services to cater to the evolving needs of our customers.

However, our path to success was not without its adversities. What matters are not the hurdles that were put in our path, but our determination to grow stronger with every challenge.

Thank you to everyone who made it possible.





Management Team

BUSINESS UNITS



1 | Abdul Rashid Abdul Hamid

2 Zaharin Mohd Ali



3 | Mohd Izhar Pawanchek

Azmir Abdul Malek

CORPORATE SERVICES



5 | Mizan Masram

6 Wan Norkhairi Wan Samad



Nurulzahar Ghazali



9 Romina Talib

Ahmad Faizal Ismail 10



11 Che Shakhitah Mohamed



SUPPORT UNITS

80 CORPORATE HIGHLIGHTS CORPORATE FRAMEWORK INITIATIVES

Profile of Management Team



ABDUL RASHID ABDUL HAMID

Head, Commercial Banking

Encik Abdul Rashid Abdul Hamid has been in the banking industry for 20 years. He joined Bank Islam in 2005 after holding various posts in corporate banking and credit risk at a number of local and foreign banks. Encik Abdul Rashid was instrumental in the establishment of the Bank's Credit Analyst team. He was appointed to his current post in 2009 with the role of overseeing Bank Islam's Commercial Banking portfolio. Encik Abdul Rashid holds a Bachelor of Science in Business Administration from California State University in Sacramento, USA.

ZAHARIN MOHD ALI

Head, Corporate Banking

Encik Zaharin Mohd Ali has 20 years experience in the banking industry. Since starting his career in the industry in 1995 as an executive trainee, he has served various departments ranging from services, credit administration and commercial banking. Encik Zaharin joined Bank Islam in 2010 as the Head of Business in Commercial Banking, where he has been mainly managing sales within the division. Since promoted as Head of Corporate Banking in January 2015, he is responsible in overseeing Bank Islam's Corporate Banking portfolio. Encik Zaharin holds a Bachelor of Accountancy from University of Central England, UK.

MOHD IZHAR PAWANCHEK

Acting Head, Capital Market

Encik Mohd Izhar Pawanchek has more than 20 years experience in corporate banking, syndication & project finance, credit rating and debt capital markets. He was one of the key members in the establishment of the Bank's Capital Market Division (previously known as Corporate Investment Banking Division). Prior to joining Bank Islam in 2007, Encik Mohd Izhar had held various posts at an investment bank and a credit rating institution, specialising in Islamic finance and Sukuk. He was appointed as the Acting Head of Capital Market in August 2015. Encik Mohd Izhar holds a Bachelor of Accountancy (Hons) from Universiti Putra Malaysia.

AZMIR ABDUL MALEK

Head, Brand & Marketing Communications

Encik Azmir Abdul Malek has 18 years of experience in strategic brand building exercises which have involved a number of multinational corporations. He joined Bank Islam in 2012, and as a proponent of Integrated Communications Solutions, his main role is to enhance the Bank's presence in the industry. Encik Azmir holds a Bachelor in Business Administration, majoring in Advertising and Promotion from Western Michigan University, USA.



MIZAN MASRAM

Head, Recovery & Rehabilitation

Encik Mizan Masram has 18 years of experience in related fields and has held various positions with several foreign banks. He currently heads the Recovery & Rehabilitation division where he is responsible for the Bank's crucial credit recovery and collection operations. Encik Mizan holds a Diploma in Business Studies majoring in Business from the Association of Business Executives, UK.

WAN NORKHAIRI WAN SAMAD

Head, Group Corporate Communications

Puan Wan Norkhairi has over 30 years of experience in related fields of Corporate Communications, serving the banking industry. She joined Bank Islam in 2001 and was appointed to her current position in 2015. She is responsible for the Bank's Public Relations and Stakeholders Engagement. Puan Wan Norkhairi holds a Degree in Mass Communications (Public Relations) from Universiti Teknologi MARA ("UiTM").



AZMI SAMURI

Deputy Chief Technology Officer

Encik Azmi joined Bank Islam as Deputy Chief Technology Officer in May 2015. He has 16 years working experience in the Information Technology related fields. Before joining Bank Islam, Encik Azmi was a central banker where he had served in multiple departments including Technology Risk Specialist Unit as well as Banking and IT Supervision. Prior to that, he had also served in several technology companies including a regional IT service provider with responsibilities in various areas such as end user support, data centre operation and network infrastructure. Encik Azmi holds Bachelor of Computer Science from UMIST, Manchester, United Kingdom.

NURULZAHAR GHAZALI

Head, Business Support

Encik Nurulzahar Ghazali has over 21 years of experience in the banking industry. He has been with Bank Islam since 2005. He was appointed to his current position in 2015. His areas of responsibility include overseeing Trade Operations and Credit Administration. Encik Nurulzahar holds a Bachelor Degree in Accounting from University of Oregon, USA.

Profile of Management Team



ROMINA TALIB

Head, e-Channels

Puan Romina Talib joined Bank Islam as General Manager for e-Channels in December 2013. She has served various multi-national companies in various capacities, focusing on the digitisation of the business and processes, for the last 26 years. She had spent the last 16 years in leading and managing the digital channels and various e-businesses for a local bank, which includes managing the Internet Banking, Mobile Banking, E-commerce, M-commerce, Self Service Terminals and Cash Management for local and regional markets. She holds a Bachelor's Degree in Economics from Laurentian University in Canada.

AHMAD FAIZAL ISMAIL

Head, Branch Operations & Supervision

Encik Ahmad Faizal has 19 years experience in the banking industry. Started his career in the industry in 1997 as Resident Manager, with a foreign bank, where he has served various departments ranging from operations, sales management, cash management and credit administration. Encik Ahmad Faizal joined Bank Islam in 2010, as a Senior Manager, Branch Operations where he has been mainly managing the overall branches operations and supervision of Bank Islam and had recently been promoted to General Manager, Branch Operations & Supervision. He holds a Bachelor's Degree in Business Administration from International Islamic University Malaysia and is also Certified Process Professional.

CHE SHAKHITAH MOHAMED

Head, Corporate Support

Che Shakhitah Mohamed has over 28 years of Islamic banking experience in a number of areas, including operations, sales management and credit administration. She has been with Bank Islam since its inception in 1983, before pursuing her master degree in 1984 and rejoined the Bank in 1988. She was appointed to her current post in 2014 to oversee the administrative and management of corporate support division. Che Shakhitah holds a Master's Degree in Finance from St Louis University, Missouri, USA.

Profile of **Regional Managers**

NORTHERN REGION



AHMAD FAUZI MOHD AKHIR

Head of Regional Office

Encik Ahmad Fauzi Mohd Akhir has more than 24 years of experience in branch operation and financing department, and has been with Bank Islam since 1991. He now heads the Regional Office of the Northern region overseeing the 26 Bank branches in Perak, Kedah, Pulau Pinang and Perlis. Encik Ahmad Fauzi is a holder of Bachelor of Science in Accounting from Fairleigh Dickinson University, USA.

CENTRAL REGION



BOSTAMAM HASSAN

Head of Regional Office

Encik Bostamam Hassan has 30 years of experience in banking. He joined Bank Islam in July 1986 where he currently holds the position of Head of Central Region Office, and is responsible for the business development, marketing and management of 48 branches in Kuala Lumpur and Selangor. Encik Bostamam is a holder of a Master's degree in Business Administration from University of New Haven, Connecticut, USA.

SOUTHERN REGION



MOHD NOOR JAB

Head of Regional Office

Encik Mohd Noor Jab carries with him 21 years of banking experience. He joined Bank Islam in October 1994 where he now leads the Southern Region team comprising 28 branches in Johor, Melaka and Negeri Sembilan. Encik Mohd Noor holds a Bachelor of Business Administration from Universiti Utara Malaysia.

Profile of Regional Managers (cont'd)

EASTERN REGION



WAN ROSITA WAN MOHAMED

Head of Regional Office

Puan Wan Rosita Wan Mohamed has over 30 years of experience in the banking industry, and has been with Bank Islam since January 2005. She now heads the Regional Office of the Eastern region, comprising 29 branches in the states of Terengganu, Kelantan and Pahang. Puan Wan Rosita holds a Bachelor of Science Degree in Finance from Indiana State University, USA.

EAST MALAYSIA REGION



ABDUL MALEK ABDULLAH

Head of Regional Office

Encik Abdul Malek Abdullah has spent over two decades of his working life with several banking institutions before joining Bank Islam in 2006. He was appointed to his current post in 2008 to oversee the East Malaysia Region's 13 branches in the states of Sabah and Sarawak. Encik Abdul Malek is a holder of an Executive Master's Degree in Business Administration from Universiti Teknologi MARA.

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Profile of **Head of Subsidiaries**

CHIEF EXECUTIVE OFFICER





CHIEF **EXECUTIVE** OFFICER/ **PRINCIPAL OFFICER**

NAJMUDDIN MOHD LUTFI

Chief Executive Officer, **BIMB Investment Management Berhad**

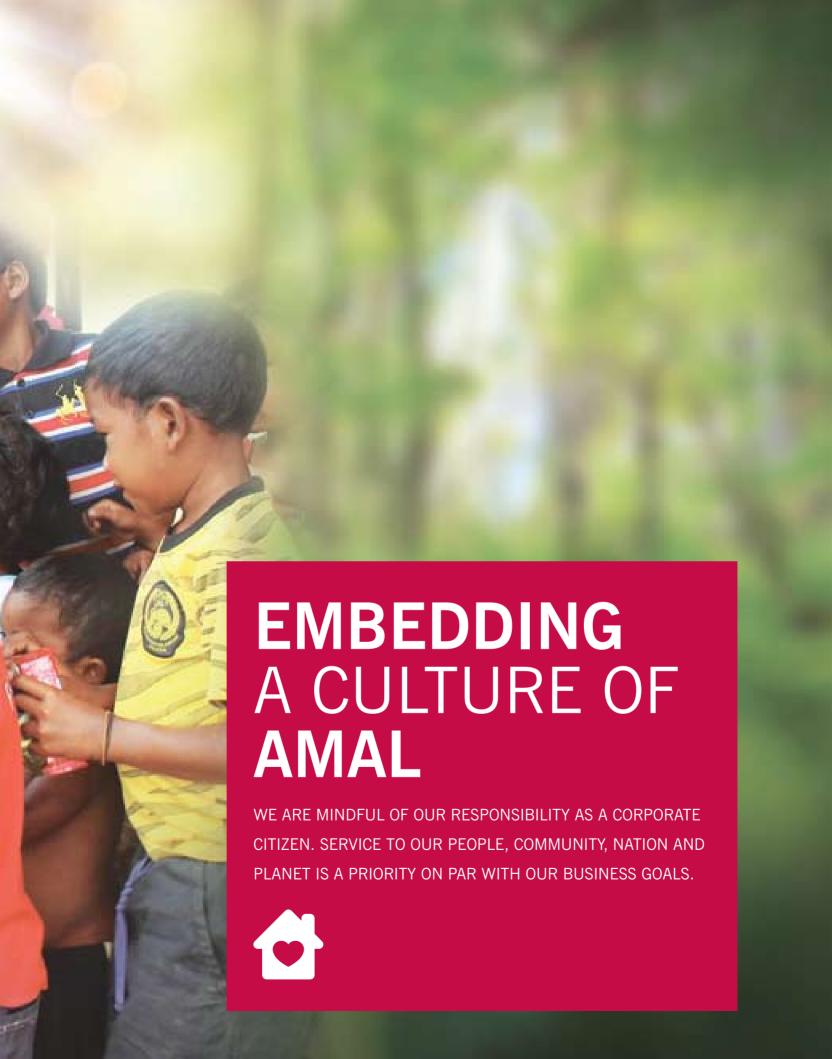
Encik Najmuddin Mohd Lutfi has 16 years of experience in the financial industry, with senior roles within the retail and institutional fund management business. He joined BIMB Investment Management Berhad on 9 February 2015. Encik Najmuddin has held the positions of Executive Director at Goldman Sachs (Malaysia) Sdn Bhd in the Investment Management divison and Assistant Director at CIMB-Principal Asset Management, in addition to being a former Deputy Director at Bank Negara Malaysia. Registered with the Federation of Investment Managers Malaysia ("FIMM"), Encik Najmuddin holds the Securities Commission's Capital Markets Services Representative's license ("CMSRL") and has an MBA and Bachelor of Science (Business Administration) from the University of Missouri, St. Louis, USA.

RUMAIZI MOHD TEJERI

Chief Executive Officer/Principal Officer, Bank Islam Trust Company (Labuan) Ltd

Encik Rumaizi Mohd Tejeri has over eight years of experience in Labuan and the offshore trust industries in Labuan IBFC. He was appointed as the Chief Executive Officer of Bank Islam Trust Company (Labuan) Ltd ("BTL") on 1 January 2011. Prior to his appointment, Encik Rumaizi was the Head of Legal & Compliance of BTL. Before joining BTL, Encik Rumaizi was the Assistant Manager of CIMB Trustee Berhad where he gained experience in banking and trusteeship related matters. He also has extensive experience in litigation, Shariah practices, estate planning, administration of estates and trust services. Encik Rumaizi is a holder of an MBA from Universiti Malaysia Sabah as well as LLB (Hons) from International Islamic University Malaysia.





Calendar of Significant Events

JANUARY

08 January

Bank Islam visited flood-affected cities in Terengganu and Pahang to distribute basic necessities to its staff and local communities.

12 January

Bank Islam handed a contribution of RM1.3 million to the State Government of Kelantan to help rebuild the lives of flood victims.



20 January

Bank Islam hosted a study visit from King Fahad University at Menara Bank Islam, Kuala Lumpur.



FEBRUARY

24 February

Bank Islam received a study visit from the Morocco Shariah Board and delegates from Bank Al-Maghribi at Menara Bank Islam, Kuala Lumpur.



MARCH

19 March

Bank Islam hosted a study visit from Russian State Corporation at Menara Bank Islam, Kuala Lumpur.



27 March

Bank Islam donated a multipurpose van to Rumah Tunas Harapan Darul Hilmi to help ease their daily commute.



APRIL

02 April

Bank Islam, as the official banker, joined in the launching of *Dana Bumiputera Al-Ansar* by Lembaga Tabung Haji. It was launched at Parliament and graced by YAB Dato' Sri Mohd Najib bin Tun Abdul Razak, Prime Minister of Malaysia. *Dana Bumiputera Al-Ansar* is Malaysia's first Restricted Investment Account that was approved by Bank Negara Malaysia under the new Islamic Financial Services Act 2013.



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10 April

Bank Islam received a study visit from INCEIF International students at Menara Bank Islam, Kuala Lumpur.



11 April

Bank Islam contributed RM200,000 to the Tabung Pendidikan 1 Bilion by the alumni of UiTM. This education fund aims to provide financial aid to the future students of UiTM and develop the nation's future leaders.



14 April

Bank Islam launched Sahabat Bank Islam and the Islamic Banking Seminar at Masjid Wilayah Persekutuan, Kuala Lumpur. These are initiatives to share knowledge on Islamic banking with religious speakers to raise awareness amongst the public.



16 April

Bank Islam organised a prize-giving ceremony for the winner of Al-Awfar campaign 'The Search For More Millionaires Is Back!!!' at Menara Bank Islam, Kuala Lumpur.



25 April

Bank Islam hosted a Bowling Tournament at Wangsa Bowl, IOI City Mall, Putrajaya to strengthen strategic clients relationships with the Accountant General.



28 April

Bank Islam presented a cheque of RM48,000 for its zakat distribution to Institut Profesional Baitulmal for the development of the nation's tertiary education.



30 April

Bank Islam sponsored RM45,000 to the organisers of "Invention, Innovation & Design Exposition 2015" to successfully run the event. The exposition greatly encourages and promotes innovation and creativity among students and faculties in UiTM.



Calendar of Significant Events

(cont'd)

MAY

09 - 10 May

Bank Islam once again collaborated with BERNAMA in organising a Media Community Drive for members of the media from Kuala Lumpur to Penang. Activities revolved around the concept of 3R (Reduce, Reuse, Recycle) as SWCorp was a collaborative partner for the year's Media Community Drive. This initiative encourages the media to perform Corporate Responsibility activities as well as strengthens their bonds with the Bank.



12 May

Bank Islam hosted a seminar to brief representatives from all Majlis Agama on the various Zakat Payment Channels offered by the Bank at Menara Bank Islam, Kuala Lumpur.

23 May

Bank Islam's Treasury Division hosted an event at KL Hilton themed "Woman on the Go - Brain and Beauty", to show appreciation and strengthen its relationship with its clients.

JUNE

01 June

Bank Islam organised a media briefing hosted by Encik Hizamuddin Jamalluddin to introduce its new Term Investment Accounts products and educate the media as well as the public on Investment Account under the new Islamic Financial Services Act 2013.



11 June

Bank Islam presented zakat fund to 14 Pusat Zakat Negeri at a presentation ceremony graced by the Minister in Prime Minister's Office, YB Mejar Jeneral (B) Dato' Seri Jamil Khir Baharom at Menara Bank Islam, Kuala Lumpur.



13 June

Bank Islam contributed more than RM120,000 for the purchase of a community van for the use of single mothers from Persatuan Ibu Tunggal Parlimen Jerai ("SERIWAJA"). This contribution is aimed at improving the wellbeing of single mothers in Malaysia.

18 June - 16 July

Bank Islam, in collaboration with Surau Wakaf Ahmad Dawjee Dadabhoy, provided free daily buka puasa or Iftar at Menara Bank Islam every weekday for the whole month of Ramadan for its staff and citizens within the vicinity. Daily tazkirah and solat tarawih was also conducted every weekday.



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22 June **-13** July

Bank Islam hosted iftar sessions with media organisations to strengthen the good relationship between the Bank and the media. Iftar sessions were held at the premises of NSTP Group, Utusan Malaysia & Kosmo, Bernama and RTM while packed food and kuih raya were distributed to media friends at TV3, TV AlHijrah and Sinar Harian.









23 June - 10 July

Bank Islam organised iftar programmes in Kelantan, Sabah, Perak, Johor and Kuala Lumpur to celebrate with the underprivileged communities as well as to distribute its zakat contributions.



Bank Islam collaborated with Berita Harian for the "Semarak Ramadan" programme at Masjid Felda Air Tawar 3, Kota Tinggi, Johor for sahur and iftar programmes with the local communities and orphans.





29 June

Bank Islam received a study visit from China at Menara Bank Islam, Kuala Lumpur.



drivers on AKLEH Highway and taxi drivers at five NGV Stations in Kuala Lumpur in effort to elevate the spirit of Ramadan and also raise awareness on riba by giving out "Tinggalkan Riba" car stickers.







Calendar of Significant Events

(cont'd)

JULY

06 July

Bank Islam hosted an iftar session for its staff at Menara Bank Islam, Kuala Lumpur in conjunction with the launching of "AMAL" as the brand for its Corporate Responsibility initiatives.



13 July

Bank Islam signed an MoU with Petrosains during an iftar programme at Petrosains, KLCC. This was for the sponsorship of the Petrosains Science Show Competition and Visit to School Programme.



27 July

Bank Islam organised a Hari Raya Aidilfitri open house for its staff at Menara Bank Islam, Kuala Lumpur.



29 July

Bank Islam organised a Hari Raya open house at The Light Hotel, Butterworth for its corporate clients in the northern region.



30 July

Bank Islam organised a Hari Raya open house at The Zenith Hotel, Kuantan, Pahang for its corporate clients in the eastern region.



30 July

Bank Islam celebrated the launch of its 143rd branch located at Denai Alam, Selangor. A *doa selamat* ceremony was held the night before with a *kuliah maghrib* from Bank Islam's Chief Shariah Officer, Ustaz Mohd Nazri Chik, entitled "*Perbankan Islam Merentasi Zaman*" at Surau Al-Mahdi Bukit Subang.



AUGUST

01 August

Bank Islam sponsored a multipurpose van to Pusat Jagaan Darul Al Fikrah for the use of the old folks' home residents to ensure improvement of their wellbeing. The van was handed over during a *Majlis Jamuan Hari Raya* where they were celebrated with a variety of delicacies.



03 August

Bank Islam signed an MoU with Lembaga Kemajuan Wilayah Kedah ("KEDA") for the usage of Bank Islam's Voucher Encashment service. This innovative product is Malaysia's first cashless voucher that eliminates the need for cheque issuance for corporate bodies, cooperations, and religious bodies when issuing retail payment.



03 August

Bank Islam hosted a study visit from Gambia at Menara Bank Islam, Kuala Lumpur.

04 August

Bank Islam organised a Hari Raya open house at Pullman Hotel, Kuching, Sarawak for its corporate clients in East Malaysia. Bank Islam also invited 100 asnaf from various cities in Sarawak and distributed zakat to them.



04 August

Bank Islam, as a Sahabat Korporat Tabung Haji, contributed RM500,000 as part of goodwill building for the Hajj pilgrimage.



05 August

Bank Islam organised a Hari Raya open house at Holiday Inn, Melaka for its corporate clients in the southern region. Bank Islam invited 100 asnaf from all around Melaka and distributed zakat to them.



11 August

Bank Islam successfully raised Syndicated Islamic Financing Facilities of RM121.44 million for Kerian Energy Sdn Bhd. As the lead arranger, the Bank successfully closed this syndication exercise for the construction of a 14MW Mini Hydro Power Plant in Sungai Kerian, Perak.



11 August

Bank Islam organised a Hari Raya open house at Sime Darby Convention Centre, Kuala Lumpur for its corporate clients in the central region.



Calendar of Significant Events

(cont'd)

17 August

Bank Islam signed an MoU to establish a strategic collaboration with Yayasan Islam Perlis to collect waqf fund for the development of Sekolah Menengah Agama (Perempuan) Al Madrasah Al Alawiyah Ad Diniah in Kangar, Perlis.



18 August

Bank Islam received a study visit from delegates of the Bank of Zanzibar, Tanzania at Menara Bank Islam, Kuala Lumpur.



SEPTEMBER

07 - 09 September

Bank Islam launched a Compliance Awareness Campaign and organised Compliance Awareness Week 2015 for its staff to inculcate the culture of compliance in the workplace.



08 September

Bank Islam organised an Islamic Banking Seminar - an initiative to share knowledge on Islamic banking with religious speakers and an introduction of Sahabat Bank Islam Peringkat Negeri Kelantan at Kompleks Islam Jubli Perak Sultan Ismail Petra, Panji, Kota Bharu, Kelantan.



11 September

BIMB Invest organised a zakat presentation ceremony where it paid out its business zakat of RM19,583 to Pusat Pungutan Zakat Wilayah Persekutuan.



24 - 26 September

Bank Islam distributed zakat to the underprivileged and celebrated Hari Raya Aidiladha with local communities in Selangor, Terengganu, Perlis, Melaka and Sarawak. The *Program Ibadah Korban Bank Islam* in every region aims to build strong relationships with the local communities and celebrate with the underprivileged.







26 September

Bank Islam participated in the Semarak Qurban BHB - Berita Harian programme where BHB sponsored RM70,000 in collaboration with all its subsidiaries and Berita Harian at Masjid Tandop, Alor Setar, Kedah. BHB also sponsored six cattles to be slaughtered for Jamuan Raya with Rohingya refugees and local communities in Kedah.



29 September - 28 October

Bank Islam sponsored RM160,000 for the Visit To School Programmes in collaboration with Petrosains to create a fun and casual learning environment for the students, giving priority to the learning of Science. This programme visits schools in Sabah, Sarawak, Kedah, Negeri Sembilan, Selangor, Pulau Pinang, Johor, Kelantan, Terengganu and Pahang.



30 September

Bank Islam hosted a study visit from China delegates at Menara Bank Islam, Kuala Lumpur.



OCTOBER

29 October

Bank Islam organised a Seminar on Sadaga House 2015 in strategic collaboration with KUIS at Menara Bank Islam, Kuala Lumpur. This programme is aimed to provide a platform for scholars and industry players to discuss issues and solutions, exchange ideas and provide recommendations to policy makers in implementing Sadaqa House as a banking product.



29 October

Bank Islam sponsored RM400,000 for the winners of Petrosains Science Show Competition 2015. This competition was held after the Visit To School Programme as a platform for students to demonstrate what they learnt from the programme and prove that learning science in a fun and casual environment is effective. This competition enhances students' creativity and innovative thinking about science and technology.



Calendar of Significant Events (cont'd)

03 November

Bank Islam contributed a Braille Al Quran and Braille printing machine to the PERTIS Islam Blind Association Malaysia. These essentials provided the means to strengthen the spiritual and intellectual wellbeing of the visually impaired community.

NOVEMBER



07 November

Bank Islam hosted *Kejohanan Golf Bank Islam 2015* at Kelab Golf Sultan
Abdul Aziz Shah, Shah Alam, Selangor.
This was an initiative to strengthen its relationship with strategic clients.



09 November

Bank Islam and Petronas hosted a Prize Giving Ceremony for the winners of Swipe & Drive Further Campaign at the new Petronas Station in Section 2, Wangsa Maju.



12 November

BIMB Invest launched Malaysia's first multicurrency Shariah and ESG compliant global equity fund called BIMB-Arabesque i Global Dividend Fund 1, in partnership with global asset manager, Arabesque Asset Management Holding Ltd, UK.



17 November

Bank Islam was awarded Strongest Islamic Retail Bank in Malaysia by Islamic Retail Banking Awards 2015 during the Gala Dinner in Dubai, United Arab Emirates.



20 - 22 November

Bank Islam collaborated with local NGOs for AMAL Bank Islam - Salam Temenggor Belum Expedition Programme in Temenggor Belum. Bank Islam sponsored more than RM30,000 towards the Projek Pam Air, Bengkel Solat and Rawatan Perubatan Islam for the community of Perkampungan Orang Asli at Sungai Chiong. This programme aims to improve facilities in the village alongside providing religious guidance and improving the lives of the Orang Asli.





27 November

Bank Islam sponsored a Van Jenazah to Masjid Ismaili, Tumpat, Kelantan to provide convenience to the local community



DECEMBER

15 - 21 December

Bank Islam hosted workshops of "#ePaymentisnow" to promote the importance and convenience of e-Payment to its highest cheque issuers at Kuala Lumpur, Johor Bahru and Ipoh, Perak. This is in support of Bank Negara Malaysia's initiative in migrating Malaysia to e-payment channels and reducing cheque issuances.





22 December

Bank Islam received a study visit from the students of Islamic Studies, Smart College, Kuala Lumpur at Menara Bank Islam, Kuala Lumpur.



JANUARY 2016

19 January

Bank Islam was awarded the "Best Commercial Bank - Malaysia" in conjunction with the 10th Islamic Business & Finance Awards by CPI Financial, Dubai.



Investing In Communities – Serving Society Through Corporate Responsibility

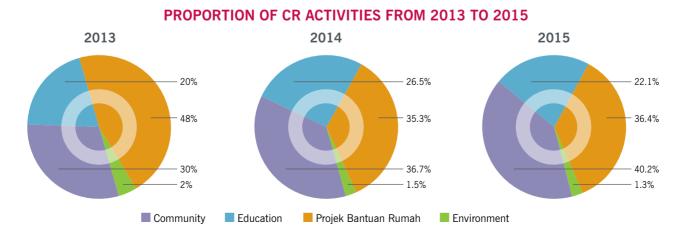
AS A RESPONSIBLE CORPORATE CITIZEN AND A PIONEERING ISLAMIC BANK IN THE COUNTRY, IT HAS BEEN ONE OF BANK ISLAM'S BASIC TENETS THAT BANKING IS MUCH MORE THAN MAKING PROFITS. OUR SUCCESS MUST BE INCLUSIVE AND LONG-TERM SUSTAINABILITY IS AT THE HEART OF EVERYTHING WE DO TO ENSURE WE HAVE A BUSINESS THAT IS ATTRACTIVE TO STAKEHOLDERS. WE ARE CLEAR ABOUT THE ROLE WE PLAY IN SOCIETY AND OUR RESPONSIBILITY TO HELP DRIVE POSITIVE CHANGE.

OUR STRATEGIC PRIORITIES

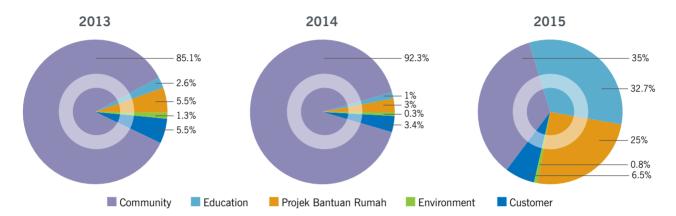
At Bank Islam we have instilled a corporate culture that understands the significance of corporate responsibility ("CR") as an important part of sustainability. CR has always been an integral part of the Bank's operations and identity. From our early days, Bank Islam's CR programmes and activities have embodied the promise of better days and better lives ahead.

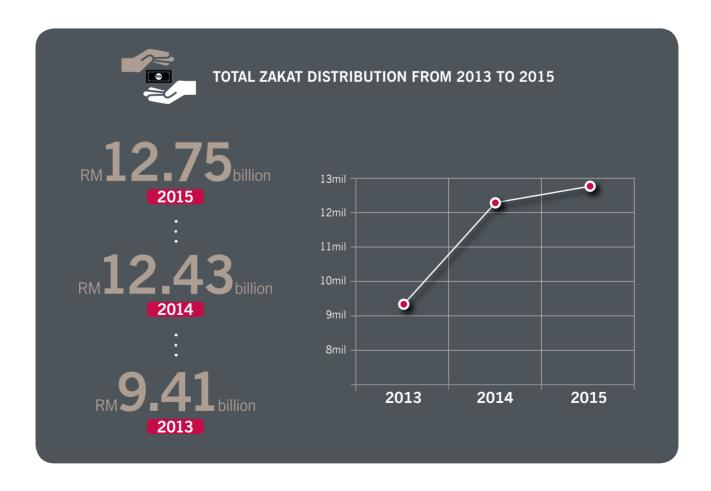
Given our long history of giving back to society, our CR programmes and activities have evolved over the years to ensure their relevance to the needs of today's society and effectiveness in contributing to the wellbeing of local communities. To maximise value from our CR programmes, we are focusing on four strategic priorities: Community Development, Education, Projek Bantuan Rumah (Housing Aid Project) and the Environment.

In 2015, our CR efforts were recognised when we were accorded the Best CSR Initiative award by the Golden Globe Tigers Award 2015 for our flagship initiative Projek Bantuan Rumah.



PROPORTION OF SPONSORSHIPS, CONTRIBUTIONS AND DONATIONS FROM 2013 TO 2015





Investing In Communities – Serving Society Through Corporate Responsibility (cont'd)

THE AMAL BRAND

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Bank Islam continues to build its brand presence in the domestic market, whilst looking for opportunities to grow beyond national boundaries. In line with the Bank's growing strength, we began to rethink and refine our CR strategy to better support our increasing brand presence. The result is the inception of "AMAL", a brand name that will help us expand the social impact of our CR activities. Strategically, this will also align our CR strengths with the Bank's reputation as Malaysia's premier Islamic bank.

The AMAL (meaning good deeds or actions in Arabic) brand was launched on 6 July 2015 during the holy month of Ramadan. All CR related activities that we undertake now carry the AMAL brand name, putting a public face on our various corporate philanthropy activities and enhancing the Bank's positive impact on society.

At Bank Islam, we believe that CR should not merely involve the corporate chequebook but actual personal involvement. Management and staff are encouraged to be actively involved in welfare work and charity projects. The spirit of caring and sharing is now part of our corporate DNA, and in 2015 our people collectively contributed 152,881 hours of their own time to be involved in gotong-royong activities and other voluntary work initiated by the Bank.







BUILDING COMMUNITIES

In today's inter-connected world, no business can operate as an entity unto itself. More than three decades of experience have taught us that Bank Islam's business success is closely linked to the progress of the community. That is why we have maintained a strong commitment to our CR agenda, irrespective of the prevailing economic conditions. In 2015, a majority (40%) of our CR initiatives were community-centric activities while, in the last five years, an average of 77% of the Bank's CR budget allocation has been allocated for community development.

Our community development efforts take many forms and cover welfare organisations, educational institutions, mosques and suraus, State Governments, and other worthy causes. Over the years, the Bank has initiated numerous projects, with some of the most memorable undertaken in 2015 highlighted in the following paragraphs.

Providing Aid and Friendship

In November 2015, AMAL brought together some 60 volunteers, comprising Bank Islam staff and representatives from eight nonprofit organisations, to visit the remote village of Kampung Sungai Chiong, deep within the Temenggor-Belum Forest Reserve. During their time spent there, the volunteers provided the orang asli community medical assistance, food items, other necessities as well as toys for the children. They also installed a water supply system, sparing the villagers the tedious task of fetching water from a nearby lake.

The three days spent with 300 orang asli villagers presented an educational but ultimately enriching experience for our volunteers. Genuine bonds of friendship, understanding and compassion were forged during their interaction with the community, and this has left an indelible impression on them.

Investing In Communities – Serving Society Through Corporate Responsibility (cont'd)



Sharing Festive Joy

As a multicultural nation, Malaysia is fortunate in the many festivals it celebrates. Sharing is an indispensable part of our corporate culture and we are determined that the less fortunate and those living at the fringes of society are not forgotten during such festive occasions.

In 2015, the spirit of AMAL was very much in evidence during the important dates of the Islamic calendar. For Ramadan, 867 individuals and 42 institutions received zakat totalling more than RM1 million. As with every Ramadan month, the Bank contributes zakat to the needy, orphans, single mothers and senior citizens as part of its nationwide Majlis Berbuka Puasa programme. We also extend the programme to include media professionals and, occasionally, uniformed personnel who might otherwise be occupied with their duties at the time of breaking fast. It is in ways like this that we plant roots deep into the communities in which we operate, earning trust and respect as a valued neighbour and friend.

Meanwhile, during the first four days of Aidiladha, employees also contributed towards the purchase of cattles and the meat was distributed among the less fortunate communities. This is part of our nationwide Program Ibadah Korban which allows our staff to engage with communities by creating various activities for children and adults alike to make Aidiladha extra meaningful for everyone involved.



Flood Relief Efforts

Whenever the need arises, Bank Islam volunteers have always lent a helping hand in flood-relief efforts. When the worst floods in decades battered the east coast of Peninsular Malaysia in December 2014 and January 2015, we were personally involved.

We had to close down 15 of our branches in Kelantan and Terengganu and more than 100 members of our staff were affected. Basic necessities were given to assist the affected families as well as local communities. In all, a total of RM400,000 was donated to the worst-hit states, namely Kelantan, Terengganu and Pahang, for post-disaster rehabilitation in addition to the RM1.1 million contribution of the Bank's zakat fund.

EDUCATION

Bank Islam's continued focus on education is aligned directly with our belief in developing human capital potential as a long-term driver of success. The many educational programmes we carry out include the Promoting Intelligence, Nurturing Talent and Advocating Responsibility ("PINTAR") Programme. We have contributed RM1,620,000 towards this programme which is designed to foster academic as well as non-academic excellence in underserved communities and to help bridge the urban-rural divide. For 2016, the Bank will be adopting another two schools (one in Perak and one in Kelantan) as part of our education initiative under the PINTAR programme. Including these two schools, the total number of schools adopted by Bank Islam since 2008 will be 20 by end of next year.

Since 2006, Bank Islam has been the official partner in the annual Innovation, Invention and Design Exposition ("IIDEX") to promote innovation among Malaysian youths. This exposition serves as an incubator and platform for aspiring inventors to showcase their latest innovative ideas.

Making Education Fun

In 2015, we increased our budget allocation significantly towards educational programmes from 1% in the previous year to 33%. This increase is mainly due to our collaboration with Petrosains in the Visit to School Programme and Science Show Competition. These initiatives are designed to generate youths' interest in science and technology by bringing fun back into education. The Bank contributed RM500,000 in these two events which involved 87 schools across the country.

ZAKAT CONTRIBUTION FOR EDUCATION FROM 2013 TO 2015

YEAR	TOTAL NO OF INSTITUTES OF HIGHER EDUCATION	TOTAL ZAKAT CONTRIBUTION (RM)
2013	24	920,000
2013	;	920,000
2014	37	1,370,000
2015	49	1,388,000

The Visit to School Programme involves the organising of workshops to engage and inspire students with hands-on activities based on STEM (science, technology, engineering and mathematics) concepts while the Science Show Competition, which was open to all secondary school students across the country, required participants to illustrate a scientific theory. At the grand finals held on 29 October, SMK Tamparuli from Sabah emerged as the winner.



Investing In Communities – Serving Society Through Corporate Responsibility (cont'd)

PROJEK BANTUAN RUMAH

Every Malaysian aspires to own a house, which is a basic necessity of every human being. Given today's rising house prices, this has increasingly become an impossible dream for many people living below the poverty line. In 2008, Bank Islam initiated the Projek Bantuan Rumah (Housing Aid Project), which channels sachet contributions to construct and rehabilitate houses for poor families throughout Malaysia. This flagship project has won kudos and a Golden Globe Tigers Award 2015 for the 'Best CSR Initiative'.

Since its inception, more than RM5.5 million has been channelled to Projek Bantuan Rumah, making it possible for 213 marginalised families across the country to own a house.

In early 2015, Bank Islam also contributed RM1.2 million towards the flood relief efforts in Kelantan. The money has been used for the construction and rehabilitation of 28 houses as part of Projek Bantuan Rumah.

HOUSES BUILT/REHABILITATED FROM 2008 TO 2015

YEAR	STATES	NO. OF HOUSES BUILT/ REHABILITATED
2015	Kelantan	28
	Kelantan	10
2014	Johor	22
	Pahang	1
2013	Sarawak	6
2013	Perak	18
2012	Negeri Sembilan	1
2011	Pahang	23
2010	Kedah	31
2009	Terangganu	37
2008	Kelantan	36
	·	213

ALLOCATIONS FOR PROJEK BANTUAN RUMAH FROM 2008 TO 2015

YEAR/STATE	AMOUNT CONTRIBUTED (RM)
2015	1,100,000
2014	527,000
2013	626,000
2012	568,000
2011	
2010	751,500
2009	1,000,000
2008	1,000,000
Total	5,572,500

ENVIRONMENTAL PRESERVATION

Planet Earth is in peril today more than at any other time. 2015 stands on record as the hottest year in modern times, raising new concerns about the accelerating pace of climate change. Our natural resources exist in a delicate balance and are vulnerable to environmental changes. At Bank Islam, we believe the onus is on every one of us to address the growing environmental crisis, each playing our part in ways big and small, to conserve, preserve and care for a world that is sustainable.

As a financial institution, our impact on the environment may not be significant compared with other industries. Nonetheless, we have carried out a number of initiatives to lessen the degradation of our precious natural resources.

We have also taken a hands-on approach in our conservation efforts, collaborating with various agencies to organise and participate in activities. For instance, we have teamed up with SWCorp to conduct a campaign to encourage Malaysians to reduce, reuse and recycle ("3Rs") in a bid to minimise wastage, especially food when there are people who do not have enough.

One Earth, One Quest

Launched in 2014, the One Earth, One Quest initiative saw the planting of 2,200 mangrove saplings in the Tasik Sulaman Forest Reserve in Tuaran, Sabah. 50 volunteers from Bank Islam

participated in the tree-planting activity along with 40 hearingimpaired students from Sabah. Bank Islam also made a contribution of RM50,000 to the Sabah Wetlands Conservation Society to keep the project going.

Green Day

Each year in April, we join the rest of the world in celebrating Earth Day. We commemorate this event through green activities such as beach cleaning, awareness talks, educational programmes as well as donations towards environmental causes.



YEAR	LOCATION	ACTIVITIES
2014-2015	Hutan Simpan Tasik Sulaman, Tuaran , Sabah	2,200 Mangrove tree planting by stages
2013	Pantai Puteri, Tanjung Kling, Melaka	Beach cleanup, environment awareness talks to the local fishermen and school children, distribution of eco-green bag to hawkers, blood donation drive, free health check-up and many more
2012	Pantai Tanah Lot and Pulau Tenggol, Dungun, Terengganu	Beach and underwater clean up
2012	Taman Rimba Riang, Kota Damansara, Petaling Jaya, Selangor	Tree planting
2011	Pulau Che Mat Zin, Klang, Selangor	Mangrove tree planting
2011	Hutan Rekreasi Sungai Udang, Melaka	Tree planting

Investing In Communities – Serving Society Through Corporate Responsibility (cont'd)



INVESTING IN OUR PEOPLE

The quality of our people is a major reason for our success and, at Bank Islam, we want to be a high-performing organisation that attracts, develops and retains the best talents. In 2015, to attract the best the market can offer, we participated in a career fair, dialogue session and a workshop at three institutions of higher learning, where we delivered a series of career talks.

We are constantly upskilling our people's talents so that we are able to deliver on our vision, provide our customers with the best possible service and guarantee the success and sustainability of our business. Our training calendar is constantly reviewed to ensure that programmes and courses offered are relevant to the needs of the Bank.

In June 2015, the Branch Management Development Programme was launched for a select pool of talent ready to assume greater management responsibilities across the Bank's network of branches. A total of 20 participants attended the programme, of which three have already been deemed suitably qualified.

The year also saw the roll-out of Bank Islam's Certification Programmes, jointly offered with Universiti Sains Islam Malaysia ("USIM"). The programme caters to the non-executive level, equipping them with the soft as well as technical skills to advance professionally and personally. A total of 40 participants have been awarded an Associate Qualification in Islamic Finance, of which 33 have moved on to obtain an Intermediate Qualification in Islamic Finance, with an Advance Qualification being the next step for successful candidates.

Bank Islam is also participating in the government's Skim Latihan 1Malaysia ("SL1M"). Since October 2014 till now, the Bank has accepted 164 fresh graduates, who underwent two months of intensive classroom training followed by a further 10-month attachment for on-the-job training. The scheme incorporates soft and technical skills training including team building, Fundamentals of Islamic Banking & Takaful, English Grammar for Business, Communication Skills in Workplace, Business Writing Skills, Presentation Skills, Critical Thinking, Multimedia Application at Workplace, Mock Meeting, Grooming & Interview Etiquettes and On-job attachment at Business Units and branches. Apart from that, the passion towards the Islamic finance industry was also instilled in these younger generations who will be the prime mover to make Malaysia as the region's Islamic finance hub.

MARKETPLACE DEVELOPMENT

As a pioneer Islamic Bank and flag-bearer of Islamic finance, we have an obligation to proactively contribute to the further development of a rapidly growing industry. Living up to its commitment, Bank Islam has been innovating new Shariah-based financial products and services to cater to the fast evolving financial needs of its growing customer base. It has also expanded its customers' accessibility to the Bank through an extensive presence of 144 branches with 1,100 self-service terminals nationwide.

As part of our efforts to increase the depth and breadth of the banking industry and fast track its growth, we are willing to share our knowledge with others. In this regard, Bank Islam has hosted numerous local and international delegations interested to learn more from our experience.

Sahabat Bank Islam

One of our initiatives in carrying out our practice of knowledge sharing is also realised by way of engaging with various organisations within the industry as well as internally among the Bank's divisions and departments. As a way to spread knowledge on Islamic banking among the public, the Bank has launched "Sahabat Bank Islam" Programme which allows asatizah, imams and the general public to attend seminars to increase their proficiency in Islamic banking. The first seminar was held in conjunction with a Sahabat Bank Islam launch in April 2015 at Masjid Wilayah Persekutuan. Organised in collaboration with Pejabat Mufti Wilayah Persekutuan, the event was attended by 500 asatizah and imams from the Federal Territory. These seminars also aim to equip participants with the latest updates on Islamic banking such as the introduction of Islamic Financial Services Act ("IFSA") 2013.

IFSA Awareness Initiatives

With the introduction of IFSA 2013, the Bank launched a comprehensive awareness campaign to address the reclassification of Islamic deposits under this new legal framework. Some of our IFSA 2013 awareness initiatives include the nationwide training for all our branch staff on Deposit Transition Plan & Investment Account Framework in relation to IFSA 2013. A Corporate Luncheon event was also held at the Le Meridien Hotel to enlighten our clients and stakeholders on the implementation of the act and importance of understanding the change that comes with it. Additionally, two booklets on IFSA 2013 were also created as a guide for the Bank's staff and its customers.



2016 AND BEYOND

Bank Islam's CR programme and activities will continue to evolve in response to the changing needs of society. Admittedly, there is always room for improvement and we are constantly looking at innovative ways in which we can serve society better. Bank Islam will launch its newest innovative product, an e-donation terminal, which is a platform where donations can be made through the contactless electronic method using any Visa Debit/Credit Card with PayWave feature in January 2016.

We will continue in our efforts to understand the needs of communities, measure impacts and improve performance while building partnerships to engage stakeholders. With a solid foundation to build upon, we will be rolling-out more CR initiatives relevant to the needs of today's society as part of our effort to align social and business values of corporate citizenship.

Pursuing Productivity

THE BANK HAS BEEN SUCCESSFUL IN ITS PURSUIT TO BE AN EMPLOYER OF CHOICE. IN 2015, BANK ISLAM WAS RANKED TOP 3 IN THE BANKING INDUSTRY AND CONTINUED TO REIGN AMONG THE TOP 20 EMPLOYERS OF CHOICE IN THE EYES OF OUR NATION'S UNIVERSITY GRADUATES.



Bank Islam's Human Resources Division ("the Division") sustained commitment towards its H2E pillar of becoming an Employer of Choice continued to pay off in 2015. The Bank enjoyed improvement as one of the most reputable employers in Malaysia. It is ranked top 3 in the banking industry and 13th overall (from 16th in 2014) on the Malaysia's 100 Leading Graduate Employer list, and recognised as No. 19 in the Top 50 Most Preferred Employer list by the Graduan Brand Awards. These are highly valued achievements as they fortify our strength in attracting talented employees within an industry challenged by a shrinking talent pool.

ENHANCING OUR EMPLOYER BRANDING

The Bank credits its concerted effort in developing a formal Employee Value Proposition ("EVP") statement for its improvement in employer branding. The EVP statement clearly identifies our uniqueness and differentiating factor as an employer, and allows us to communicate our proposition more effectively and synergistically during recruitment drives.

The Bank remains mindful that its own growth leverages on the growth of the industry at large, therefore, our foremost commitment remains in nurturing a talent pool for the industry. We played a vital role in attracting graduates to the Islamic banking scene through two initiatives during the year. These included our efforts in formalising the internship programme for students to gain experience through a three to six months stint with the Bank. This initiative is seen as important in strengthening our employer branding amongst students. We also continued to engage with graduates through Skim Latihan 1Malaysia ("SL1M") in support of the government's intention to increase the employability of graduates. A total of 164 graduates have gone through the programme with Bank Islam since its introduction in 2014.

FOCUSED ON OPTIMISATION

The business environment for 2016 is expected to continue to be challenged by narrowing margins, making optimisation of resources an important priority in everything that we do. In 2015, the Bank focused on enhancing greater productivity of our workforce while trying to keep the headcount to the minimum.

The Bank's 'Growing Our Own Timber' philosophy is an integral part of this strategy. Our goal is to develop our own talent by equipping them with the relevant skills and knowledge to perform their current and future roles. Among the programmes conducted in 2015 to facilitate this are Branch Management Development Programme, various certification programmes and others.

In 2015, the Bank established a Talent Development Blueprint and initiated the identification and development needs analysis for potential successors of heads of divisions. This has resulted in a more structured talent development initiative for succession management of top positions.

Improvements were also made in the delivery of Learning & Development programmes by optimising the use of technology. There was better utilisation of the training fund as the Division initiated an e-learning project to ensure more efficient deployment of learning modules. New certification programmes such as the IBFIM-BIMB Certification Programme and USIM-BIMB Certification Programme were introduced to provide formal learning opportunities for targeted group of employees. New programmes were also introduced to instil the mindset of customer service excellence across the Bank in a consistent manner.

Our talent development effort is synergistically balanced with greater attention to staff welfare; such as the launch of a Staff Prihatin Programme to ease the burden of staff who experience calamities; and a review of Human Resource benefits to enhance engagement and drive high performance amongst employees.

Today, the Bank's total employees count stand at 4,361 with a lower than industry average staff turnover rate of 4.13% which points to the success of the Bank's initiatives and value propositions in cultivating engagement amongst its employees.

REINFORCED INTERNAL CONTROLS

Another driver towards optimisation has been the managing of costs, such as staff overheads and overtime, and enhancing employee relations. Measures such as the introduction of Absence Management and the Return-to-Work Policy were initiated to have a better control on absenteeism. As part of our continuous effort in projecting a professional image to our customers, the Bank refreshed its Professional Dress Code and introduced a Social Media Policy as a guide for our employees on the usage of any social media platform to avoid tarnishing the Bank's image and revealing any customers' confidentiality.

A NEW TRANSFORMATION AGENDA

Having come to the end of our H2E goals, for 2016, the Division is poised to begin a transformation agenda through a Human Resources three-year Strategic Roadmap, focusing on services, people, process and infrastructure.

Several company-wide initiatives will be implemented to support business units in raising their service standard. This includes Service and Process Excellence Programmes, identification of Change Agent Network and implementation of an Internal Customer Satisfaction Survey.

A people transformation agenda will be another strategic goal to enhance our capabilities by attracting, developing and sustaining our talents. This will touch on the aspects of promoting our EVP and further strengthening our employer branding. We will also be enhancing our Succession Management initiative and fine-tuning our People and Technical Competencies Framework.

Finally, the three-year HR road map will focus on greater process efficiency by improving our Human Resources Information System ("HRIS") e-learning platform and establishing a platform as a Knowledge Centre in our effort to turn the Bank into a knowledge-based organisation.

Shariah-led Innovations

AS THE ENGINE OF SHARIAH-LED INNOVATION, BANK ISLAM'S SHARIAH DIVISION CONTINUES TO RAISE ITS GAME IN INNOVATING AND DEVELOPING SHARIAH-BASED FINANCIAL SOLUTIONS; NOT JUST AS ALTERNATIVES TO CONVENTIONAL BANKING, BUT AS COMPETITIVE SOLUTIONS.



The strength of the Bank's Shariah Division ("the Division") is grounded on the continuous practice of clear, effective and robust Shariah governance guided by a high-calibre team of experienced individuals, and staunchly supported by the Board of Directors, Shariah Supervisory Council ("SSC") and management team.

These are being fortified to maintain Bank Islam's lead as the flag-bearer of Islamic banking in Malaysia, as well as strongly brand the Bank as a Shariah Centre of Excellence, whilst developing business opportunities for the Bank through public education and advisory activities.

PIONEERING NEW POSSIBILITIES

As the premier Islamic bank in Malaysia, Bank Islam had a busy year meeting the expectations of Bank Negara Malaysia ("BNM") in transforming the Islamic banking industry in line with the enforcement of Islamic Financial Services Act ("IFSA") 2013 that requires heightened Shariah compliance. The Division took the lead in ensuring full compliance with the regulatory requirements, including providing guidance in developing new products; and enhancing the existing products of the Bank to satisfy the higher standard of Shariah structure.

Driven by agility and responsiveness, Bank Islam is the first bank in Malaysia to offer a Restricted Investment Account product under the contract of Wakalah for the Al-Ansar programme that was offered collaboratively with Lembaga Tabung Haji ("TH"). This is in line with the Prime Minister's motion during the 2015 Budget announcement with the objective of supporting and facilitating Bumiputera entrepreneurs in their business expansion. Additionally, the Al-Awfar Account launched in 2015 represented the first transactional Investment Account in Malaysia. Other new products introduced included Term Deposit-i Tawarruq ("TDT-i") – launched to replace General Investment Account ("GIA") Mudharabah "fixed deposit", an Unrestricted Investment Account under the Mudharabah contract, and a dual agency Tawarruq-based personal financing, business financing and overdraft which will be complemented with a Credit Card-i offering under the structure in 2016.

The Division also attained approval from the Bank's Shariah Supervisory Council ("SSC") for new concepts such as Mudharabah Current Account to replace Wadiah Current Account and Ijarah House Financing (for completed properties). Meanwhile, the Istisna' Project Financing-i product that was put on hold pending finalisation of Shariah resolution by the authority, will be revived in view of the issuance of the new Istisna' Policy by BNM in December 2015.

In terms of social welfare and brand equity, the Bank has broken new grounds with the launch of "Sahabat Bank Islam" and "Bank Islam" Ambassadors". "Sahabat Bank Islam", is an initiative to educate Muslim scholars and imams on Islamic finance in collaboration with State Mufti Departments. Two seminars were organised in 2015 in Kuala Lumpur and Kelantan with the attendance of more than 600 participants. As part of the "Bank Islam Ambassadors" programme, 30 officers bank-wide were trained to propagate Islamic finance knowledge to the public effectively.

There has also been heightened awareness on social welfare and Environmental, Social and Governance ("ESG") based finance among corporations in recent years as propagated by standard

setting bodies at global level. In line with this, Bank Islam spearheaded two social welfare projects branded under "Amal Bank Islam" - our new Corporate Responsibility initiative launched in the month of Ramadan 2015.

The first was a "Seminar on Sadaqa House" at Menara Bank Islam, followed by a research project on the Sadaga House in collaboration with International Research Centre for Islamic Finance ("IRCEIF"), Kolej Universiti Islam Selangor in order to conclude the viability of launching such project within a banking framework. The initiative will complement the national agenda to promote financial inclusion.

The Bank also launched the "Bank Islam-Yayasan Islam Perlis Wakaf Project" in September 2015. This entails using banking channels to collect funds to finance development of a religious school on wagf land in Perlis, and is the first initiative of its kind to use credit card to raise such fund. This is the continuation of our involvement in helping the development of wagf assets, following previous projects such as Menara Bank Islam and Al-Waqf Home Financing to serve as end financing for Taman Wakaf Seetee Aishah in Pulau Pinang.



Shariah-led Innovations (cont'd)

GROWING AS A SHARIAH CENTRE OF EXCELLENCE

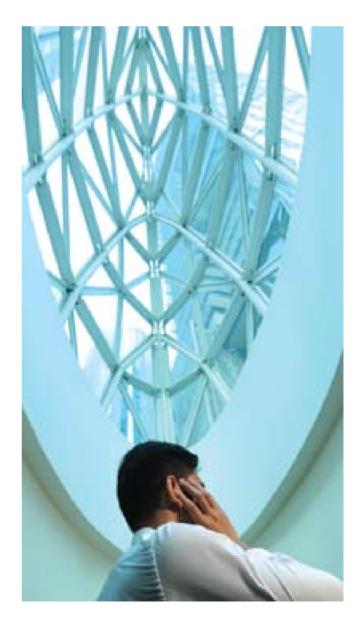
The Bank continued to maintain a high profile as an industry reference in 2015. We actively engaged with regulators in significant industry developments such as structuring Shariah parameters and governance framework for the groundbreaking Investment Account Platform ("IAP") initiative and leading the industry initiative to resolve Shariah issue of distressed accounts. On the global front, the Bank continues to be the destination for foreign delegations, such as the Highest Shariah Council of Morocco, keen to learn from our experience in Islamic banking.

Our team is also sought after as speakers in international and domestic conferences on various Islamic finance topics. It is a matter of pride that our Chief Shariah Officer ("CSO") has been appointed to various boards and committees in recognition of his experience and in-depth knowledge. These appointments include Deputy Chairman of Amana Bank PLC, Sri Lanka, Deputy Chairman of Shariah Governance Committee, AIBIM, Executive Committee Member of the Association of Shariah Advisors Malaysia, Accreditation Panel of Finance Accreditation Agency and Member of Board of Studies for several universities in Malaysia.

In 2015, our CSO was invited to speak in three international and seven local conferences, and made six appearances on media telecasted programmes.

The new Shariah Centre of Excellence Department that is mandated to offer business advisory services will leverage on the Division's experienced Shariah team to expand the outreach of business advisory to foreign and non-banking markets as well as expand the hands-on training business to include Shariah Risk Management and Shariah Audit knowledge. This initiative is also set to create a new sustainable income stream for the Bank, as new developments such as the introduction of new Shariah governance framework by regulators such as Suruhanjaya Koperasi Malaysia (for the cooperative industry) and Kementerian Perumahan dan Kerajaan Tempatan (for the Ar-Rahnu industry) as well as increased awareness by finance companies to offer Islamic financial structure to their customers have created more opportunities for the Division to expand on its Shariah advisory and consultancy business.

In offering Shariah advisory services towards the conversion of personal and working capital loans offered by seven cooperative institutions into Shariah-compliant products, the Bank collected a commendable amount of fees during the year. Bank Islam also organised an Executive Masterclass on Shariah Application in Cooperative Business in Kuala Lumpur and Alor Setar, which was well-attended by participants from regulators and cooperative institutions. Opportunities are still ongoing in this area and as of 31 December 2015, there are several deals being pursued by the Bank's Shariah team.



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FORTIFYING SHARIAH GOVERNANCE

The Bank is mindful that an effective Shariah governance framework requires constant upkeeping and management. Working to ensure synergistic mindset across all operations, we continuously organise capacity building programmes for Board of Directors, Management and all staff across the Bank. In collaboration with the Bank's Human Resources Division, four new Shariah training programmes were rolled out to further instil Shariah knowledge among the staff of the Bank. These were "Integrity Programme – Muslim Professional", "Islamic Banking and Finance Institute Malaysia Certification", "Quarterly Shariah Town Hall for Risk Controllers" and the aforementioned "Bank Islam Ambassadors".

Two new Shariah guidelines – Shariah Non-Compliance Management and Reporting Guideline and Charity Fund Management Guideline – were also developed during the year. Subsequently, we revised the business zakat computation of the Bank to be in-line with the manual issued by the Department of Waqf, Zakat and Hajj ("JAWHAR") by paying zakat on shareholders' fund and other Bank funds excluding depositors' fund. The new computation took effect from financial year ended 31 December 2015.

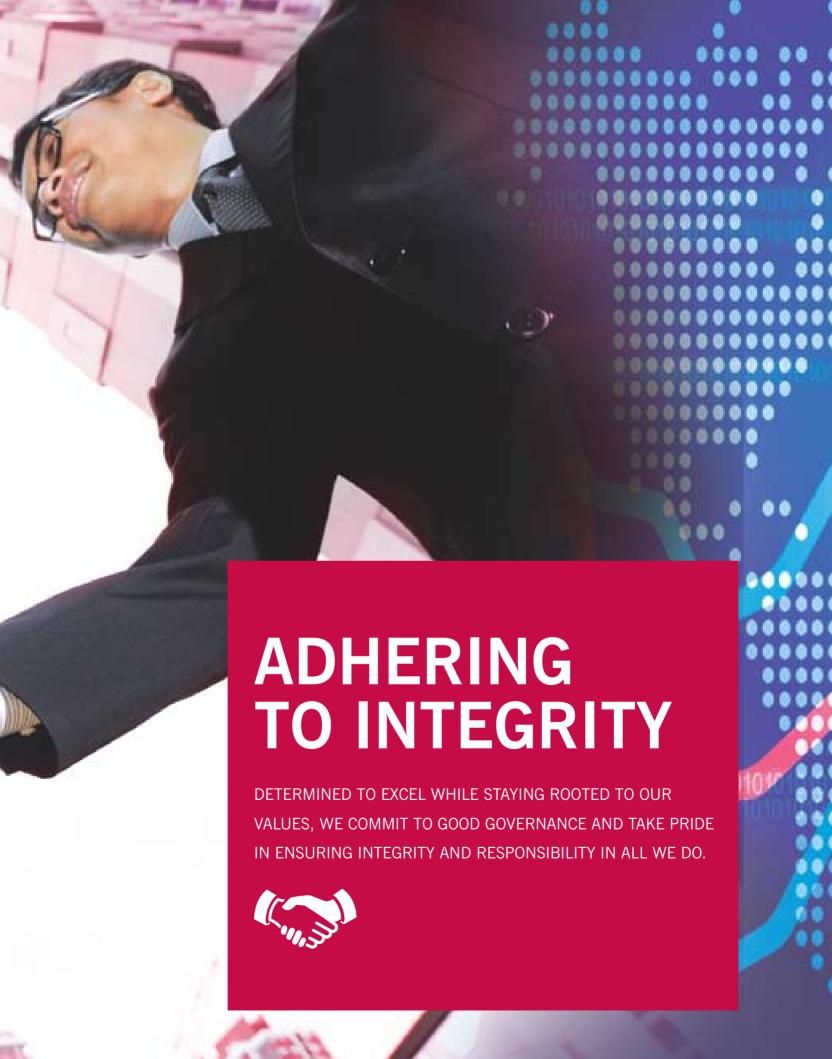
In view of this, Bank Islam introduces a number of zakat payment channels offered under the "MudahZakat" brand. The zakat payment channels comprise of Internet banking – which includes Bill Payment Services, Financial Process Exchange ("FPX") System, and JomPAY Service, TAP Mobile Banking-i, Credit and Debit Cards-i, as well as MPos system facility. These payment channels are implemented with the objective of providing easier zakat payment method through technological innovation.

These facilities are significant in ensuring the efficiency of zakat payment method in addition to increasing the number of zakat-paying community among the ummah. Additionally, Bank Islam also offers a more efficient system for Zakat fund distribution to the *asnaf* through the Voucher Encashment service. Bank Islam is the first bank to introduce this facility in support of Bank Negara Malaysia's objective to reduce the issuance of cheques.

The effectiveness of Bank Islam's Shariah governance framework is evidenced by only four Shariah non-compliance events registered in 2015. Out of the four cases, three were confessions from business units that reflect the robust Shariah compliance culture in the Bank. None of the cases caused any financial loss to the Bank.

Having come to the end of the Bank's H2E roadmap, the Division's business direction for 2016 is now laid out in the approved Shariah Roadmap and Risk Appetite Statement 2016. This will see the Bank steadfastly walking the path of effective Shariah governance and oversight; conducting ongoing research and development on application of new or existing Shariah contracts; minimising risk of Shariah non-compliance; cultivating further Shariah knowledge; focusing on proactive industry engagement and strategic positioning; as well as spearheading more waqf development projects.



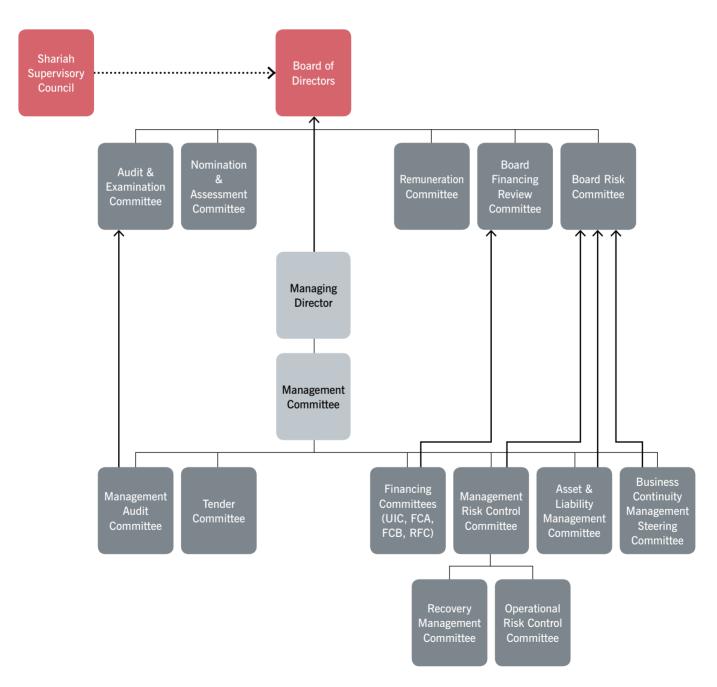


THE BOARD OF DIRECTORS OF BANK ISLAM ("THE BOARD") RECOGNISES THE VALUE OF GOOD GOVERNANCE AND IS FULLY COMMITTED TO PROMOTING AND SUSTAINING A STRONG CULTURE OF CORPORATE GOVERNANCE. IN THIS RESPECT, THE BOARD CONTINUES TO UPHOLD HIGH STANDARDS OF BUSINESS INTEGRITY, ETHICS AND PROFESSIONALISM WITH THE RIGHT EXECUTIVE LEADERSHIP AND STRATEGY WHILST AT THE SAME TIME ENSURING INTERNAL CONTROL AND RISK MANAGEMENT ARE WELL IN PLACE THROUGHOUT BANK ISLAM AND ITS SUBSIDIARIES IN LINE WITH THE ETHICAL VALUES AND ISLAMIC PRINCIPLES.



Towards meeting the said objectives, the Board adopts the recommendations of the Malaysian Code of Corporate Governance 2012 ("MCCG 2012"), Bank Negara Malaysia's ("BNM") Revised Guidelines on Corporate Governance for Licensed Islamic Banks ("BNM/GP1-i") and other relevant requirements as outlined under the respective guidelines by BNM. The application of the principles set out in MCCG 2012 and the requirements under BNM/GP1-i will be highlighted in the various sections of this Statement of Corporate Governance.

The governance structure of Bank Islam is illustrated as below:-



(cont'd)

1.0 THE BOARD OF DIRECTORS

1.1 Directors' Guide and Handbook

The Board's role, powers, duties and functions are outlined in the Directors' Guide and Handbook ("Guide and Handbook"). The Guide and Handbook is reviewed once every two (2) years in line with Principle 1, Recommendation 1.7 of the MCCG 2012.

The Guide and Handbook also contains the applicable rules and regulations on corporate governance and the Board, the processes and procedures on the Board's assessment, appointment and re-appointment, director's tenure, training and remuneration.

1.2 Board Composition

The Board currently consists of six (6) members. The Chairman of the Board is an independent non-executive director. There are two (2) other independent non-executive directors, two (2) non-independent non-executive directors of which one (1) of them was re-designated as a non-independent non-executive director in 2014 after serving the Board for nine (9) years, and a Managing Director.

Fifty per cent (50%) of the members are independent directors, in line with BNM/GP1-i and Principle 3, Recommendation 3.4 of the MCCG 2012 which requires more than one third of the Board to comprise of independent directors. This provides an effective check and balance in the function of the Board.

The members of the Board are from diverse professional background and experience in their respective areas including economic, banking, finance, accounting, law and Shariah. Based on the said mixed skills, the members bring with them invaluable knowledge, expertise and perspective to realise Bank Islam's objectives and visions.

1.3 Primary Duties and Responsibilities of the Board

The Board is guided by its Terms of Reference ("TOR") to enable the Board to discharge its functions effectively. This is in line with BNM/GP1-i and Principle 1, Recommendation 1.2 of the MCCG 2012.

The TOR specify the Board's role in ensuring sound and prudent policies and practices in the Bank. The Board performs an oversight function on the overall management of the Bank. It is ultimately responsible for the stewardship of the Bank. The Board has a fiduciary responsibility to act in the best interest of the Bank. Amongst its main responsibilities is to optimise shareholder's value and safeguard stakeholder's interest.

TOR of the Board is available on the company's website: http://web.bankislam.com.my.

1.4 Authority and Delegation

The Board has the authority to decide and approve on matters within its primary duties and responsibilities. However, the Board has authorised the Management to execute certain functions to facilitate the day-to-day operations of Bank Islam. The said authorisation is contained in the Authority Limits document which is reviewed at least once every two (2) years or as and when necessary. The said delegation and authorisation does not absolve the Board's responsibility as the Board will remain responsible for the exercise of power by the Management.

1.5 Roles of the Chairman and Managing Director

The roles of the Chairman and Managing Director are clearly defined and differentiated. This is in line with BNM/GP1-i and Principle 1, Recommendation 1.1 of the MCCG 2012. The distinction is to ensure a balance of power and authority for better understanding and distribution of responsibilities and accountabilities. The Chairman together with the rest of the Board is responsible for setting the policy framework within which the Management is to operate. The primary role of the Chairman is to preside over the Board meetings and ensure the smooth functioning of the meeting in line with good corporate governance standards. The duties of the Chairman include the following:-

- (a) Manage the Board meetings to ensure effective decision-making;
- (b) Provide leadership to achieve the overall performance of the Board in meeting the corporate goals and objectives of Bank Islam;
- (c) Ensure the responsibilities of the Board, the Board Committees and the individual directors are well understood by the Board and individual directors and are executed effectively; and
- (d) Develop an effective working relationship with the Management.

The Managing Director has the overall executive responsibility for the day-to-day operations of Bank Islam which includes implementing the policies and strategies adopted by the Board, keeping the Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is disseminated to the Board members. The Managing Director also carries the primary responsibilities for ensuring management competency including the placement of an effective succession plan to sustain continuity. Key responsibilities of the Managing Director include the following:-

- (a) Provide strong leadership based on ethical values whilst overseeing the day-to-day operations in implementing the policies and strategies approved by the Board;
- (b) Serve as the intermediary between the Board and the Management in ensuring a good governance culture;
- (c) Ensure effective relationship and communication between the Management, the Board, the shareholders and relevant stakeholders; and
- (d) Ensure effective communication of the Bank's vision, mission and strategy to the employees of Bank Islam.

1.6 Role of Company Secretary

The Company Secretary is responsible for advising and assisting the Board on the provisions of relevant laws, rules, procedures and regulations affecting the Board, as well as best governance practices. She is also responsible for advising the Board members on their obligations, duties and disclosure of their interest or any conflict of interest in a transaction involving the Bank.

All directors have direct and unrestricted access to the advice and services of the Company Secretary.

1.7 Appointment and Re-appointment to the Board

The Board, through the Nomination and Assessment Committee, ensures the level and make-up of its members are of the necessary credibility, integrity and calibre with the required skills and knowledge.

The appointment and re-appointment of a director will be subject to the Fit and Proper Criteria as adopted by Bank Islam. This is in line with Principle 2, Recommendation 2.2 of the MCCG 2012. The Fit and Proper Criteria sets out the attributes and qualifications required of a candidate to determine his/her suitability. Amongst the criteria considered by the Board are:-

- Probity diligence, personal integrity and reputation the person must have key qualities such as honesty, integrity, diligence, independence of mind and fairness;
- · Competency and capability the person must have the necessary skills, competency and commitment to carry out the role;
- Financial integrity the person must manage his/her financial affairs prudently.

For the re-appointment of a director, the results of a peer evaluation on the director's effectiveness, contribution and participation will be taken into account.

The appointment and re-appointment of directors is subject to BNM's approval.

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1.8 Director's Tenure

A non-independent non-executive director is not subject to any maximum tenure as a shareholder may determine at its discretion to retain or to replace its nominee director on the Board.

On the other hand, an independent director is subject to a maximum tenure of nine (9) consecutive years. Such director can be retained as an independent director subject to the shareholder's approval. This is in line with Principle 3, Recommendations 3.2 and 3.3 of the MCCG 2012.

During the period under review, one (1) independent director namely Datuk Zaiton Mohd Hassan has reached a cumulative term of ten (10) years. The Board is of the view that her presence and contributions are pertinent considering her wealth of experience. She also actively participates and provides her independent views during the meeting. In view thereof, the Board is seeking the shareholder's approval at the next annual general meeting to retain Datuk Zaiton as an independent non-executive director on the Bank's Board.

1.9 Re-Election of Directors

In accordance with Bank Islam's Articles of Association, all directors other than the Managing Director are subject to retirement by rotation. The Managing Director is exempted from retirement by rotation so as not to expose his office to vagaries of discontinuity. The retiring directors are eligible for re-election.

Directors who are appointed as additional new directors or to fill casual vacancies during the year are subject to re-election by the shareholder at the next Annual General Meeting following their appointment.

1.10 Fundamental Principles Applicable to the Board

The directors are expected to demonstrate utmost integrity and conduct themselves with high standards of behavior based on the following fundamental principles:-

(a) Duty of Confidentiality

All directors are required to respect the confidentiality of sensitive information held by the Bank. A director is prohibited from making improper use of information obtained in the course of performing his/her duties for his/her gain or advantage. In addition, a director cannot disclose information relating to the business and affairs of the Bank or that he/she obtains in the course of performance of duties and functions, as well as information about customers of the Bank. All confidential information remains confidential even when they are no longer on the Board and it cannot be exploited or improperly used.

(b) Loyalty to the Bank and the Board

The directors must be loyal to the Bank, the Board and fellow directors on the Board, and be fully committed to all Board-related activities.

A director is prohibited from doing, saying or publishing anything that may be detrimental to the Bank's interest. A director should never publicly criticise the Bank or fellow directors, attempt to undermine the Board's decision or distance himself from the other directors outside of the Boardroom. If a director has specific concerns about the manner in which the Bank is being run, these concerns should be raised with the Chairman and Management or during Board meetings.

(c) Operational Issues

The Board's role is to consider and approve strategies, plans and policies for the Bank and to monitor and review the Management's performance. It is the role of the Management to recommend and implement those plans and strategies. The directors should avoid interfering in the day-to-day running of the Bank.

The Board is to hold the Management to account more effectively and to make decisions on the Bank's priorities.

(d) Responsibility for Board Decisions

The directors must be capable of providing constructive challenge. They are also expected to share responsibility for decisions taken by the Board as a whole. If any of the directors fundamentally disagree with the decision taken by the Board, they have the option of recording their disagreement in the minutes. However ultimately, they must accept and support the collective decision of the Board.

1.11 Code of Ethics

The directors adhere to a Code of Ethics based on the Code of Conduct expected of directors of financial institutions as set out in BNM/GP7 – Guidelines on the Code of Conduct for Directors, Officers and Employees, the Companies Act 1965 and the Company Directors' Code of Ethics issued by the Companies Commission of Malaysia.

The Code of Ethics for Company Directors, amongst others, highlights the following criteria of which a company director should observe in the performance of his/her duties:-

- (a) act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his/her powers in discharging his/her duties;
- (b) be conscious of the interests of shareholder, employees, creditors and customers of the Company; and
- (c) ensure that the activities and the operations of the Company do not harm the interest and well-being of the society at large.

1.12 Board Meetings

Board meetings are scheduled at the beginning of the year where meetings are held at least six (6) times a year with additional meetings convened as and when warranted by situations, to facilitate important decisions that are required between the scheduled meetings. The Bank complies with BNM/GP1-i on the minimum number of board meetings to be held within a year.

Ten (10) Board meetings were held during the financial year ended 31 December 2015, as follows:-

DATE OF MEETINGS	PERCENTAGE OF DIRECTORS' ATTENDANCE		
Mid February 2015	100%		
End February 2015	62%*		
March 2015	100%		
Early April 2015	100%		
End April 2015	75%		
Mid May 2015	88%		
Mid May 2015	100%		
July 2015	88%		
October 2015	88%		
December 2015	100%		

^{*} Two (2) directors were not present due to their conflict of interest

The Chairman of the Shariah Supervisory Council ("SSC") of the Bank attends the Board meetings as a permanent invitee to facilitate and assist the Board in deliberating and discussing issues that relate to Shariah.

(cont'd)

1.13 Access to Information

The directors have full and unrestricted access to all information pertaining to Bank Islam's business and affairs to enable them to discharge their duties effectively. This is in line with Principle 1, Recommendation 1.5 of the MCCG 2012. All directors have access to the Management and to the advice and services of the Company Secretary and they may also seek independent professional advice where necessary.

Board materials and reports providing updates on operational, financial and corporate developments are circulated prior to Board meetings to enable the directors to seek further clarification or explanation where necessary in order to be adequately apprised before the meeting.

1.14 Director's Trainings

In line with Principle 4, Recommendation 4.2 of the MCCG 2012, continuous professional development is vital for the directors to gain insight and keep abreast with the challenges in the banking industry to further enhance their skills and knowledge in discharging their responsibilities effectively. As part of good corporate governance, the Bank has developed a policy on directors' training which includes the following:

- (a) Any director that is newly appointed to the Board would undergo an Orientation Program where the Management will provide a briefing on the Bank's governance structure, key management members, business and operations and important regulations and laws. The Directors' Guide and Handbook, the latest Annual Report of the Bank and other relevant information would be made available to the director. The said briefing would be organised as soon as practicable upon the appointment of the director;
- (b) All directors of the Bank would be required to register for the director's core training program under the Financial Institutions Directors' Education Program ("FIDE") within a year upon his/her appointment;
- (c) The directors are encouraged to attend other trainings that are relevant to enable them to discharge their responsibilities effectively. In this regard, focus would be on the elective trainings organised by FIDE as such trainings are structured based on areas that would be relevant to the banking industry and conducted by experienced speakers and trainers;
- (d) The directors could also attend other professional development programs organised by local professional bodies and regulatory authorities within Malaysia in areas that are relevant to the Bank; and
- (e) The Board may approve any directors to attend trainings overseas if such trainings are viewed to be crucial for the Bank and the trainings are not available within Malaysia.

As at to date all Board members have attended and completed the director's core training program under FIDE Forum. The professional development programmes attended by the directors in the financial year ended 31 December 2015 include the following:-

FIDE Forum/ICLIF

- Dialogue with Tan Sri Lin See Yan "Financial Services in Turbulent Times";
- Focus Bank Discussion Preparation for Dialogue with BNM's Governor;
- BNM-FIDE Forum Dialogue with BNM's Governor;
- 2015 Non-Executive Directors' Remuneration Study;
- Innovation & Growth in Uncertain Times by Mr Ram Charan;
- Impact of the New Accounting Standard on Banks What Directors Should Be Aware Of by Mr Darrel Scott;
- Risk Management Committee Banking Programme;

- · 4th Distinguished Board Leadership Series: "Board Leading Change: Organisational Transformation Strategy as Key to Sustainable Growth in Challenging Times" by Prof. William J. Rothwell;
- 5th Distinguished Board Leadership Series: "Beyond Compliance to Growth Board Strategy in Cultivating Real Growth within a Conducive Governance Environment" by the Honourable Sheila C. Bair;
- 6th Distinguished Board Leadership Series: "Digital Transformation and its Impact on Financial Services Role of the Board in Maximising Potential" by Mr Joydeep Sengupta;
- · Launch and Briefing on Directors' Remuneration Report 2015;

Other Professional Development Programmes/Conferences

- Audit World 2015;
- · Managing Corporate and Sovereign Credit Risk in a Global Environment;
- Audit Committee Conference 2015;
- Forum Meja Bulat Wagaf dan Pengurusan Kewangan Islam;
- · Persidangan Majma' Fiqh Islami;
- · Leadership for Cross Silos Success; and
- Bicara Integriti dan Bengkel Pengurusan Risiko Rasuah.

1.15 Board Evaluation

The Board has implemented an annual performance evaluation process, to assess the effectiveness of the Board as a whole, the Board Committees, the contribution of each individual director, including assessment on the suitability and effectiveness of a shareholder's nominee director.

Each director evaluates the performance of the Board as a whole by way of a self-assessment questionnaire. The assessments are made against pre-established criteria in the following areas:

- (a) Board Composition/Structure;
- (b) Board Process;
- (c) Board Governance;
- (d) Major Responsibilities of the Board; and
- (e) Board Committee Function.

For individual director's assessment, a Peer Assessment is completed by each director individually. The effectiveness of the Independent Director and the Nominee Director is assessed through the Peer Assessment. This is in line with Principle 3, Recommendation 3.1 of the MCCG 2012.

The results of the evaluation are reviewed and discussed at the Nomination and Assessment Committee meeting prior to deliberation at the Board meeting.

Statement of Corporate Governance (cont'd)

2.0 BOARD COMMITTEES

The Board Committees operate within clearly defined terms of reference to assist the Board in the execution of its duties and responsibilities. The Board is ultimately responsible for all final decision on matters of the Board. The Board Committees are:

2.1 Nomination and Assessment Committee ("Committee or NAC")

The NAC has five (5) members. The Committee is chaired by an independent non-executive director. The members comprised of the Managing Director, an independent non-executive director and two (2) non-independent non-executive directors. The current composition of the NAC is in compliance with BNM/GP1-i and is in line with Principle 2, Recommendation 2.1 of the MCCG 2012.

This Committee is responsible to assist the Board on the process for the election, appointment and re-appointment of directors. The nominated candidate will be assessed based on the Fit and Proper criteria as adopted by the Bank. The Committee also reviews the results of the performance evaluation of the directors and thereafter makes the necessary recommendation to the Board for the purposes of enhancing the effectiveness of the directors or the Board as a whole. This function extends to the appointment and re-appointment of the members of the SSC and key senior management of Bank Islam.

Seven (7) NAC meetings were held during the financial year ended 31 December 2015 as follows:

DATE OF MEETINGS	PERCENTAGE OF DIRECTORS' ATTENDANCE
February 2015	100%
March 2015	100%
April 2015	100%
May 2015	100%
July 2015	80%
October 2015	100%
November 2015	100%

The TOR of the NAC is available on the company's website: http://web.bankislam.com.my.

2.2 Remuneration Committee ("Committee or RC")

The RC has four (4) members. The Chairman of the Committee is an independent non-executive director. The members comprised of an independent non-executive director and two (2) non-independent non-executive directors. The current composition of the RC complies with BNM/GP1-i.

The Committee has a broad responsibility of recommending to the Board the remuneration of the directors, SSC members, the Managing Director and key senior management personnel.

Seven (7) RC meetings were held during the financial year ended 31 December 2015 as follows:

DATE OF MEETINGS	PERCENTAGE OF DIRECTORS' ATTENDANCE
February 2015	100%
March 2015	100%
April 2015	100%
May 2015	100%
July 2015	75%
October 2015	75%
November 2015	100%

The TOR of the RC is available on the company's website: http://web.bankislam.com.my.

2.3 Board Financing Review Committee ("Committee or BFRC")

The BFRC has three (3) members. It is chaired by a non-independent non-executive director and its members comprised of the Managing Director and an independent non-executive director.

This Committee is responsible for the review of financing and/or investment proposals approved by the Financing Committee 'A' ("FCA") and/or Underwriting & Investment Committee ("UIC") of the Management based on the limits determined by the Board. BFRC may if necessary, exercise the right to veto FCA/UIC approvals/decisions.

Nine (9) BFRC meetings were held during the financial year ended 31 December 2015 as follows:

DATE OF MEETINGS	PERCENTAGE OF DIRECTORS' ATTENDANCE
January 2015	100%
March 2015	75%
April 2015	75%
June 2015	100%
July 2015	75%
August 2015	100%
September 2015	75%
November 2015	75%
December 2015	100%

The TOR of the BRFC is available on the company's website: http://web.bankislam.com.my.

(cont'd)

2.4 Board Risk Committee ("Committee or BRC")

The BRC has four (4) members. The Chairman of the BRC is an independent non-executive director, whilst its members comprised of an independent non-executive director and two (2) non-independent non-executive directors. The current composition of the BRC complies with BNM/GP1-i.

The Committee is established to assist the Board in discharging its functions by having a focused forum that deliberates on risk management issues to ensure effective management of risks and enforcement of risk tolerance within Bank Islam. In addition, the Committee is responsible to review and assess the adequacy of the existing risk management framework in addressing the various risk factors in Bank Islam.

Six (6) BRC meetings were held during the financial year ended 31 December 2015 as follows:

DATE OF MEETINGS PERCENTAGE OF DIRECTORS' ATTENI		
January 2015	100%	
March 2015	100%	
May 2015	75%	
July 2015	100%	
September 2015	100%	
November 2015	100%	

The TOR of the BRC is available on the company's website: http://web.bankislam.com.my.

Two (2) designated members of the SSC attend BRC meetings as permanent invitees to facilitate and assist the Committee in dealing with issues related to Shariah.

2.5 Audit and Examination Committee ("Committee or AEC")

The AEC has four (4) members. Its Chairman is an independent non-executive director whilst its members comprised of two (2) independent non-executive directors and one (1) non-independent non-executive director. The Chairman of the AEC is a member of the Malaysian Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants (UK). With the said qualification and expertise, the Chairman is able to discharge her functions effectively whilst at the same time providing guidance and leadership to the Committee. The current composition of the AEC complies with BNM/GP1-i.

The Committee is established to provide an independent oversight of Bank Islam's financial reporting and internal control system as well as ensuring check and balances within the Bank.

Nine (9) AEC meetings were held during the financial year ended 31 December 2015 as follows:

DATE OF MEETINGS	PERCENTAGE OF DIRECTORS' ATTENDANCE
January 2015	100%
March 2015	100%
April 2015	100%
May 2015	100%
July 2015	100%
August 2015	75%
September 2015	100%
October 2015	75%
December 2015	100%

The TOR of the AEC is available on the company's website: http://web.bankislam.com.my.

3.0 SHARIAH SUPERVISORY COUNCIL ("the SSC")

A Shariah governance framework in the organisational structure of Bank Islam includes the establishment of the SSC. This is in line with the requirement of Section 3 (5) (b) of the IFSA 2013 and the Shariah Governance Framework for Islamic Financial Institutions ("SGF") issued by BNM.

Functionally, the SSC reports to the Board and in ensuring Shariah compliance the SSC is supported by four (4) internal Shariah compliance functions namely Research and Advisory, Shariah Risk Management, Shariah Review and Shariah Audit.

The diagram below describes the framework:-

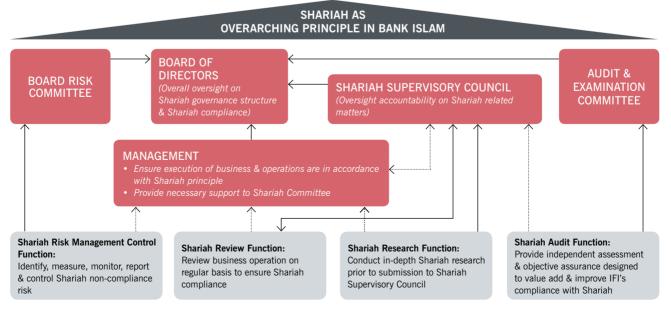


Figure: Shariah Governance Framework in Bank Islam

(cont'd)

3.1 Composition of the SSC

As at 31 December 2015, the SSC has five (5) members consisting of four (4) local scholars and one (1) foreign scholar. Their appointments are in line with the requirement under Principle 2 of the SGF. The Chairman of SSC is appointed by the Board.

The members of the SSC come from diverse background, experience and knowledge. Each SSC member is an expert in their respective specialise field such as Islamic law, Islamic banking, capital market, takaful, waqf, zakat, halal industry etc. Additionally, their qualification in Islamic jurisprudence (usul al-fiqh) and Islamic commercial laws (fiqh al-mu'amalat), expertise and vast experiences in the academia as well as in the industry definitely support the depth and breadth of the Shariah deliberations.

In April 2015, the Bank adds value to its SSC by appointing a Subject Matter Expert to provide inputs based on his vast experience in the local and international Islamic finance practices to assist the SSC in achieving concrete decisions.

As a 'bridge' between the Board and the SSC, three (3) directors attend the SSC meetings as permanent invitees. Their presence at the SSC meetings increased their appreciation towards Shariah deliberations and decisions.

As part of the Bank's efforts to improve oversight on Shariah compliance risk management at the Board's level, two (2) of the SSC members also attend the BRC meetings as permanent invitees. In addition, the Chairman of the SSC also attends the Board meeting as a permanent invitee. In line with the emphasis on Shariah governance and compliance, the Bank has appointed a Shariah scholar as a member of the Board in May 2014.

3.2 Code of Conduct of SSC Members

In discharging its duties, the SSC member is expected to possess good character, competence, diligence and capability of making sound judgment. In this regards, the SSC has formalised the Code of Conduct in the SSC's Terms of Reference that includes the following:-

- (a) The member must at all times maintains good character, i.e., demonstrate honesty, integrity, fairness and reputation at all times when dealing with the Bank as well as personal relationship with the public;
- (b) The member must maintain independence and professionalism while carrying out his/her duties. A member must always have complete moral, intellectual and professional independence. In carrying out his/her obligations, the member is required to:-
 - (i) Uphold fairness and equity for all the stakeholders;
 - (ii) Act in a manner that preserves his/her honesty and integrity;
 - (iii) Exercise appropriate discretion in decision-making by taking into consideration not only the technical aspects of Shariah compliance; and
 - (iv) Appreciate the diversity of opinions among various mazhabs and differences in expertise among the members of the SSC;
- (c) The member has the duty to observe confidentiality of information with which the member is entrusted by the Bank or which is brought to his/her attention during or at any time after carrying out an assignment. "Confidential information" refers to information received by the members of the SSC in the course of their duties that is not made public and is not authorised to be made public; and
- (d) The interpretation of the Shariah rules and principles based on the discipline of fiqh al-mu'amalat is a matter of the professional judgment of the SSC members. A member must ensure consistency, to demonstrate and reflect the level of competency and independence as well as professional ethics.

In order to ensure the quality and consistency of the decisions, the SSC has formalised the Methodology and Means of Decision Making as part of its Terms of Reference. This section describes the methodology and the means to arrive to a decision on a given issue by applying the usul fiqh discipline and making reference to Shariah standards, fatwa and resolutions of Shariah authority councils and fiqh academies. It also provides the process of the SSC and the Bank to review previous decisions at the request of the Bank or on its own initiative.

3.3 Responsibilities of the Bank Towards Shariah Compliance

While the SSC is responsible for forming and expressing decisions on the Bank's compliance with Shariah, the ultimate responsibility for compliance rests with the Management of the Bank. Therefore, it is crucial that the Bank works hand-in-hand with the SSC to ensure that all business activities, products, services and operations are in compliance with Shariah. Therefore, it is the responsibility of the Bank to perform the following:-

- (a) To refer all Shariah issues in its business operations to the SSC for decision;
- (b) To adopt and take necessary measures for implementation of the SSC's decisions;
- (c) To provide sufficient resources to the SSC including budget allocation, independent expert consultation, reference materials and training;
- (d) To ensure that the SSC is familiar with the operations and business of the Bank;
- (e) To provide the SSC access to all relevant records, transactions, manuals and relevant information, as required by its members in performing their duties; and
- (f) To recommend the appropriate remuneration to the SSC members which commensurate with and reflect the duties and responsibilities of the SSC.

It is the Bank's responsibility to perform the following with regard to Shariah Compliance:-

- (a) To comply with SSC decisions and establish Shariah requirements in its entire products, services, legal documentations and activities; and
- (b) The Bank shall not change its allegiance and obedience to the SSC decisions to suit its convenience. Such a practice can impair the independence of the SSC and have a damaging impact on the integrity and credibility of the Bank, in particular, and the Islamic banking industry as a whole.

3.4 Authority and Primary Duties and Responsibilities of the SSC

In line with the SGF issued by BNM, the SSC during the discharge of its duties and responsibilities shall have the following authorities:

- (a) to decide on Shariah related matters referred to the SSC by taking into consideration of the published rulings of the Shariah Advisory Council ("SAC") of BNM. In the event where the decision given by the SSC is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the SSC is allowed to adopt a more stringent Shariah decision;
- (b) to decide on Shariah related matters referred to the SSC without undue influence that would hamper the SSC from exercising objective judgment in deliberating issues brought before them;
- (c) to ensure that decisions made by the SSC are duly observed and implemented by the Bank. Decisions made by the SSC should not be set aside or modified without its consent;
- (d) access to accurate, timely and complete information from the management including but not limited to all relevant records, transactions, or manuals as required by them in performing their duties. If the information provided is insufficient, the SSC may request for additional information which shall be duly provided by the Bank; and
- (e) to inform the Board of any case that the SSC has reason to believe that the Bank has been carrying on Shariah non-compliant activities and to recommend suitable measures to rectify the situation. In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by the Bank, the SSC shall inform BNM of the fact. In this case, the SSC will not be regarded as breaching the confidentiality and secrecy code if the confidential information is disclosed to BNM in good faith.

The TOR of the SSC is available on the company's website: http://web.bankislam.com.my.

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3.5 SSC Meetings

SSC meetings are scheduled to be held at least six (6) meetings annually with additional meetings convened as and when warranted, to facilitate important decisions that are required between the scheduled meetings.

Eight (8) SSC meetings were held during the financial year ended 31 December 2015, as follows:

DATE OF MEETINGS	PERCENTAGE OF MEMBERS' ATTENDANCE		
January 2015	100%		
February 2015	100%		
April 2015	80%		
June 2015	100%		
August 2015	100%		
September 2015	100%		
October 2015	100%		
December 2015	80%		

3.6 Appointment and Re-Appointment of SSC Members

The Board, on the recommendation of the NAC, may decide on the appointment and re-appointment of the SSC members. The appointment or re-appointment of the SSC members is subject to BNM's written approval. The SSC members shall be persons of recognised reputation, character and integrity.

The appointment and re-appointment of the SSC member will be subject to the Fit and Proper Criteria adopted by Bank Islam as required under Principle 4 of the SGF. The Fit and Proper Criteria sets out the attributes and qualifications required of a candidate to determine his/her suitability. In the process, the following criteria are considered by the SSC:-

(a) Probity, Personal Integrity and Reputation

Probity, personal integrity and reputation are values that can be demonstrated through personal qualities such as honesty, integrity, diligence, independence of mind and fairness. These qualities are demonstrated over time and demand a disciplined and on-going commitment to high ethical standards.

(b) Competency and Capability

Competency and capability are demonstrated by a person who possesses the relevant knowledge, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role in a key function in the relevant capacity effectively.

(c) Financial Integrity

Financial integrity is demonstrated by a person who manages his own financial affairs properly and prudently.

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3.7 SSC Performance

The SSC has implemented a performance evaluation exercise to assess the effectiveness of the SSC in supporting a sound Shariah governance system within the Bank. The evaluation process includes a peer evaluation and evaluation by internal resources.

With regard to the peer evaluation, a Peer Assessment is conducted by each SSC member to evaluate the individual performance of his/her peers based on the competency, knowledge and contribution as well as the overall effectiveness of the SSC members on Shariah deliberations. Meanwhile, another evaluation is conducted by internal resources, i.e., the management members who attend the SSC meetings to evaluate on the performance and contribution of the SSC members in deliberating papers presented before them. The evaluation of the management members mainly focuses on the SSC members' knowledge and understanding, contribution, competency as well as accessibility as and when guidance and decision is required.

The results of the assessments are reviewed and discussed at the NAC meeting prior to deliberation at the Board meeting. The performance evaluation exercise performed is in accordance with the requirements under Principle 4 of the SGF which requires Islamic financial institutions to adopt a formal process of assessing the performance of its Shariah Committee members.

3.8 SSC Training

In line with the Principle 4 of the SGF, continuous training is vital for the SSC members to gain insight and keep abreast with the development in the banking industry to further enhance their skills and knowledge in discharging their responsibilities effectively. Throughout 2015, the SSC members and the Subject Matter Expert have attended the following programmes:

- 10th International Shariah Scholars Forum ("ISSF 2015")
- · Al-Baraga Program in Jeddah
- Ijtima' ASAS Peringkat Kebangsaan Kali Ke-4 2015
- Muzakarah Ahli Majlis Penasihat Syariah Kali Ke-11 ("JAKIM")
- Muzakarah Cendekiawan Nusantara at Jakarta, Indonesia on 9-11 June 2015
- · Shariah Leaders Education Programme

4.0 RISK MANAGEMENT

4.1 Overview

Against the uncertainty and challenging global economy and continuous regulatory reforms, there is a demanding need for the Bank's risk management to be well integrated with all the business/support units to create greater synergies and competitive advantage.

Locally, the fall in commodity prices, coupled with the weakening ringgit and capital outflow pose major challenges for the Bank's business. Amidst such development, the Bank remains steadfast and focused in its strategy in preserving asset quality and enhancing customer engagement & service excellence. The Bank's risk management function remains as the core element of doing business as well as the strategic decision making.

132 CORPORATE HIGHLIGHTS CORPORATE FRAMEWORK INITIATIVES

Statement of Corporate Governance

(cont'd)

4.2 Risk Management Framework

Risk is inherent in all aspects of the of the Bank's businesses and operations. The management of risk is therefore has become an important driver for strategic decision in supporting the business objectives, balancing the risk appetite and return and maintaining sound financial position and capital of the Bank.

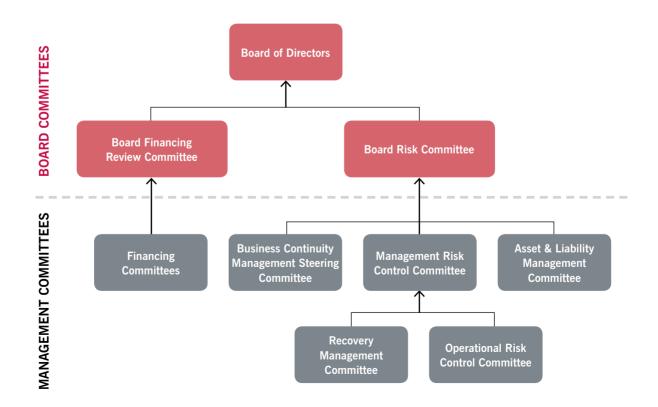
The Bank's approach to management of risk is being guided by its Risk Management Framework, which consists of the following key elements:

- · Risk Governance;
- · Risk Appetite;
- · Risk Management Process; and
- · Risk Culture.

(a) Risk Governance

The risk governance approach adopted by the Bank is guided by BNM's Risk Governance, Guidelines on Corporate Governance for Licensed Islamic Banks and Shariah Governance Framework for Islamic Financial Institutions.

The Bank's risk governance structure is the key component of the Risk Management Framework as it provides a formalised and transparent structure in supporting the implementation of the Framework. Depicted below is the Bank's Risk Governance Structure.



The following Risk Committees have been established to facilitate the implementation of Risk Management Framework. Each Committee plays an important role in ensuring sound and prudent system of risk management. The roles and responsibilities of the Committees and their sub-Committees are set out in the following chart:

BOARD OF DIRECTORS

The Bank's ultimate governing body which plays critical role in ensuring sound and prudent policies and practices in the Bank. It provides an effective check and balance mechanism in the overall management of the Bank.

Board Financing Review Committee ("BFRC")	Board Risk Committee ("BRC")			
A committee of the Board responsible for viewing all investment and financing/ credit related proposals above specified limits.	A committee of the Board responsible for overseeing the Management's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah compliance risk, compliance risk and any other relevant risk and to ensure that the risk management process is in place and functioning.			
Financing Committees ("FC")	Business Continuity Management Steering Committee ("BCMSC")	Management Risk Control Committee ("MRCC")		Asset & Liability Management Committee ("ALCO")
Committees of BFRC and responsible to assess/approve credits and investment/capital market proposals.	BCMSC is a sub- Committee of BRC and responsible to review the Bank's BCM issues and making the appropriate recommendations where necessary.	MRCC is a sub-Committee of BRC and the highest Risk Committee at Management level. It is responsible to perform the oversight functions and to ensure effective management of key issues relating to the overall risk management of the Bank.		ALCO is a sub-Committee of BRC and responsible to perform the oversight function and deliberating key issues related to the Bank's asset and liability management and market
		Operational Risk Control Committee ("ORCC")	Recovery Management Committee ("RMC")	risk.
		ORCC is a sub- Committee of MRCC and responsible to facilitate the function and objective of MRCC in the management of key issues on operational risk.	RMC is a sub- Committee of MRCC and responsible to provide the oversight function on recovery issues and related operational strategies on recovery in the Bank.	

The Bank's risk governance approach is premised on the 3-Lines of Defence Approach by placing accountability and ownership of risks to where they arise while maintaining level of independence among risk taking units, risk control units and independent assurance unit in managing risk.

Statement of Corporate Governance (cont'd)

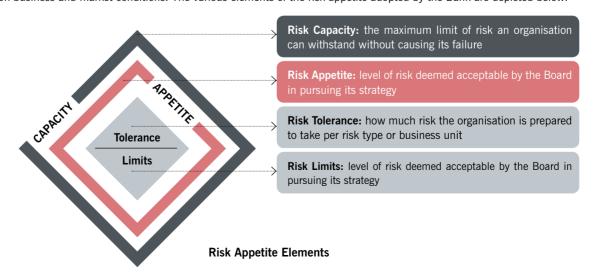
THREE LINES OF DEFENCE APPROACH 1st Line of **Defence** Risk Owner or Risk Responsible for ongoing oversight of risk & control at day to day work Taking Units level and promoting strong risk culture within business/support unit. Risk Management, including Shariah Risk Management is responsible for establishing & maintaining Risk Management Framework, developing Risk Management tools, assessing, monitoring, reporting & controlling 2nd Line of risk and promoting risk awareness across the Bank. **Defence** Risk Control Units Compliance is responsible for ensuring effective oversight on compliancerelated risks through proper classification of risks, developing, reviewing and enhancing compliance-related training programmes and promoting compliance awareness across the Bank. 3rd Line of Responsible for providing independent assurance to Board of Directors Defence and Senior Management that Risk Management Processes and Tools are Internal Audit effectively implemented.

(b) Risk Appetite

The Bank has established a Risk Appetite Framework that forms an integral part of the Bank's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Bank is prepared to accept in support of a stated strategy, impacting all business from a credit, market and operational risk viewpoint.

The risk appetite is a critical component of the Bank's robust Risk Management Framework and is driven by both top-down Board leadership and bottom-up involvement of Management at all levels. It enables the Board and Management at all levels to communicate, understand and assess the types and level of risks that the Bank is willing to accept in pursuing its strategy.

The Bank's risk appetite has been integrated into its Corporate Direction and Business Plan and is changeable based on business and market conditions. The various elements of the risk appetite adopted by the Bank are depicted below:



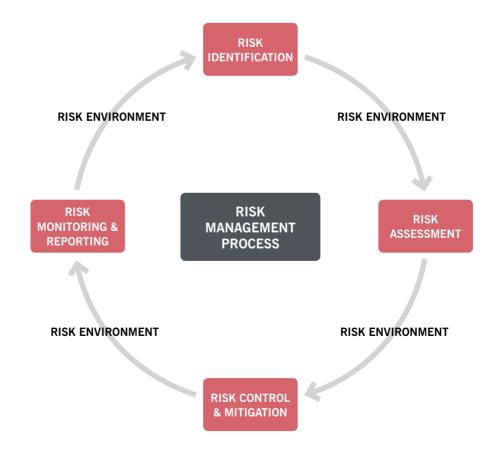
The Bank constantly ensures that trigger levels, limit structures and delegated authorities are realigned and potential risk appetite implications are considered in all major resource allocation decisions, especially during the Bank's Annual Budget exercise. This will help shift the discussion of risks from a mindset of 'loss minimising' to one of optimising the organisation's risk-return profile and as such the risk appetite setting process can greatly enhance the Bank's risk adjusted returns.

The articulation of the risk appetite has been integrated across the Bank and it takes into consideration the needs of the Bank's stakeholders. Notwithstanding that, the Bank will at all times be guided and adheres to relevant laws, including Shariah rules and principles. The Bank has zero-tolerance with respect to Shariah non-compliance.

(c) Risk Management Process

Based on the Bank's structure, the Bank's Risk Management has continuously enhanced its integrated risk management approach towards an effective management of enterprise-wide risks. Under this approach, active involvement of the Board, Senior Management and all level of staff is required in the risk management process to ensure a uniform view of risks across

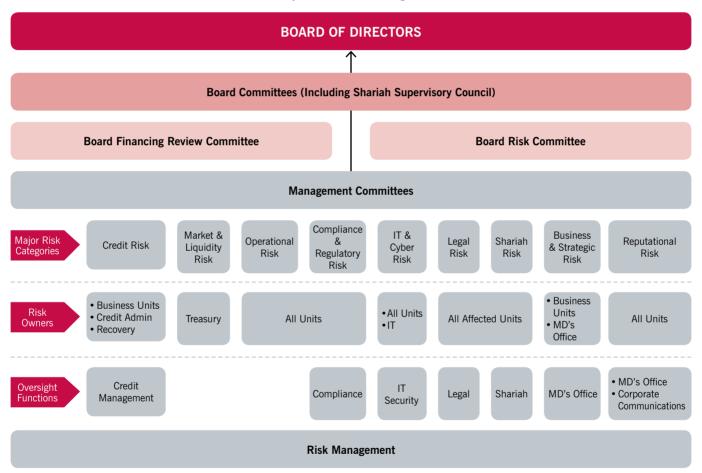
A standard risk management process has been adopted by the Bank to ensure that Bank-wide risks are properly identified and managed in a structured, systematic and consistent manner. The risk management process comprises the following:



Statement of Corporate Governance (cont'd)

With the standard risk management process adopted, the principal/major categories risks faced by the Bank together with their respective Risk Owners and Oversight Functions have been identified accordingly under the Enterprise-wide Risk Management Structure as follows:

Enterprise-Wide Risk Management



BANK ISLAM MALAYSIA BERHAD | Annual Report 2015

(d) Risk Culture

Risk culture is a key aspect of an effective enterprise-wide risk management and the most important factor in determining the long-term effectiveness of the risk management strategy. Culture, as defined by the Institute of International Finance is "the norms and traditions of individuals and of Banks within an organisation that determine the way in which they identify, understand, discuss and act upon the risks the organisation confronts and the risk it takes."

The Bank views that risk culture is the responsibility of the Board, Senior Management and ultimately all employees of the Bank, in tandem with the Bank's Risk Management's Tagline i.e. "Managing Risk is Everyone's Business". In building a strong risk culture, the risk management process/approach has been embedded in all Bank's core business processes, functions and activities. The Bank views that risk management as an important means of enhancing the Bank's competitiveness and performance.

4.3 **Shariah Compliance Risk**

As a full-fledge Islamic bank, Shariah compliance considerations are taken into account in all of the activities within the Bank. Shariah compliance risk is defined as "the possible failures to meet the obligation to Shariah principles, or in other words, possible incidences of Shariah non-compliances".1

The Bank's Shariah Risk Management is guided by its Shariah Compliance Risk Management Guideline which sets out the high-level framework supporting the Shariah Compliance Policy and details out the Shariah risk management processes and tools. The guideline serves to provide a consistent framework for managing Shariah compliance risk across the Bank.

In managing Shariah compliance risk, clear responsibilities are assigned to various functions. These functions are responsible for developing strategies to identify, assess, monitor and control/mitigate Shariah compliance risk, and designing and implementing the Shariah compliance risk management, its methodology and reporting system within the Bank.

Extensive and continuous Shariah risk awareness initiatives have been conducted for staff. A structured Islamic banking certification programme which includes important modules on Shariah has been offered as an effort to grow our own timber. Meanwhile, all new recruits will undergo Muamalat 101 training in conjunction with the orientation programme in which they are exposed to the fundamentals of Shariah applied in Islamic banking business.

5.0 COMPLIANCE CULTURE

For Bank Islam, inculcating a compliance culture has always been a top priority. The level of awareness and the necessity for a focus on risk and compliance is at the forefront. This is in line with one of the Bank's core values - to be an organisation that is trustworthy; constantly strives for the highest level of integrity, honesty and responsibility, which are the foundation of Islamic principles. This is applied in every facet of the Bank's businesses and operations.

The Board and the Management have continuously demonstrated a clear and unequivocal commitment to foster a culture of ethical behavior, integrity and trust within the organisation, which helps to create an atmosphere that is conducive to compliance. The roles of the three (3) lines of defence according to International standards (Diagram 1) have long been adopted in Bank Islam. This ensures risk and compliance are built into the management process and day-to-day operations.

Compliance Division, which plays the role of the Second Line of Defence, is responsible to put in place a Compliance Programme to perform compliance review on key regulatory requirements and validate key controls to attest regulatory requirements have been effectively internalised. It also provides assurance to the Board and Management that ethics, integrity and trust are espoused and translated into activities, actions, responsibility and expectations at every level. The Compliance Programme, thus, serves as a means to instill compliance culture across the Bank.

¹ BNM's Shariah Governance Framework, 2011 page 5.

Statement of Corporate Governance (cont'd)

COMPLIANCE'S 3 LINES OF DEFENCE RESPONSIBILITY

1ST LINE OF DEFENCE

Business and Support Units – Daily Compliance Management

Complies with all stipulated internal policies, procedures, laws and regulations. Internalise ethics, integrity, trust regulatory requirements into business objectives.

Business and Support Units – 1st Line of Defence

Owns the risk in pursuit of business objectives.

2ND LINE OF DEFENCE

Compliance Division – Monitors and Validates. Clear Line of Sight.

Review, monitor, validates and provide assurance on compliance related matters and activities undertaken by the Business and Support Unit.

Compliance – 2nd Line of Defence

Ensures that mission and business objectives are met within the standards set.

3RD LINE OF DEFENCE

Independent Assurance – Internal Auditors, External Auditors & Regulators

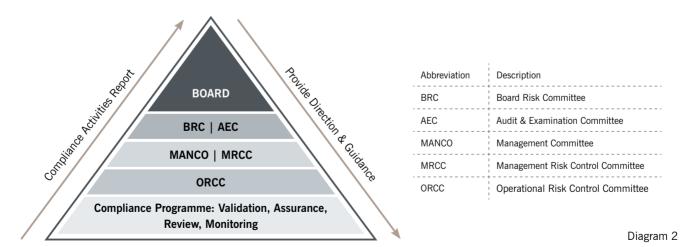
To continuously assess the effectiveness of the Bank's compliance culture.

Internal Auditors – 3rd Line of Defence

Ring fencing – Provide assurance to board and regulators that the first two (2) lines are effective.

Diagram 1

Part of the Bank's practice of good governance is to allow issues pertaining to risk and compliance to be freely discussed and debated in all management committee meetings (Diagram 2). The escalation of issues up to the Board level helps to prevent information silo and silo mentality that may otherwise cause a blindsided view. In addition, the Chief Compliance Officer is given access to all committee meetings, including the Board, should an issue require immediate attention.



Creating a successful compliance culture requires an alignment of expectations between the Bank and its employees. For Bank Islam, this is achieved via the Key Performance Indicators ("KPI"). Each employee is assigned with a standard quantum on Risk Management Compliance and Audit in the KPI which ultimately ties to the remuneration and reward system. Having the process in place motivates employees to make the right choices and to do the right thing every time in carrying out their tasks and meeting their targets. Subsequently, the Bank is able to optimise its opportunities by spending a larger amount of time and resources effectively on other critical functions where returns can be maximised while lowering the cost of remediation.

6.0 INTERNAL AUDIT FUNCTION

The internal audit function of the Bank is fulfilled by the Internal Audit Division ("IAD"), led by the Chief Internal Auditor. The IAD reports directly to the AEC and is independent of the activities and operations of the operating units of the Bank. Its authority is provided in the Internal Audit Charter, which formally documents the roles, authority, duties and responsibilities of the IAD and its relationship with the Board, AEC, Management, external auditor and regulators.

The primary function of the IAD is to assist the Board, mainly through the AEC, by independently reviewing and reporting on the adequacy and effectiveness of the Bank's risk management, internal control and governance systems and processes.

IAD undertakes the audit of entities within the Bank, its subsidiaries and related parties of the Bank. The annual Audit Plan is reviewed and approved by the AEC prior to the start of each financial year. IAD adopts a risk-based approach in determining the auditable units and frequency of the audits.

The results of the audits conducted, including its risks and recommendations are reported to the AEC on a regular basis. Resolution of the audit findings and recommendations are performed by the Management and closely observed by the Management Audit Committee whose members comprise of the members of the senior management. Additionally, Shariah audit reports including their findings, risks and recommendations are notified and deliberated at the SSC meetings.

The IAD is committed to provide an independent, objective assurance and advisory services that will add value and improve the Bank's operations. It does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes, in line with the conceptual framework and guidance promulgated by the Institute of Internal Auditors ("IIA").

7.0 ACCOUNTABILITY AND AUDIT

7.1 **Financial Reporting**

The Board takes responsibility for presenting a clear, balanced and comprehensive assessment of the Bank's financial performance, position and future prospects through its Annual Audited Financial Statements and quarterly reports. The Board ensures that the financial statements are properly drawn up and gives a true and fair view of the state of affairs of the Bank in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia. The Board is assisted by the AEC in scrutinising the information disclosed in the Annual Audited Financial Statements and quarterly reports to ensure accuracy, adequacy, completeness and transparency.

7.2 Statement of Internal Control

The Board recognises the importance of maintaining a sound system of internal controls and risk management practices as well as good corporate governance. The Board exercises overall responsibility in identifying, evaluating and reviewing the adequacy and effectiveness of the Bank's risk management, governance and internal controls. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable, and not absolute, assurance against material misstatement of financial information or against any losses and fraud.

The Board is of the view that the internal control framework that has been instituted throughout Bank Islam is sufficient to safeguard the shareholder's investment, customers' interest and Bank Islam's assets. Reviews are continuously carried out to ensure effectiveness of the system.

The BRC was established to further strengthen Bank Islam's risk management process, where it meets regularly with the objective of assisting the Board in managing Bank Islam's range of inter-related risks in an integrated manner.

The key processes that the Board has established in reviewing the integrity of the system of internal controls are as follows:-

(a) The Managing Director is entrusted with the management of Bank Islam, where his role and responsibilities, and authority limits are set by the Board. The appointment of the Managing Director requires the approval of the Board;

(cont'd)

- (b) Specific responsibilities have been delegated to the relevant Board Committees, based on their respective terms of references. These Committees have the authority to examine all matters within their scope of responsibility and submit their recommendations to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board:
- (c) Delegation of authority, including limits at various levels of Management and those requiring the Board's approval, are documented and designed to ensure proper accountability and responsibility;
- (d) Policies and procedure manuals for key processes are documented and regularly reviewed and updated for application across Bank Islam;
- (e) The AEC regularly reviews the adequacy and integrity of Bank Islam's internal control systems and management information system including systems for compliance with applicable laws, regulations, rules, directives and guidelines as identified by the internal auditors, the external auditor and regulatory authorities. It also reviews the adequacy and comprehensiveness of the internal audit process, scope of audit, competency of the auditors and the independence of the Internal Audit function:
- (f) Bank Islam's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented on a monthly basis. This allow for timely responses and corrective actions to be taken to mitigate risks;
- (g) The IAD reports to the AEC, performs regular reviews of the processes to assess their effectiveness and highlights any significant risks affecting Bank Islam. The AEC reviews the internal auditors auditable areas and resources annually, via the Audit Plan and budget;
- (h) The AEC regularly reviews and holds discussions with the Management on actions taken to address lapses in internal controls and issues identified in reports prepared by the internal auditors, external auditor and regulatory authorities; and
- (i) The BRC regularly reviews risk profiles based on a range of key risk indicators, as well as other risk assessment tools.

7.3 Relationship with External Auditor

Bank Islam, through the AEC, has established an appropriate and transparent relationship with the external auditor. The AEC meets at least once a year with the external auditor without the presence of the Management.

8.0 SHAREHOLDER

8.1 Shareholder Suitability Policy

On 8 October 2014, BNM has issued a Shareholder Suitability Policy which specifies the suitability requirements to ensure shareholders of Financial Institutions ("FIs") that are able to exercise influence directly or indirectly are persons of integrity and good reputation so as to minimise the risk of undue or inappropriate influence that could threaten the safety and soundness of the FI. The said policy is applicable to a shareholder who has been approved to hold 5% or more shares in a bank, investment bank, insurer, Islamic bank and takaful operator, licensed under the FSA and IFSA respectively. The Policy came into effect on 8 October 2014.

The Board has approved the relevant controls to ensure compliance with the said Policy.

The said controls include obtaining the shareholder's declaration of compliance with the requirements stipulated in the Shareholders Suitability Policy. The said declaration is provided on an annual basis. As and when necessary, the Bank may conduct relevant searches/inquiry in the event there is any adverse news or updates on the shareholder. In addition, the conduct/manner of the nominee directors in exerting the influence of the shareholder will also be assessed via the annual Board evaluation exercise.

Ethics, Integrity & Trust

BANK ISLAM CONTINUES ITS EFFORTS TO MAINTAIN A GOOD STANDING AS AN ISLAMIC BANK THAT INTERLACES ETHICS, INTEGRITY AND TRUST IN EVERY FACET OF ITS BUSINESSES AND OPERATIONS. MAINTAINING PUBLIC'S CONFIDENCE AND TRUST TO SUSTAIN CREDIBILITY AND MINIMISING RISK OF UNETHICAL OR DISINGENUOUS CONDUCT BY THE BANK'S EMPLOYEES AND CUSTOMERS, ARE THE BANK'S PARAMOUNT FOCUS.



In advancing through the challenging and competitive business environment, the Bank leverages on a foundation built on the greatness of Islamic conduct that values principles of integrity, honesty and responsibility. We meet customers' needs and realise their expectations through these principles which create trust and confidence. The employees of Bank Islam shall adhere to the Code of Ethics as set out by Bank Negara Malaysia in the BNM/GP7 - Guidelines on the Code of Conduct for Directors, Officers and Employees and its internal Code of Conduct.

In addition to the GP7 and Bank Islam's Code of Conduct, policies and procedures issued to all employees represent the essential assurance in building a culture of trust and integrity. Amongst such policies and procedures are the Recruitment & Selection Policy, Whistle-Blowing Policy, Social Media Policy, Guideline on Personal Data Protection and the Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") Policy. Bank Islam has also established an Integrity Hotline for reporting of misconduct. In addition, Bank Islam, together with Tabung Haji and Malaysian Anti-Corruption Commissions had organised a one-day seminar on integrity on 5 August 2015 where 190 staff including the senior management of the Bank signed a pledge to uphold the corporate integrity.

Ethics, Integrity & Trust (cont'd)

RECRUITMENT & SELECTION POLICY

As part of Bank Islam's efforts to uphold a workforce and culture of trust and integrity, the Bank under its Recruitment & Selection Policy stresses the importance for potential candidates to undergo a thorough screening and shortlisting process based on certain criteria.

In addition, selected candidates are subject to a reference check with their former employers or other referees deemed appropriate, as well as a check on their financial history which includes AML/CFT checks and credits history and directorship.

Apart from this, candidates who are selected for employment will be required to complete several declarations which include:

- Undertaking letter declaration not to disclose any confidential information and materials to any party
- Garis Panduan 7 ("GP7 form") declaration that they have read and understood the content of code of ethics and its implication if there is any breach
- IT Security Code of Practice declaration that they understand their roles and responsibilities in handling and safeguarding the Bank's IT and information asset

WHISTLE-BLOWING POLICY

The Whistle-Blowing Policy is established to provide an avenue for immediate reporting and/or disclosing of any wrong doings, malpractices or irregularities, committed by employees and/or external parties against the Bank's interest, which include the following:

- · Breach of policies and procedures;
- Fraud, embezzlement, corruption or dishonesty;
- Actions which could cause physical danger to another person or give rise to a risk of damage to properties/assets;
- Forgery or alteration of any documents belonging to the Bank, customers, another financial institution, or agents of the Bank;
- · Profiteering as a result of insider knowledge;
- · Misuse of position;
- · Breach of Bank Negara Malaysia Guideline BNM/GP7;
- · Any other similar or related irregularities; and
- Any other wrongdoings as may be determined by Board Risk Committee to be included in the scope of this policy, from time to time.

ANTI-MONEY LAUNDERING POLICY

Bank Islam will conduct its business in conformity with high ethical standards and will adhere to all Shariah laws and regulations pertaining to financial institutions. While it is accepted that the Bank may not always be able to determine whether a transaction originates from, or is part of, any unlawful activities, the Bank will conduct its business in compliance with the following general principles:

- Comply with applicable Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 as established by Bank Negara Malaysia;
- Maintain a system of internal control and establish procedure to ensure ongoing AML/CFT compliance and prompt actions;
- Appoint Designated Compliance Officers ("DCOs") who are responsible to implement AML/CFT procedures and measures;
- Develop AML/CFT compliance programme to ensure awareness on AML/CFT procedures and requirements and monitoring of AML/CFT measures;
- Establish customer due diligence for all customers including implementation of KYC Policy and enhanced due diligence for customers and transactions presenting higher risk;
- Establish and maintain appropriate procedures to monitor customer accounts and activities for evidence of suspicious transactions that may be indicative of money laundering activities;
- Retain identification and transactional documentation as defined in the legislation;
- Report to relevant authority in a timely and comprehensive manner on all identified suspicious activities where there are reasonable grounds to suspect that a money laundering offence has been or is being committed; and
- Cooperate fully with law enforcement and regulatory authorities on AML/CFT issues.

CORPORATE INTEGRITY PLEDGE

Bank Islam took the lead as the first Islamic bank to sign the Corporate Integrity Pledge on 20 March 2012. With the signing, the Bank is making a unilateral declaration that it will not commit corrupt acts, will work towards creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business and in its interactions with its business partners and the Government. The pledge signifies the Bank's commitment to promote integrity, transparency and good governance in all aspects of its operations. A toll-free Integrity Hotline (1800-22-0091) has been established where external and internal parties can report any corruption cases at Bank Islam.

CORPORATE INTEGRITY PLEDGE OF BANK ISLAM MALAYSIA **BERHAD EMPLOYEES**

We, the staff of Bank Islam Malaysia Berhad, pledge:

• To always maintain a work culture of integrity, in line with the principles of Shariah, on which our banking operations are based;

- · To constantly strengthen the control mechanisms and integrity of business operations through the practice of an ethical, clean and transparent work culture;
- To avoid corruption or malpractice under any provisions of the law, including but not limited to the Malaysian Anti-Corruption Commission Act 2009 or the Penal Code;
- · To avoid any business practice or activity that encourages any employee or agent to commit any form of corruption;
- To work together with our customers, business partners, regulatory agencies, and law enforcement agencies to create a business environment that is free from corruption;
- To uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of business and in interactions with customers; and
- · To act decisively and to report any party who commits an act which could undermine the integrity and tarnish the image of the Bank.











Directors' Report

for the financial year ended 31 December 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP RM'000	BANK RM'000
Profit before zakat and tax expense	685,661	685,131
Zakat and tax expense	(178,399)	(178,298)
Profit for the year	507,262	506,833

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2014 are as follows:

	RM'000
In respect of the financial year ended 31 December 2014: Final single tier dividend of approximately 5.75 sen per ordinary share paid on 30 June 2015	133,395
In respect of the financial year ended 31 December 2015:	·
Interim single tier dividend of approximately 5.27 sen per ordinary share paid on 22 September 2015	123,461
	256,856

The Directors recommend a final single tier dividend of 5.49 sen per ordinary share totalling RM129,744,000 for the financial year ended 31 December 2015.

ISSUE OF SHARES

On 30 June 2015, the Bank increased its issued and paid-up capital from RM2,319,907,000 to RM2,342,706,000 via the issuance of 22,799,000 new ordinary shares of RM1.00 each at a consideration of RM2.90 per share arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.75 sen in respect of financial year ended 31 December 2014, as disclosed in Note 37 to the financial statements.

On 22 September 2015, the Bank further increased its issued and paid-up capital from RM2,342,706,000 to RM2,363,282,700 via the issuance of 20,576,700 new ordinary shares of RM1.00 each at a consideration of RM3.00 per share arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.27 sen in respect of financial year ended 31 December 2015, as disclosed in Note 37 to the financial statements.

There were no other changes in the authorised, issued and paid-up capital of the Bank during the financial year.

ISSUE OF SUBORDINATED SUKUK MURABAHAH

The Bank obtained approvals from Bank Negara Malaysia ("BNM") and the Securities Commission on 10 June 2014 and 7 October 2014 respectively for the establishment of a Subordinated Sukuk Murabahah Programme under the Shariah principle of Murabahah (via Tawarrug arrangements) to facilitate the issuance of Subordinated Sukuk Murabahah of up to RM1.0 billion in nominal value.

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.

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year under review except as disclosed in the financial statements.

IMPAIRED FINANCING

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written off and adequate impairment provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financing, or amount of impairment provisions for impaired financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Bank to be misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank to be misleading or inappropriate.

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Directors' Report

for the financial year ended 31 December 2015 (cont'd)

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Bank misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group or of the Bank for the current financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions, Circular on the Application of MFRS and Revised Financial Reporting Requirements for Islamic Banks and the Guidelines on Classification and Impairment Provision for Loans/Financing.

DIRECTORS OF THE BANK

Directors who served since the date of the last report are:

Datuk Zamani Abdul Ghani (Chairman)
Dato' Sri Zukri Samat (Managing Director)
Professor Emeritus Tan Sri Dato' Dr. Abdul Shukor Husin
Datuk Zaiton Mohd Hassan
Zahari @ Mohd Zin Idris
Mohamed Ridza Mohamed Abdulla
Tan Sri Ismee Ismail (ceased as a director on 9.10.2015)

Dato' Johan Abdullah (ceased as a director on 17.2.2016)

None of the Directors holding office as at 31 December 2015 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a firm in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

IMMEDIATE AND ULTIMATE HOLDING COMPANY/ENTITY

The Directors regards BIMB Holdings Berhad, a company incorporated in Malaysia and Lembaga Tabung Haji ("LTH"), a haji pilgrims' funds board established in Malaysia as the immediate holding company and ultimate holding entity respectively.

2016 BUSINESS PLAN AND OUTLOOK BUSINESS PLAN, STRATEGY AND FUTURE OUTLOOK

The Malaysian economic growth moderated further in the third quarter of 2015 to 4.7% from 4.9% in the previous quarter mainly due to slower growth in consumer spending which slipped to 4.1% from 6.4% in the second quarter of 2015. GDP growth was however sustained by strong investment in both public and private sectors. The economy grew 5.1% in the first 9 months of 2015 compared with 6.1% a year ago and is poised to achieve an estimated growth of 5% for the whole of 2015.

Moving forward, the challenges faced by the economy in 2015 will likely continue into 2016 with persistently low commodity prices, weak external demand and low domestic sentiment. With this outlook, the GDP is expected to grow between 4.0% and 4.5% in 2016. Inflation, predicted at approximately 2.5% will cause the consumer demand to soften further. Our Malaysian Ringgit against the US dollars range target continues to be between RM4.00 and RM4.50.

As banks have always been a proxy of the economic growth, the banking sector is expected to face a challenging 2016 amid moderating domestic demand. The financial system will gradually adjust to the slowing growth in China and the higher US interest rate. The banking sector, amid the ever evolving regulatory environment and generally weak profitability, will continue to focus on (1) garnering deposits, (2) increasing the level of capital, (3) strengthening balance sheet and (4) proactively managing the risk of weakening asset quality that could derail progress. With the anticipated economic slowdown, the banking industry loan is expected to record growth between 8% - 9% in 2016 from 9% - 10% in 2015. Islamic banking is expected to grow circa 15%, lower than its past performance but still higher than its conventional counterparts. Key challenges for 2016 will remain to be tighter liquidity and greater competition for deposits to (i) address the high loan-to-deposit ratio ("LDR") which hit a new peak of 91.2% in October 2015; and (ii) meet the higher requirement of Liquidity Coverage Ratio ("LCR") under Basel III which will be raised to 70% from 60% in 2015.

In general, factors that will continue to weigh on the banking sector in 2016 include - (a) slower-than-expected loans and deposits growth, (b) further margin compression from higher funding cost, (c) weak capital market activities, and (d) deterioration in asset quality as non-performing loans ("NPL") is expected to continue to rise amid the challenging environment. Banks, in a bid to run tighter ships, will continue to operate more efficiently with a much leaner structure.

Putting everything in perspective, the Bank acknowledges that it will be affected by the issues above and is taking bold measures to address them. Taking a cautious stance, the Bank will continuously focus on preserving capital, robust liability management and safeguarding asset quality while constantly driving earnings stability. Other than driving growth in savings and demand deposits ("CASA"), maintaining stringent underwriting standards and aggressive collection strategy, the Bank's efforts will revolve around sustaining financing growth as well as diversifying its source of income by enhancing the non-fund based income such as those derived from the introduction of investment account products. Furthermore, in an extremely competitive environment, being more customer-focused and providing service excellence is becoming a significant advantage, and this remains vital for the Bank. The expected moderate growth could also be an opportunity as it demands the Bank to advocate fresh thinking and a more differentiated business proposition going forward.

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Directors' Report

for the financial year ended 31 December 2015 (cont'd)

RATINGS ACCORDED BY EXTERNAL RATING AGENCY

During the financial year, the Bank's rating was re-affirmed as follows:

RATING AGENCY DATE RE-AFFIRMED RATINGS

RAM Rating Services Berhad 15 October 2015 Long-term rating: AA3

Short-term rating: P1
Outlook: Stable

SUBSEQUENT EVENT

On 21 January 2016, BNM announced the reduction of the Statutory Reserve Requirement ("SRR") ratio from 4.00% to 3.50% effective from 1 February 2016.

AUDITORS

The auditors, Messrs. KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Zamani Abdul Ghani

Dato' Sri Zukri Samat

Kuala Lumpur, Date: 16 March 2016

BANK ISLAM MALAYSIA BERHAD | Annual Report 2015

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 161 to 261 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2015 and of its financial performance and cash flows for the financial years then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Zamani Abdul Ghani

Dato' Sri Zukri Samat

Kuala Lumpur, Date: 16 March 2016

Report of the Shariah Supervisory Council



الحمد لله رب العا لمين، والصلاة والسلام على سيدنا محمد، الذي أرسله الله رحمة للعالمين، ها ديًا مهديًا، وسراجًا منيرًا، وعلى آله وصحبه أجمعين، ومن تبعهم بإحسان إلى يوم الدين، وبعد،

In carrying out the roles and the responsibilities of the Bank's Shariah Supervisory Council as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2015.

The Bank's Management is responsible to ensure that its conduct and businesses are in accordance with the Shariah rules and principles, and it is our responsibility to form an independent opinion based on our review on the conduct and businesses of the Bank and to produce this report.

We had eight (8) meetings during the financial year where we reviewed products, transactions, services, processes and documents of the

In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidences to give reasonable assurance that the Bank has complied with the Shariah rules and principles.

At the management level, the Chief Shariah Officer who functionally reports to us oversees the conduct and effectiveness of the internal Shariah compliance functions i.e. Shariah Research & Advisory, Shariah Review and Shariah Risk Management which is further substantiated by Shariah Audit that resides in the Internal Audit Division. Both of the Shariah Review and Shariah Risk Management functions also report to the Chief Compliance Officer and Deputy Chief Risk Officer respectively.

The roles of these functions, generally, are facilitating new research & product development activities, refining existing products & procedures, providing Shariah training, managing Shariah non-compliance risks bank-wide, conducting Shariah audit & review on departments and branches and coordinating with us on any matters that require our decision.

The following are the major developments that took place during the financial year which come under our purview:

APPROVALS

During the financial year, we had approved in our meetings, new products to be offered to customers which includes the following products:

- 1. Investment account based on Wakalah
- 2. Al-Awfar account based on Mudharabah
- 3. Restricted investment account based on Wakalah (for Al-Ansar Programme with Lembaga Tabung Haji)

To ensure smoothness and timely execution of our business operation, we empower the Chief Shariah Officer to approve non-substantial variation on Shariah related matters and the approvals by the Chief Shariah Officer are duly reported to us periodically for review and confirmation.

SHARIAH GOVERNANCE

We had approved in our meetings, initiatives in strengthening the Shariah governance of the Bank which includes the review of the Shariah Compliance Risk Management Guideline, Shariah Review Guideline, and Shariah Non-Compliance Management and Reporting Guideline that aim, among others, to set out the Shariah Compliance Risk Management framework and Shariah review end-to-end processes.

SHARIAH RISK MANAGEMENT

We observed that the Bank has been continuously and diligently implementing measures in managing its Shariah non-compliance risk. The implementation of Risk Control Self Assessment ("RCSA") aimed to assess the significance of identified Shariah non-compliance risks and effectiveness of the existing controls in the respective functional areas including to drive for additional controls so as to provide reasonable assurance that no Shariah non-compliance will occur in meeting the business objectives.

Since the establishment of RCSA, continuous process of identifying and assessing Shariah risk at respective functional areas has been carried out. The increase in the number of identified Shariah risks connotes the increase in Shariah awareness among staff especially Risk Controllers ("RC") of each functional area.

SHARIAH REVIEW & SHARIAH AUDIT

The Shariah Review and Shariah Audit functions play a vital role in achieving the objective of ensuring Shariah compliance by evaluating and assessing activities in the Bank whereby the former validates the compliance of activities with Shariah rules and principles and the latter provides independent assurance in order to add value and improve the degree of Shariah compliance in relation to such activities. Shariah Review is also required to perform assessment on newly launched products after 6 months (not later than a year) after the product was launched.

Both Shariah Audit and Shariah Review plans for the financial year were reviewed and approved by us for their implementation. The reports were deliberated in our meetings to confirm that the Bank has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission (for capital market related matters) as well as our decisions.

During the year, the following reports were presented to us covering the following entities/areas:

SHARIAH AUDIT

- 1) Corporate Investment Banking
- 2) Shariah Division
- 3) Bank Islam Trust Company (Labuan) Ltd ("BITL")
- Bank Islam Labuan Offshore Branch ("BILOB")
- 5) Feedback Channel and Contact Centre
- 6) Bank Islam Card Centre
- 7) Corporate Banking Division
- 8) Bureau De Change
- 9) Transaction Services Department
- 10) Wealth Management, Bancatakaful and Ar-Rahnu Operations
- 11) Treasury Division
- 12) Consumer Recovery Department
- 13) Consumer Banking Division
- 14) Corporate Recovery Department

SHARIAH REVIEW

- 1) Automobile Financing Products
- 2) Treasury (Deposit Products)
- 3) Treasury Foreign Exchange ("FX")
- 4) Term Deposit-i Tawarrug
- Cash Management (fee based income)
- 6) Contact Centre and Feedback Channel
- 7) Ar-Rahnu Business
- 8) Personal Financing (inclusive of staff financing)
- 9) Bank Islam Labuan Offshore Branch ("BILOB")
- 10) Bank Islam Trust Company (Labuan) Ltd ("BITL")
- 11) Wealth Management
- 12) Dual Currency Investment-i
- 13) Ijarah Based Products

L56 CORPORATE HIGHLIGHTS CORPORATE FRAMEWORK INITIATIVES

Report of the Shariah Supervisory Council

(cont'd)

SHARIAH TRAINING & AWARENESS

During the year, fifteen (15) Shariah trainings and briefing sessions were held covering 552 participants among the Bank's employees nationwide.

All new recruits of the Bank spent one day in the first module namely *Muamalat 101* training in conjunction with the orientation programme in which they were exposed to the fundamentals of Shariah applied in Islamic banking business.

The Bank had also embarked on an initiative to elevate the recognition of the staff by engaging Islamic Banking and Finance Institute Malaysia ("IBFIM") for in-house certification programme namely Associate Qualification in Islamic Finance ("AQIF") which contains six (6) important modules.

To increase the awareness on Shariah compliance, the Bank has also conducted three (3) Shariah Town Hall sessions for all RC where they were updated on occurrence of Shariah non-compliances and new Shariah requirements/rulings issued either by us or the regulators.

SHARIAH NON-COMPLIANT EVENTS & INCOME

Throughout 2015, we confirmed four (4) incidences of breach of Shariah rules and principles in products as follows:

- (i) TDT-i Special Overnight (withdrawal of placement before trading)
- (ii) Incomplete Tawarrug transaction performed by BICC Telemarketing Sales Agent
- (iii) Absence of Tawarrug transaction in Bank Islam Card Renewal
- (iv) Inaccurate calculation of Safekeeping Fees for Ar-Rahnu Legacy Accounts

We are also informed on the causes of the incidences which were due to operational failure in executing the *aqad* and trading, gaps and system failure. We noted that the Bank has taken its corrective as well as preventive measures in order to avoid the same incidences from occurring in the future.

We also confirm that all of the events together with the rectification plans were presented to the Board of Directors and reported to Bank Negara Malaysia in accordance to the Shariah non-compliance reporting requirement prescribed by the Islamic Financial Services Act, 2013.

Within the financial year, the Bank detected Shariah non-compliant income amounting to RM7,768.02 which includes commissions from Shariah non-compliant merchants of card business, interest received from the Bank's NOSTRO account as well as rental purification from the Bank's land that is being used to facilitate *bai'inah* based transactions.

The amount was disposed to charitable causes upon our approval as disclosed in Note 23 of the financial statements.

BUSINESS ZAKAT

In the financial year, the Bank has fulfilled its obligation to pay zakat on its business to state zakat authorities by adopting the growth capital computation method and in compliance with the *Manual Pengurusan Zakat Perbankan* issued by *Jabatan Wakaf*, *Zakat dan Haji ("JAWHAR")*. The Bank paid the zakat on the Bank's portion i.e. shareholders' funds as well as other funds received by the Bank except depositors' funds.

Several zakat authorities had refunded a portion of the zakat paid for the Bank to act as their agent (wakil) to distribute to eligible beneficiaries (asnaf) among needy individuals, mosque, non-governmental organisations, higher learning institutions (needy students welfare funds) and schools as guided by the Business Zakat Payment Guideline that was approved by us.

ACCOUNTABILITY FINANCIAL STATEMENTS DIRECTORY 157

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SAFEGUARDING THE INVESTMENT ACCOUNT HOLDERS ("IAH") INTEREST

In ensuring the interest of IAH is protected, we confirm that the profit allocation for the IAH is in accordance with Shariah rules and principles where the profit computation formula has been duly presented and approved by us. The performance of the Investment Account has also been properly disclosed and reported via issuance of Fund Performance Report ("FPR") which is already made available on the Bank's website.

We have also reviewed the financial statements of the Bank and confirm that the financial statements are in compliance with the Shariah rules and principles.

Based on the above, in our opinion:

- 1. The contracts, transactions and dealings entered into by the Bank, excluding the four (4) Shariah non-compliant incidences mentioned above, during the financial year ended 31 December 2015 that were reviewed are in compliance with the Shariah rules and principles;
- 2. The allocation of profit and charging of losses relating to Investment Account conformed to the basis that has been approved by us;
- 3. The computation, payment and distribution of business zakat are in compliance with the Shariah rules and principles;
- 4. All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles were disposed to charitable causes.

On that note, we, Professor Dato' Dr. Ahmad Hidayat Buang and Ustaz Dr. Ahmad Shahbari @ Sobri Salamon and, being two of the members of Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm that, in our level best, the operations of the Bank for the year ended 31 December 2015 have been conducted in conformity with the Shariah rules and principles.

We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, verse:81)

Allah knows best.

On behalf of the Council:

Professor Dato' Dr. Ahmad Hidayat Buang

Ustaz Dr. Ahmad Shahbari @ Sobri Salamon

Kuala Lumpur, Date: 16 March 2016

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Mohd Muazzam Mohamed**, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 161 to 261 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 16 March 2016.

Mohd Muazzam Mohamed

Independent Auditors' Report

to the Member of Bank Islam Malaysia Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Islam Malaysia Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 161 to 261.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group and Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards. International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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Independent Auditors' Report

to the Member of Bank Islam Malaysia Berhad (cont'd)

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat & Co.

Firm Number: AF 0759 Chartered Accountants Ow Peng Li

Approval Number: 2666/09/17 (J) Chartered Accountant

Date: 16 March 2016 Petaling Jaya

Statements of Financial Position

as at 31 December 2015

		GR	GROUP		NK
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
	NOTE	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	3	2,881,669	3,164,628	2,877,738	3,164,402
Deposits and placements with banks and					
other financial institutions	4	100,577	104,725	100,577	104,725
Financial assets held-for-trading	5	423,973	921,629	418,718	916,539
Derivative financial assets	6	119,259	62,541	119,259	62,541
Financial assets available-for-sale	7	9,937,716	10,236,663	9,938,173	10,237,120
Financial assets held-to-maturity	8	59,352	60,752	59,352	60,752
Financing, advances and others	9	34,294,690	29,524,571	34,294,690	29,524,571
Other assets	10	70,796	126,535	68,235	124,902
Statutory deposits with Bank Negara Malaysia	11	1,591,460	1,335,000	1,591,460	1,335,000
Current tax assets		40,127	40,523	40,111	40,468
Deferred tax assets	12	35,182	31,220	35,182	31,220
Investments in subsidiaries	13	_	_	15,525	15,525
Property and equipment	14	208,918	211,895	208,047	211,522
Total assets		49,763,719	45,820,682	49,767,067	45,829,287
Liabilities and equity					
Deposits from customers	15	43,556,350	41,010,332	43,594,947	41,021,556
Investment accounts of customers	16	676,105	_	676,105	_
Deposits and placements of banks and					
other financial institutions	17	_	300,000	_	300,000
Derivative financial liabilities	6	101,913	32,407	101,913	32,407
Bills and acceptance payable		122,577	127,524	122,577	127,524
Subordinated Sukuk Murabahah	18	704,380	_	704,380	_
Other liabilities	19	544,209	576,228	508,505	572,599
Zakat and taxation	20	25,617	44,601	25,587	44,573
Total liabilities		45,731,151	42,091,092	45,734,014	42,098,659
Equity					
Share capital	21	2,363,283	2,319,907	2,363,283	2,319,907
Reserves		1,669,285	1,409,683	1,669,770	1,410,721
Total equity		4,032,568	3,729,590	4,033,053	3,730,628
Total liabilities and equity		49,763,719	45,820,682	49,767,067	45,829,287
Restricted investment accounts	16	82,567	_	82,567	_
Total Islamic banking asset		49,846,286	45,820,682	49,849,634	45,829,287
Commitments and contingencies	43	12,692,303	12,135,967	12,692,303	12,135,967
		• •		• •	• •

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2015

			ROUP		ANK
	NOTE	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds	24	2,203,683	2,032,085	2,203,683	2,032,085
Income derived from investment account funds	25	16,793	_	16,793	_
Income derived from investment of shareholders' funds	26	428,520	404,741	420,826	399,311
Allowance for impairment on financing and advances	27	(69,331)	(59,993)	(69,331)	(59,993)
(Allowance)/Reversal for impairment on investments	28	(4,488)	2,978	(4,488)	1,322
Reversal for impairment on other assets Direct expenses		(22,911)	710 (17,966)	- (22,911)	710 (17,966)
<u>·</u>		<u>, </u>	·		
Total distributable income		2,552,266	2,362,555	2,544,572	2,355,469
Wakalah performance incentive fees from restricted investment accounts	16	400		400	
Income attributable to depositors	29	(1,028,949)	- (851,126)	(1,029,168)	(851,638)
Income attributable to investment account holders	30	(2,744)	(031,120)	(2,744)	(031,030)
Total net income		1,520,973	1,511,429	1,513,060	1,503,831
Personnel expenses	31	(473,804)	(463,122)	(468,164)	(457,591)
Other overhead expenses	32	(348,479)	(345,556)	(346,736)	(345,050)
<u> </u>		698,690	702,751	698,160	701,190
Finance cost on Subordinated Sukuk Murabahah	18	(13,029)	702,731	(13,029)	701,190
Profit before zakat and tax		685,661	702,751	685,131	701,190
Zakat		(8,730)	(12,803)	(8,703)	(12,747)
Tax expense	35	(169,669)	(179,446)	(169,595)	(179,412)
Profit for the year		507,262	510,502	506,833	509,031
Earnings per share (sen)	36	21.71	22.16		
Profit for the year		507,262	510,502	506,833	509,031
Other comprehensive income, net of tax: Items that are or may be reclassified subsequently to profit or loss Currency translation differences in respect of					
foreign operations		(84,907)	(22,628)	(85,031)	(22,658)
Fair value reserve Net change in fair value		17,087	(2,992)	17,087	(2,992)
Net amount transferred to profit or loss		(14,735)	(21,685)	(14,735)	(21,685)
Income tax credit relating to components of		, -	, ,	, ,	, ,
other comprehensive income		7,280	_	7,280	_
Other comprehensive expense for the year, net of tax		(75,275)	(47,305)	(75,399)	(47,335)

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2015

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK — NON-DISTRIBUTABLE — DISTRIBUTABLE			NK ——	
		SHARE	SHARE	OTHER	RETAINED	TOTAL
OPOUR	NOTE	CAPITAL	PREMIUM	RESERVES	EARNINGS	EQUITY
GROUP	NOTE	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		2,298,165	52,281	722,567	253,822	3,326,835
Profit for the year		_	_	_	510,502	510,502
Currency translation difference in respect						
of foreign operations		_	_	(22,628)	_	(22,628)
Fair value reserve – Net change in fair value		_	_	(2,992)	_	(2,992)
 Net amount reclassified 						
to profit or loss		_	_	(21,685)	_	(21,685)
Total comprehensive income for the year		_	_	(47,305)	510,502	463,197
Transfer to statutory reserve		_	_	254,517	(254,517)	_
Dividends paid on ordinary shares	37	_	_	_	(120,884)	(120,884)
Issue of shares pursuant to Dividend						
Reinvestment Plan	37	21,742	38,700	_	_	60,442
At 31 December 2014/1 January 2015		2,319,907	90,981	929,779	388,923	3,729,590
Profit for the year		_	_	_	507,262	507,262
Currency translation difference in respect						
of foreign operations		_	_	(84,907)	_	(84,907)
Fair value reserve – Net change in fair value		_	_	17,087	_	17,087
 Net amount reclassified 						
to profit or loss		_	_	(14,735)	_	(14,735)
Income tax credit relating to components				7.000		7 200
of other comprehensive income				7,280		7,280
Total comprehensive income for the year		_	_	(75,275)	507,262	431,987
Transfer to statutory reserve		_		253,416	(253,416)	-
Dividends paid on ordinary shares	37	_	_	_	(256,856)	(256,856)
Issue of shares pursuant to Dividend						
Reinvestment Plan	37	43,376	84,471			127,847
At 31 December 2015		2,363,283	175,452	1,107,920	385,913	4,032,568

Note 22

Statement of Changes in Equity

for the financial year ended 31 December 2015

	ATTRIBUTABLE TO EQUITY NON-DISTRIBUTABLE				ERS OF THE BAI	NK
		SHARE	SHARE	OTHER	RETAINED	TOTAL
DANK	NOTE	CAPITAL	PREMIUM	RESERVES	EARNINGS	EQUITY
BANK	NOTE	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		2,298,165	52,281	722,539	256,389	3,329,374
Profit for the year		_	_	_	509,031	509,031
Currency translation difference in respect						
of foreign operations		_	_	(22,658)	_	(22,658)
Fair value reserve – Net change in fair value		-	_	(2,992)	_	(2,992)
 Net amount reclassified 						
to profit or loss		_	_	(21,685)	_	(21,685)
Total comprehensive income for the year		_	_	(47,335)	509,031	461,696
Transfer to statutory reserve		_	_	254,517	(254,517)	_
Dividends paid on ordinary shares	37	_	_	_	(120,884)	(120,884)
Issue of shares pursuant to Dividend						
Reinvestment Plan	37	21,742	38,700	_	_	60,442
At 31 December 2014/1 January 2015		2,319,907	90,981	929,721	390,019	3,730,628
Profit for the year		_	_	_	506,833	506,833
Currency translation difference in respect of						
foreign operations		_	_	(85,031)	_	(85,031)
Fair value reserve – Net change in fair value		_	_	17,087	_	17,087
 Net amount reclassified 						
to profit or loss		_	_	(14,735)	_	(14,735)
Income tax credit relating to components of				7.000		7.000
other comprehensive income		_	_	7,280	_	7,280
Total comprehensive income for the year		_	_	(75,399)	506,833	431,434
Transfer to statutory reserve		_	_	253,416	(253,416)	_
Dividends paid on ordinary shares	37	_	_	-	(256,856)	(256,856)
Issue of shares pursuant to Dividend						
Reinvestment Plan	37	43,376	84,471	_	_	127,847
At 31 December 2015		2,363,283	175,452	1,107,738	386,580	4,033,053

Note 22

Statements of Cash Flow

for the financial year ended 31 December 2015

Part		GROUP		В	BANK		
Cash flows from operating activities Cash floor cakat and tax 685,661 702,751 685,131 701,190 Adjustments for: Depreciation of property and equipment 63,935 49,995 63,746 49,882 Net (gain/loss on disposal of property and equipment (101) 1,394 (101) 1,394 Property and equipment written off 881 - 881 - Collective assessment allowance 184,383 34,055 141,148 34,055 Reversal of impairment loss on other assets - (710) - (710) Reversal of impairment loss on financial assets sets and liabilities 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-to-maturity (112) (106) (132) (106) Reversal of impairment loss on financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets held-for-trading (1,998) (21,685) (10,998) (21,685) Pair value loss/(gain) on financial assets held-for-trading 917 (2,73) (2,673) <t< th=""><th></th><th></th><th></th><th></th><th></th></t<>							
Profit before zakat and tax 685,661 702,751 685,131 701,190 Adjustments for: Depreciation of property and equipment 63,935 49,995 63,746 49,882 Net (gain)/loss on disposal of property and equipment (101) 1,394 (101) 1,394 Property and equipment written off 881 - 881 - Collective assessment allowance 189,391 162,878 189,391 162,878 Individual assessment allowance 14,148 34,055 14,148 34,055 Reversal of impairment loss on financial assets - (710) - (710) Allowance/(Reversal) for impairment loss on financial assets held-to-maturity 1132 (106) (132) (106) Reversal of impairment loss on financial assets held-for-trading 1,327 3,364 1,327) 3,364 Net gain on sale of financial assets held-for-trading 1,327 3,364 1(32) 1(06) Pair value loss/(gain) on financial assets held-for-trading 917 (2,731) 1,098 (2,585) (2,648) Net gain on sale of finan		RM/000	KM/000	RM/000	RM/000		
Adjustments for: Depreciation of property and equipment 101 1,394 1,495 1,4148 34,055 14,148 34,055 14,148 34,055 14,148 34,055 14,148 34,055 14,148 34,055 101 1,394 1,495 1,49	Cash flows from operating activities						
Depreciation of property and equipment 63,935 49,995 63,746 49,882 Net (gain)/loss on disposal of property and equipment written off 881 - 881 - Collective assessment allowance 189,391 162,878 189,391 162,878 Individual assessment allowance 14,148 34,055 14,148 34,055 Reversal of impairment loss on other assets - (710) - (710) Allowance/(Reversal) for impairment loss on financial assets sets available-for-sale 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-for-maturity Inpairment loss on investment in a subsidiary - - - 1,666 Net (gain)/loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets held-for-trading 917 (2,685) (10,998) (21,685) (10,998) (21,685) (10,998) (21,685) (10,998) (22,685) 92,605 94,998 925,237 (2,648) (2,731) (2,648) (2,595) (2,648) (2,595)	Profit before zakat and tax	685,661	702,751	685,131	701,190		
Depreciation of property and equipment 63,935 49,995 63,746 49,882 Net (gain)/loss on disposal of property and equipment written off 881 - 881 - Collective assessment allowance 189,391 162,878 189,391 162,878 Individual assessment allowance 14,148 34,055 14,148 34,055 Reversal of impairment loss on other assets - (710) - (710) Allowance/(Reversal) for impairment loss on financial assets sets available-for-sale 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-for-maturity Inpairment loss on investment in a subsidiary - - - 1,666 Net (gain)/loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets held-for-trading 917 (2,685) (10,998) (21,685) (10,998) (21,685) (10,998) (21,685) (10,998) (22,685) 92,605 94,998 925,237 (2,648) (2,731) (2,648) (2,595) (2,648) (2,595)	Adjustments for:						
Net (gain)/loss on disposal of property and equipment written off 881 — 881 — Property and equipment written off 881 — 881 — Collective assessment allowance 188,391 162,878 189,391 162,878 Individual assessment allowance 14,148 34,055 14,148 34,055 Reversal of impairment loss on other assets — (710) — (710) Reversal of impairment loss on financial assets held-for-trading available-for-sale 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-for-trading property in pairment loss on investment in a subsidiary — — — 1,656 Net (gain) loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net (gain) on sale of financial assets held-for-trading 917 (2,731) 1,082 (2,731) Net gain on sale of financial assets and labilities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Dividends from assets and	•	63.935	49.995	63.746	49.882		
Property and equipment written off 881 — 881 — 6 Collective assessment allowance 189,391 162,878 189,391 162,878 Individual assessment allowance 14,148 34,055 14,148 34,055 Reversal of impairment losse on other assets - (710) - (710) - (710) Allowance/(Reversal) for impairment loss on financial assets sets available-for-sale 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-for-maturity (132) (106) 1132 (106) Met gain /loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets held-for-trading 917 (2,731) (10,98) (21,685) Fair value loss/(gain) on financial assets held-for-trading 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - - - - (800) Dividend from a subsidiary 1,152 2,370 1,152 2,370 Charges in assets and liabilities 394,552 926,055 94			,	,	,		
Individual assessment allowance 14,148 34,055 14,148 34,055 Reversal of impairment losses on other assets - (710) - (710) Allowance/(Reversal) for impairment loss on financial assets available-for-sale available-for-sale in impairment loss on financial assets held-to-maturity 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-for-maturity (132) (106) (132) (106) Impairment loss on investment in a subsidiary - - - 1,656 Net (gain)/loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets available-for-sale (10,998) (21,685) (10,998) (21,685) Fair value loss/(gain) on financial assets held-for-trading 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - - - - (800) Dividends from securities (2,595) (2,648) (2,995) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 <td< td=""><td></td><td>881</td><td>_</td><td>881</td><td>_</td></td<>		881	_	881	_		
Reversal of impairment losses on other assets - (710) - (710) Allowance/(Reversal) for impairment loss on financial assets available-for-sale 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-to-maturity (132) (106) (132) (106) Impairment loss on investment in a subsidiary - - - - 1,656 Net gain on sale of financial assets held-for-trading (10,998) (21,685) (10,998) (21,685) Pair value loss/(gain) on financial assets held-for-trading 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - - - (800) Dividends from securities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 994,998 (2,997) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) <td< td=""><td>Collective assessment allowance</td><td>189,391</td><td>162,878</td><td>189,391</td><td>162,878</td></td<>	Collective assessment allowance	189,391	162,878	189,391	162,878		
Reversal of impairment losses on other assets - (710) - (710) Allowance/(Reversal) for impairment loss on financial assets available-for-sale 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-to-maturity (132) (106) (132) (106) Impairment loss on investment in a subsidiary - - - - 1,656 Net gain on sale of financial assets held-for-trading (10,998) (21,685) (10,998) (21,685) Pair value loss/(gain) on financial assets held-for-trading 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - - - (800) Dividends from securities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 94,998 (2,997) (300,000) (1,229,975) (300,000) (1,229,975) (300,000)	Individual assessment allowance	14,148	34,055	14,148	34,055		
available-for-sale 4,620 (2,872) 4,620 (2,872) Reversal of impairment loss on financial assets held-to-maturity (132) (106) (132) (106) Impairment loss on investment in a subsidiary — — — — 1,656 Net (gain)/loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets held-for-trading 917 (2,731) 1,082 (2,731) Dividend from a subsidiary — — — — — (800) Dividends from securities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities 945,552 926,055 944,998 925,237 Changes in assets and liabilities: Peposits and placements with banks and other (300,000) (1,229,975) (300,000) (1,229,975) Financial institutions (300,000) (1,229,975) (300,000) (1,229,975) Financial justitutio	Reversal of impairment losses on other assets	_	(710)	_			
Reversal of impairment loss on financial assets held-to-maturity (132) (106) (132) (106) Impairment loss on investment in a subsidiary - 1,656 Net (gain)/loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets available-for-sale (10,998) (21,685) (10,998) (21,685) Fair value loss/(gain) on financial assets held-for-trading 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - (800) (800) (1,22595) (2,648) (2,595) (2,595) (2,597) (2,59	Allowance/(Reversal) for impairment loss on financial assets						
Impairment loss on investment in a subsidiary	available-for-sale	4,620	(2,872)	4,620	(2,872)		
Net (gain)/loss on sale of financial assets held-for-trading (1,327) 3,364 (1,327) 3,364 Net gain on sale of financial assets available-for-sale (10,998) (21,685) (10,998) (21,685) Fair value loss/(gain) on financial assets held-for-trading 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - - - (800) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities: 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 8 8,25,000 94,998 925,237 Changes in assets and liabilities: 8 926,055 944,998 925,237 Changes in assets and liabilities: 8 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 8 1,152 9,370 (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (4,973,65	Reversal of impairment loss on financial assets held-to-maturity	(132)	(106)	(132)	(106)		
Net gain on sale of financial assets available-for-sale (10,998) (21,685) (10,998) (21,685) Fair value loss/(gain) on financial assets held-for-trading Dividend from a subsidiary 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - - - - (800) Dividends from securities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 8 8 925,055 944,998 925,237 Changes in assets and liabilities: 8 925,055 944,998 925,237 Changes in assets and liabilities: 8 926,055 944,998 925,237 Changes in assets and liabilities: 8 926,055 944,998 925,237 Changes in assets and liabilities: 8 926,055 944,998 925,237 Changes in assets and liabilities (300,000) (1,229,975)	Impairment loss on investment in a subsidiary	_	_	=	1,656		
Fair value loss/(gain) on financial assets held-for-trading Dividend from a subsidiary 917 (2,731) 1,082 (2,731) Dividend from a subsidiary - - - (800) Dividends from securities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities: 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 8 8 925,237 1,152 2,370 Changes in assets and liabilities: 8 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 8 8 925,237 1,152 2,370 Changes in assets and liabilities: 8 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 8 925,655 926,055 944,998 925,237 Changes in assets and liabilities: 8 1,300,000 (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975)	Net (gain)/loss on sale of financial assets held-for-trading	(1,327)	3,364	(1,327)	3,364		
Dividend from a subsidiary - - - - (800) Dividends from securities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities 945,552 926,055 944,998 925,237 Changes in assets and liabilities: Personance of the fore changes in assets and liabilities: Deposits and placements with banks and other 4,973,658 1,229,975 300,000 1,229,975 Financial institutions (300,000) (1,229,975) (300,000) (1,229,975) Financial institutions (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (2,900,556) (37,900) (256,460)	Net gain on sale of financial assets available-for-sale	(10,998)	(21,685)	(10,998)	(21,685)		
Dividends from securities (2,595) (2,648) (2,595) (2,648) Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities: 945,552 926,055 944,998 925,237 Changes in assets and liabilities: 888 888 888 925,237 Changes in assets and liabilities: 888 888 888 925,237 Changes in assets and liabilities: 888 888 888 925,237 Changes in assets and liabilities: 888 888 888 925,237 Changes in assets and liabilities: 888 888 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 888 925,237 889 925,237 889 925,237 889 925,237 989 95,266 989,556 98,956,66 9	Fair value loss/(gain) on financial assets held-for-trading	917	(2,731)	1,082	(2,731)		
Net derivative loss 1,152 2,370 1,152 2,370 Operating profit before changes in assets and liabilities 945,552 926,055 944,998 925,237 Changes in assets and liabilities: Use of the properties of the prop	Dividend from a subsidiary	_	_	_	(800)		
Operating profit before changes in assets and liabilities 945,552 926,055 944,998 925,237 Changes in assets and liabilities: Deposits and placements with banks and other financial institutions (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (300,000) (1,229,975) (1,329,955) (2,507,900) (2,507,658) (5,980,556) (4,947) (4,947) (1,154) (1,19,565) 0 676,105 - 676,105 - 676,105 - 676,105 <td>Dividends from securities</td> <td>(2,595)</td> <td>(2,648)</td> <td>(2,595)</td> <td>(2,648)</td>	Dividends from securities	(2,595)	(2,648)	(2,595)	(2,648)		
Changes in assets and liabilities: Deposits and placements with banks and other financial institutions (300,000) (1,229,975) (300,000) (1,229,975) Financing, advances and others (4,973,658) (5,980,556) (4,973,658) (5,980,556) Statutory deposits with Bank Negara Malaysia (256,460) (37,900) (256,460) (37,900) Bills receivables 2 (5) 2 (5) Other receivables (2,083) (118,981) (1,154) (119,565) Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 - 676,105 - Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax refund 66 169 - - -	Net derivative loss	1,152	2,370	1,152	2,370		
Deposits and placements with banks and other financial institutions (300,000) (1,229,975) (300,000) (1,229,975) Financing, advances and others (4,973,658) (5,980,556) (4,973,658) (5,980,556) Statutory deposits with Bank Negara Malaysia (256,460) (37,900) (256,460) (37,900) Bills receivables 2 (5) 2 (5) Other receivables (2,083) (118,981) (1,154) (119,565) Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 - 676,105 - Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (80,963) (180,963) (180,863) (185,705)	Operating profit before changes in assets and liabilities	945,552	926,055	944,998	925,237		
financial institutions (300,000) (1,229,975) (300,000) (1,229,975) Financing, advances and others (4,973,658) (5,980,556) (4,973,658) (5,980,556) Statutory deposits with Bank Negara Malaysia (256,460) (37,900) (256,460) (37,900) Bills receivables 2 (5) 2 (5) Other receivables (2,083) (118,981) (1,154) (119,565) Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 - 676,105 - Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax refund 66 169 - - -	Changes in assets and liabilities:						
Financing, advances and others (4,973,658) (5,980,556) (4,973,658) (5,980,556) Statutory deposits with Bank Negara Malaysia (256,460) (37,900) (256,460) (37,900) Bills receivables 2 (5) 2 (5) Other receivables (2,083) (118,981) (1,154) (119,565) Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 - 676,105 - Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 - - -	Deposits and placements with banks and other						
Statutory deposits with Bank Negara Malaysia (256,460) (37,900) (256,460) (37,900) Bills receivables 2 (5) 2 (5) Other receivables (2,083) (118,981) (1,154) (119,565) Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 - 676,105 - Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 - - -	financial institutions	(300,000)	(1,229,975)	(300,000)	(1,229,975)		
Bills receivables 2 (5) 2 (5) Other receivables (2,083) (118,981) (1,154) (119,565) Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 — 676,105 — Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 — — —	Financing, advances and others	(4,973,658)	(5,980,556)	(4,973,658)	(5,980,556)		
Other receivables (2,083) (118,981) (1,154) (119,565) Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 — 676,105 — Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 — — —	Statutory deposits with Bank Negara Malaysia	(256,460)	(37,900)	(256,460)	(37,900)		
Deposits from customers 2,546,018 3,765,330 2,573,391 3,749,104 Investment accounts of customers 676,105 — 676,105 — Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 — — —	Bills receivables	2	(5)	2	(5)		
Investment accounts of customers 676,105 – 676,105 – Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 – –	Other receivables	(2,083)	(118,981)	(1,154)	(119,565)		
Bills and acceptance payable (4,947) (43,074) (4,947) (43,074) Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 - - -	Deposits from customers		3,765,330		3,749,104		
Other liabilities 40,715 111,299 8,640 112,444 Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 - - -	Investment accounts of customers	•	-		-		
Cash used in operations (1,328,756) (2,607,807) (1,333,083) (2,624,290) Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 - - -	Bills and acceptance payable	(4,947)		(4,947)			
Zakat paid (12,771) (12,476) (12,746) (12,428) Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 - - -	Other liabilities	40,715	111,299	8,640	112,444		
Tax paid (180,963) (185,878) (180,863) (185,705) Tax refund 66 169 - -	Cash used in operations	(1,328,756)	(2,607,807)	(1,333,083)	(2,624,290)		
Tax refund 66 169 - -	Zakat paid	(12,771)	(12,476)	(12,746)	(12,428)		
	Tax paid	(180,963)	(185,878)	(180,863)	(185,705)		
Net cash used in operating activities (1,522,424) (2,805,992) (1,526,692) (2,822,423)	Tax refund	66	169	_	_		
	Net cash used in operating activities	(1,522,424)	(2,805,992)	(1,526,692)	(2,822,423)		

Statements of Cash Flow

for the financial year ended 31 December 2015 (cont'd)

	GROUP		BANK		
	2015	2014	2015	2014	
	RM'000	RM'000	RM'000	RM'000	
Cash flows from investing activities					
Purchase of property and equipment	(61,860)	(53,794)	(61,190)	(53,587)	
Proceeds from disposal of property and equipment	145	68	145	68	
Dividend from a subsidiary	_	_	_	800	
Dividends from securities	2,595	2,648	2,595	2,648	
Net proceeds from disposal of securities	808,376	2,478,574	808,376	2,483,664	
Net cash generated from investing activities	749,256	2,427,496	749,926	2,433,593	
Cash flows from financing activities					
Subordinated Sukuk Murabahah	700,000	_	700,000	_	
Dividend paid on ordinary shares	(256,856)	(120,884)	(256,856)	(120,884)	
Proceeds from issuance of ordinary shares pursuant to					
Dividend Reinvestment Plan	127,847	60,442	127,847	60,442	
Capital repayment from subsidiaries	-	_	-	12,400	
Net cash generated from/(used in) financing activities	570,991	(60,442)	570,991	(48,042)	
Net decrease in cash and cash equivalents	(202,177)	(438,938)	(205,775)	(436,872)	
Cash and cash equivalents at 1 January	3,269,353	3,730,923	3,269,127	3,728,658	
Exchange difference on translation	(84,930)	(22,632)	(85,037)	(22,659)	
Cash and cash equivalents at 31 December	2,982,246	3,269,353	2,978,315	3,269,127	
Cash and cash equivalents comprise:					
Cash and short-term funds	2,881,669	3,164,628	2,877,738	3,164,402	
Deposits and placements with banks and other			. ,		
financial institutions	100,577	104,725	100,577	104,725	
	2,982,246	3,269,353	2,978,315	3,269,127	

Notes to the Financial Statements

for the financial year ended 31 December 2015

PRINCIPAL ACTIVITIES AND GENERAL INFORMATION 1.

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 13 to the financial statements.

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Level 32, Menara Bank Islam No. 22. Jalan Perak. 50450 Kuala Lumpur.

The immediate holding company of the Bank is BIMB Holdings Berhad, a public limited liability company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The ultimate holding entity is Lembaga Tabung Haji ("LTH"), a hajj pilgrims' funds board established under the Tabung Haji Act, 1995 (Act 535).

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as the "Group").

These financial statements were approved by the Board of Directors on 16 March 2016.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with the applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the requirements of Companies Act, 1965 in Malaysia and Shariah requirements.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- · 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)

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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

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

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

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

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

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 11 and MFRS 14 which are not applicable to the Group and the Bank.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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

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

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.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

(d) Use of estimates and judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in the following notes:

- Note 2.5 and Note 40 Fair value of financial instruments
- Note 2.10 Impairment
- Note 12 Deferred tax assets

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less impairment losses, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of consolidation (cont'd)

(c) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset available-for-sale depending on the level of influence retained.

(d) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Foreign currency

(a) Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Translation Reserve in equity.

(b) Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date. The income and expenses of the foreign operations are translated to RM at average exchange rates for the period.

All resulting exchange differences are recognised in other comprehensive income and accumulated in the Translation Reserve in equity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below.

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Group and the Bank categorises its financial instruments as follows:

Financial assets

(a) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market and the Group does not intend to sell immediately or in the near term. The Group's financing and receivables consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah and At-Tawarrug), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek and Ijarah Thumma Al-Bai), construction-based contract (Istisna') and Ar-Rahnu contract.

These contracts are subsequently measured at amortised cost using effective profit rate method. These contracts are stated net of unearned income and any impairment loss.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either:

(i) Held-for-trading

Financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profittaking; or

(ii) Designated under fair value option

Financial assets meet at least one of the following criteria upon designation:

- · it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

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Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial instruments (cont'd)

Financial assets (cont'd)

(c) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using the effective profit rate method, less any impairment loss.

Any sale or reclassification of more than insignificant amount of financial assets held-to-maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years.

(d) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated in this category or not classified in any other category and are measured at fair value.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any impairment loss. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See Note 2.10 Impairment.

Derivative financial instruments

The Group and the Bank holds derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Bank elect not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have quoted price in an active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd) 2.

2.5 Financial instruments (cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.6 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property and equipment (cont'd)

(a) Recognition and measurement (cont'd)

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(b) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Bank will obtain ownership by the end of the lease term. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Long term leasehold land	50 years
 Building improvement and renovations 	10 years
 Furniture, fixtures and fittings 	2 - 10 years
Office equipment	6 years
Motor vehicles	5 years
Computer equipment	
- Core Banking System	7 years
- Other hardware/software	5 years

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period, and adjusted as appropriate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd) 2.

2.7 Leased assets - Finance lease

Leases in terms of which the Group or the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

2.8 Leased assets - Operating lease

Leases, where the Group or the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.9 Bills and other receivables

Bills and other receivables are stated at cost less any allowance for impairment.

2.10 Impairment

Financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that financing and receivables, financial assets held-to-maturity or financial assets available-for-sale are impaired as a result of one or more events having an impact on the estimated future cash flows of the asset. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and prior to the reporting date ("a loss event") and that loss event or events has an impact on the estimated future cash flow of the financial asset or the group of financial assets as that can be reliably estimated. The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor; i)
- ii) a breach of contract, such as default or delinquency in profit or principal payments;
- iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv) consecutive downgrade of two notches for external ratings.

Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, the financing exhibits indications of credit weakness.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Impairment (cont'd)

Financial assets (cont'd)

For financing and receivables, the Group and the Bank first assess whether objective evidence of impairment exists individually for financing and receivables that are individually significant, and collectively for financing and receivables that are not individually significant. If the Group and the Bank determines that no objective evidence of impairment exist for an individually assessed financing and receivable, whether significant or not, it includes the assets in a group of financing and receivables with similar credit risk characteristics and collectively assesses them for impairment. Financing and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The amount of the loss is recognised using an allowance account and recognised in the profit or loss. The estimation of the amount and timing of the future cash flows requires management judgement. In estimating these cash flows, judgements are made about the realisable value of the collateral pledged and the borrower financial position. These estimations are based on assumptions and the actual results may differ from these, hence resulting in changes to impairment losses recognised.

For the purposes of a collective evaluation of impairment, financing and receivables are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financing and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and remove the effects of conditions in the historical period that do not currently exist.

When a financing is uncollectable, it is written off against the related allowance for impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently, recoveries of amounts previously written off are credited to the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in the profit or loss.

In the case of available-for-sale equity securities, a significant or prolonged decline in their fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the profit or loss. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the comprehensive income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Impairment (cont'd)

Financial assets (cont'd)

Where a financing shows evidence of credit weaknesses, the Group or the Bank may seek to renegotiate the financing rather than taking possession of the collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new financing terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and the repayments are made promptly for a continuous period. Where an impaired financing is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the financing is classified as non-impaired. These financing continue to be subjected to individual or collective impairment assessment.

Other assets

The carrying amount of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.11 Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.13 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

2.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.16 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.17 Recognition of income

Financing income

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group and the Bank has considered all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from subsidiaries and other investments are recognised when the Bank's rights to receive payment is established.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Zakat

This represents business zakat. It is an obligatory amount payable by the Group and the Bank to comply with the principles of Shariah.

2.20 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Bank's contribution to the Employees Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

2.21 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

for the financial year ended 31 December 2015 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. CASH AND SHORT-TERM FUNDS

	GRO	OUP	BANK		
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	
Cash and balances with banks and other financial institutions Money at call and interbank placements with remaining	792,593	773,453	788,662	773,272	
maturity not exceeding one month	2,089,076	2,391,175	2,089,076	2,391,130	
	2,881,669	3,164,628	2,877,738	3,164,402	

DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP A	ND BANK	
	31.12.2015	15 31.12.2014	
	RM'000	RM'000	
Licensed Islamic banks	100,577	104,725	

FINANCIAL ASSETS HELD-FOR-TRADING

	GROUP		BA	NK	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	
	RM'000	RM'000	RM'000	RM'000	
At fair value					
Malaysian Government Investment Issues	241,717	50,767	241,717	50,767	
Bank Negara Negotiable Notes	_	394,808	_	394,808	
Islamic Debt Securities	177,001	191,336	177,001	191,336	
Negotiable Islamic Debt Certificates	_	279,628	_	279,628	
Unit trust	5,255	5,090	_	_	
	423,973	921,629	418,718	916,539	

DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

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

GROUP AND BANK

		31.12.2015		
	NOTIONAL	FAIR	VALUE	
	AMOUNT	ASSETS	LIABILITIES	
	RM'000	RM'000	RM'000	
Forward contracts	2,323,286	106,402	(98,593)	
Profit rate swaps	862,568	12,857	(3,320)	
Structured deposits	-	_	_	
	3,185,854	119,259	(101,913)	
	31.12.2014			
	NOTIONAL	FAIR '	VALUE	
	AMOUNT	ASSETS	LIABILITIES	
	RM'000	RM'000	RM'000	
Forward contracts	1,840,778	45,508	(28,798)	
Profit rate swaps	1,187,694	17,018	(3,594)	
Structured deposits	106,680	15	(15)	
	3,135,152	62,541	(32,407)	

for the financial year ended 31 December 2015 (cont'd)

7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	GRO	OUP	BANK		
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	
At fair value					
Malaysian Government Investment Issues	2,556,539	1,202,058	2,556,539	1,202,058	
Islamic Debt Securities	7,332,715	8,998,120	7,333,172	8,998,577	
	9,889,254	10,200,178	9,889,711	10,200,635	
At fair value					
Quoted shares					
- outside Malaysia	29,807	22,564	29,807	22,564	
Quoted unit trust					
- in Malaysia	13,335	3,229	13,335	3,229	
- outside Malaysia	-	1,647	-	1,647	
	43,142	27,440	43,142	27,440	
At cost					
Unquoted shares in Malaysia	24,319	24,450	24,319	24,450	
Less: Accumulated impairment loss*	(19,328)	(15,734)	(19,328)	(15,734)	
	4,991	8,716	4,991	8,716	
At cost					
Unquoted shares outside Malaysia	329	329	329	329	
	9,937,716	10,236,663	9,938,173	10,237,120	

^{*}Movement in accumulated impairment loss due to translation differences

8. FINANCIAL ASSETS HELD-TO-MATURITY

	GROUP A	IND BANK
	31.12.2015	31.12.2014
	RM'000	RM'000
At amortised cost		
Unquoted securities in Malaysia:		
Islamic Debt Securities	66,239	67,771
Less: Accumulated impairment loss	(6,887)	(7,019)
	59,352	60,752

34,294,690

FINANCING, ADVANCES AND OTHERS

(a) By type and Shariah contract

Net financing, advances and

others

GROUP AND BANK 31 DECEMBER 2015	BAI' BITHAMAN AJIL RM'000	MURABAHAH RM'000	BAI AL-INAH RM'000	AT- TAWARRUQ RM'000	IJARAH MUNTAHIAH BIT-TAMLEEK RM'000	IJARAH THUMMA AL-BAI RM'000	ISTISNA' RM'000	AR-RAHNU RM'000	TOTAL RM'000
At amortised cost									
Cash line	-	-	62,300	997,097	-	-	-	-	1,059,397
Term financing	4 051 700			6 600 065			60 500		
House financing ^	4,851,790	_	-	6,628,865	_	-	62,580	_	11,543,235
Syndicated financing	8,603	_	164,301	1,021,805	-	127,399	_	_	1,322,108
Leasing financing	_	_	-	_	81,223	1,769	-	-	82,992
Bridging financing	_	_	-	-	_	-	87,630	-	87,630
Personal financing	_	_	82,054	10,247,851	_	-		-	10,329,905
Other term financing	2,583,462	685,973	18,444	5,385,013	_	_	1,762	_	8,674,654
Staff financing	96,919	1,515	-	68,007	-	-	16,401	-	182,842
Credit cards	_	-	12,695	430,848	-	-	-	-	443,543
Trade bills discounted	_	1,139,827	-	_	-	-	-	-	1,139,827
Trust receipts	_	20,210	-	_	_	-	-	-	20,210
Pawn broking	-	-	_	_	-	-	-	73,883	73,883
	7,540,774	1,847,525	339,794	24,779,486	81,223	129,168	168,373	73,883	34,960,226
Allowance for impaired financing, advances an others - collective assessment allowance	d								(541,065)
- individual assessment									(124.471)
allowance									(124,471)

[^]Included in house financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting $\ensuremath{\mathsf{RM676}}\xspace,105,000$ as disclosed in Note 16 of these financial statements.

for the financial year ended 31 December 2015 (cont'd)

9. FINANCING, ADVANCES AND OTHERS (cont'd)

(a) By type and Shariah contract (cont'd)

Net financing, advances and

others

GROUP AND BANK 31 DECEMBER 2014	BAI' BITHAMAN AJIL RM'000	MURABAHAH RM'000	BAI AL-INAH RM'000	AT- TAWARRUQ RM'000	IJARAH MUNTAHIAH BIT-TAMLEEK RM'000	IJARAH THUMMA AL-BAI RM'000	ISTISNA' RM'000	AR-RAHNU RM'000	TOTAL RM'000
At amortised cost									
Cash line	-	-	133,369	711,351	-	_	-	-	844,720
Term financing									
House financing	5,205,901	_	-	3,869,009	-	-	66,730	-	9,141,640
Syndicated financing	19,841	_	180,731	998,462	-	148,543	-	-	1,347,577
Leasing financing	-	-	_	-	64,141	5,030	-	-	69,171
Bridging financing	-	-	_	-	-	_	72,533	-	72,533
Personal financing	-	-	372,209	9,234,012	-	_	-	-	9,606,221
Other term financing	3,137,330	403,814	21,576	3,717,813	_	_	1,822	_	7,282,355
Staff financing	111,203	_	69	44,610	_	_	18,466	_	174,348
Credit cards	_	_	89,635	346,003	_	_	_	-	435,638
Trade bills discounted	_	1,013,823	-	_	_	_	-	-	1,013,823
Trust receipts	_	33,398	-	_	_	_	-	-	33,398
Pawn broking	-	_	_	-	-	-	-	90,288	90,288
	8,474,275	1,451,035	797,589	18,921,260	64,141	153,573	159,551	90,288	30,111,712
Allowance for impaired financing, advances and others - collective assessment allowance - individual assessment allowance	i								(444,388) (142,753)

29,524,571

FINANCING, ADVANCES AND OTHERS (cont'd)

(b) By type of customer

GROU	GROUP AND BANK		
31.12.201	31.12.2014		
RM'00) RM'000		
Domestic non-bank financial institutions 1,004,96	L 471,181		
Domestic business enterprise 5,907,85	5,884,575		
Small medium industries 939,55	658,763		
Government & statutory bodies 897,92	3 292,201		
Individuals 25,618,16	22,336,404		
Other domestic entities 7,67	8,230		
Foreign entities 584,09	460,358		
34,960,22	30,111,712		

(c) By profit rate sensitivity

	GROUP AND BANK	
31.12.	.2015 31.12.2014	
RN	M'000 RM'000	
Fixed rate		
House financing 1,403	3,863 1,563,643	
Others 4,859	5,968 7,553,928	
Floating rate		
Others 28,700	0,395 20,994,141	
34,960	0,226 30,111,712	

(d) By remaining contractual maturity

	GROUP AND BANK		
	31.12.2015		
	RM'000	RM'000	
Maturity within one year	3,543,984	3,147,023	
More than one year to three years	1,121,154	992,088	
More than three years to five years	1,613,849	1,468,082	
More than five years	28,681,239	24,504,519	
	34,960,226	30,111,712	

for the financial year ended 31 December 2015 (cont'd)

9. FINANCING, ADVANCES AND OTHERS (cont'd)

(e) By geographical distribution

	GROUP AND BANK		
	31.12.2015	31.12.2014	
	RM'000	RM'000	
Central Region	16,254,666	13,567,565	
Eastern Region	5,856,505	5,037,536	
Northern Region	5,297,531	4,722,950	
Southern Region	4,725,173	4,411,954	
East Malaysia Region	2,826,351	2,371,707	
	34,960,226	30,111,712	

(f) By sector

	GROUP AND BANK		
	31.12.2015	31.12.2014	
	RM'000	RM'000	
Primary agriculture	403,666	331,524	
Mining and quarrying	13,494	20,481	
Manufacturing (including agro-based)	930,013	1,011,749	
Electricity, gas and water	681,984	549,284	
Wholesale & retail trade, and hotels & restaurants	1,102,861	879,627	
Construction	2,225,492	2,316,754	
Real estate	1,088,961	693,563	
Transport, storage and communications	395,914	563,955	
Finance, insurance and business activities	1,406,399	924,120	
Education, health and others	1,092,052	483,863	
Household sectors	25,619,390	22,336,792	
	34,960,226	30,111,712	

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

	GROUP AND BANK			
	31.12.2015	31.12.2014		
	RM'000	RM'000		
At 1 January	344,539	285,302		
Classified as impaired during the year	513,966	438,837		
Reclassified as not impaired during the year	(205,690)	(194,739)		
Amount recovered	(144,268)	(72,983)		
Amount written off	(139,053)	(115,145)		
Exchange differences	11,776	3,267		
	381,270	344,539		
Gross impaired financing as a percentage of gross financing, advances and others	1.09%	1.14%		

FINANCING, ADVANCES AND OTHERS (cont'd)

(h) Impaired financing by geographical distribution

	GROUP AND BANK		
	31.12.2015 31.12.2		
	RM'000	RM'000	
Central Region	184,568	148,240	
Eastern Region	47,369	44,509	
Northern Region	35,880	30,618	
Southern Region	29,892	13,307	
East Malaysia Region	83,561	107,865	
	381,270	344,539	

(i) Impaired financing by sector

	GROUP AND BANK		
	31.12.2015 RM'000	31.12.2014 RM'000	
Primary agriculture	1,307	1,854	
Manufacturing (including agro-based)	6,650	7,669	
Electricity, gas and water	-	54	
Wholesale & retail trade, and hotels & restaurants	24,986	14,732	
Construction	56,344	72,192	
Transport, storage and communications	29,332	42,689	
Finance, insurance and business activities	69,533	60,258	
Education, health & others	7,502	590	
Household sectors	185,616	144,501	
	381,270	344,539	

for the financial year ended 31 December 2015 (cont'd)

9. FINANCING, ADVANCES AND OTHERS (cont'd)

(j) Movement of allowance for impaired financing

	GROUP AND BANK		
	31.12.2015	31.12.2014	
	RM'000	RM'000	
Collective assessment allowance			
At 1 January 2015/1 January 2014	444,388	365,375	
Allowance made during the year	189,391	162,878	
Amount written off	(94,748)	(84,416)	
Exchange differences	2,034	551	
At 31 December 2015/31 December 2014	541,065	444,388	
Individual assessment allowance			
At 1 January 2015/1 January 2014	142,753	136,197	
Allowance made during the year	46,420	47,172	
Amount recovered	(32,272)	(13,117)	
Amount written off	(44,139)	(30,802)	
Exchange differences	11,709	3,303	
At 31 December 2015/31 December 2014	124,471	142,753	

10. OTHER ASSETS

	GRO	BANK		
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Other receivables	33,342	90,027	31,744	89,068
Deposit and prepayments	37,227	36,508	36,063	35,637
Related companies*	227	-	428	197
	70,796	126,535	68,235	124,902

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

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

12. DEFERRED TAX ASSETS

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	ASSETS		LIABII	LITIES	NET		
ODOUD AND DANK	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	
GROUP AND BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Property and equipment	_	_	(20,252)	(23,207)	(20,252)	(23,207)	
Provisions	23,087	27,205	-	_	23,087	27,205	
Unabsorbed capital allowances	25,067	27,222	_	-	25,067	27,222	
Change in fair value reserve	7,280	_	-	_	7,280		
Tax assets/(liabilities)	55,434	54,427	(20,252)	(23,207)	35,182	31,220	

Movement in temporary differences during the year:

		RECOGNISED		RECOGNISED	RECOGNISED	
		IN PROFIT	AT	IN PROFIT	IN OTHER	
	AT	OR LOSS	31.12.2014/	OR LOSS	COMPREHENSIVE	AT
	1.1.2014	(NOTE 35)	1.1.2015	(NOTE 35)	INCOME	31.12.2015
GROUP AND BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property and equipment	(28,119)	4,912	(23,207)	2,955	_	(20,252)
Provisions	24,652	2,553	27,205	(4,118)	-	23,087
Unabsorbed capital allowances	28,080	(858)	27,222	(2,155)	_	25,067
Change in fair value reserve	-	_	-	_	7,280	7,280
Total assets	24,613	6,607	31,220	(3,318)	7,280	35,182

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

	GRO	BANK		
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Unabsorbed capital allowance	28,475	27,607	28,440	27,303
Unutilised tax losses	6,701	6,715	_	_
Deductible temporary differences	329	653	_	_
	35,505	34,975	28,440	27,303

The Bank's unabsorbed capital allowances of RM28.4 million in respect of its leasing business whereby management considered it uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

for the financial year ended 31 December 2015 (cont'd)

13. INVESTMENTS IN SUBSIDIARIES

		BANK 31.12.2015 31.12.20		
		RM'000	RM'000	
At cost				
Unquoted shares in Malaysia		16,447	16,447	
Less: Accumulated impairment loss		(922)	(922)	
		15,525	15,525	
Details of subsidiaries are as follows:				
			OWNERSHIP REST	
NAME OF COMPANY	PRINCIPAL ACTIVITIES	31.12.2015 %	31.12.2014 %	
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provide nominee services	100	100	
BIMB Investment Management Berhad	Managing Islamic Unit Trust Funds	100	100	
Bank Islam Trust Company (Labuan) Ltd.	Provide services as a Labuan registered trust company	100	100	
and its subsidiary:				
BIMB Offshore Company Management Services Sdn. Bhd.	Resident Corporate Secretary and Director for Offshore Companies	100	100	
BIMB Foreign Currency Clearing Agency Sdn. Bhd.	Dormant (in the process of members' voluntary liquidation)	100	100	
Farihan Corporation Sdn. Bhd.	Provide manpower for the provision of Islamic pawn broking services	100	100	

14. PROPERTY AND EQUIPMENT

GROUP	LONG TERM LEASEHOLD LAND RM'000	BUILDING IMPROVEMENTS AND RENOVATIONS RM'000	FURNITURE, FIXTURES AND FITTINGS RM'000	OFFICE EQUIPMENT RM'000	COMPUTER EQUIPMENT RM'000	MOTOR VEHICLES RM'000	RENOVATION WORK-IN- PROGRESS RM'000	MANAGEMENT INFORMATION SYSTEM UNDER DEVELOPMENT RM'000	TOTAL RM'000
Cost									
At 1 January 2014	14,784	30,844	109,973	70,373	273,399	1,488	2,349	9,119	512,329
Additions	-	3,425	9,051	7,529	27,624	-	801	5,364	53,794
Reclassifications	-	190	1,526	509	9,071	-	(2,225)	(9,071)	-
Disposals	-	(3,080)	(3,667)	(2,560)	(23,180)	(150)	_	-	(32,637)
Exchange difference	-	1	16	21	15	4	_	_	57
At 31 December 2014	14,784	31,380	116,899	75,872	286,929	1,342	925	5,412	533,543
Additions	-	1,372	3,970	11,654	29,108	680	317	14,759	61,860
Reclassifications	-	56	524	221	645	-	(801)	(645)	-
Disposals	-	-	(150)	(383)	(4,842)	(800)	_	_	(6,175)
Written off	-	(493)	(2,183)	(1,398)	(5,179)	-	_	-	(9,253)
Exchange difference	_	4	58	78	62	15	_	_	217
At 31 December 2015	14,784	32,319	119,118	86,044	306,723	1,237	441	19,526	580,192
Accumulated deprecia	tion								
At 1 January 2014	1,130	19,379	53,001	49,122	179,094	1,047	2	_	302,775
Depreciation for the ye	ar 174	1,791	8,828	8,364	30,550	261	27	_	49,995
Disposals	-	(2,708)	(2,736)	(2,428)	(23,153)	(150)	_	_	(31,175)
Exchange difference	-	1	16	20	12	4	-	-	53
At 31 December 2014	1,304	18,463	59,109	55,078	186,503	1,162	29	_	321,648
Depreciation for the ye	ar 174	2,045	9,002	11,220	41,220	248	26	_	63,935
Disposals	-	-	(150)	(366)	(4,815)	(800)	_	_	(6,131)
Written off	-	(326)	(1,650)	(1,228)	(5,168)	-	_	-	(8,372)
Exchange difference	-	4	58	73	44	15	-	_	194
At 31 December 2015	5 1,478	20,186	66,369	64,777	217,784	625	55	-	371,274
Carrying amounts									
At 1 January 2014	13,654	11,465	56,972	21,251	94,305	441	2,347	9,119	209,554
At 31 December 2014	13,480	12,917	57,790	20,794	100,426	180	896	5,412	211,895
At 31 December 2015	5 13,306	12,133	52,749	21,267	88,939	612	386	19,526	208,918

There were no capitalised financing costs related to the acquisition of property and equipment during the year (2014: Nil).

for the financial year ended 31 December 2015 (cont'd)

14. PROPERTY AND EQUIPMENT (cont'd)

BANK	LONG TERM LEASEHOLD LAND RM'000	BUILDING IMPROVEMENTS AND RENOVATIONS RM'000	FURNITURE, FIXTURES AND FITTINGS RM'000	OFFICE EQUIPMENT RM'000	COMPUTER EQUIPMENT RM'000	MOTOR VEHICLES RM'000	RENOVATION WORK-IN- PROGRESS RM'000	MANAGEMENT INFORMATION SYSTEM UNDER DEVELOPMENT RM'000	TOTAL RM'000
Cost									
At 1 January 2014	14,784	30,817	109,941	70,062	272,599	1,488	2,250	9,119	511,060
Additions	- 11,701	3,425	9,043	7,528	27,426		801	5,364	53,587
Reclassifications	_	190	1,526	509	9,071	_	(2,225)	(9,071)	-
Disposals	_	(3,080)	(3,667)	(2,560)	(23,180)	(150)	-	_	(32,637)
Written off	-	_	-	-	-	-	-	_	-
Exchange difference	-	1	16	14	3	4	-	-	38
At 31 December 2014	14,784	31,353	116,859	75,553	285,919	1,342	826	5,412	532,048
Additions	-	1,372	3,935	11,648	28,534	680	262	14,759	61,190
Reclassification	-	56	524	221	645	-	(801)	(645)	-
Disposals	-	-	(150)	(383)	(4,842)	(800)	_	-	(6,175)
Written off	-	(493)	(2,183)	(1,398)	(5,179)	-	_	-	(9,253)
Exchange difference	_	4	58	54	10	15	-	_	141
At 31 December 2015	14,784	32,292	119,043	85,695	305,087	1,237	287	19,526	577,951
Accumulated deprecia	tion								
At 1 January 2014	1,130	19,340	52,978	48,848	178,439	1,047	_	_	301,782
Depreciation for the year		1,791	8,831	8,349	30,476	261	_	_	49,882
Disposals	_	(2,708)	(2,736)	(2,428)	(23,153)	(150)	-	_	(31,175)
Written off	-	-	-	-	-	-	_	-	-
Exchange difference	-	1	16	14	2	4	-	_	37
At 31 December 2014	1,304	18,424	59,089	54,783	185,764	1,162	_	-	320,526
Depreciation for the year	ar 174	2,045	8,994	11,209	41,076	248	_	-	63,746
Disposals	-	_	(150)	(366)	(4,815)	(800)	_	-	(6,131)
Written off	-	(326)	(1,650)	(1,228)	(5,168)	-	_	-	(8,372)
Exchange difference	-	4	58	51	7	15	_	_	135
At 31 December 2015	1,478	20,147	66,341	64,449	216,864	625	-	-	369,904
Carrying amounts									
At 1 January 2014	13,654	11,477	56,963	21,214	94,160	441	2,250	9,119	209,278
At 31 December 2014	13,480	12,929	57,770	20,770	100,155	180	826	5,412	211,522
At 31 December 2015	13,306	12,145	52,702	21,246	88,223	612	287	19,526	208,047

15. DEPOSITS FROM CUSTOMERS

(a) By type of deposit

	GROUP		BANK	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Saving Deposit	4,674,687	5,091,650	4,674,687	5,091,650
Wadiah Mudharabah	4,674,687 -	3,052,428 2,039,222	4,674,687 -	3,052,428 2,039,222
Demand Deposit Wadiah	10,581,603	10,535,088	10,613,180	10,539,744
Term Deposit	28,205,616	25,296,865	28,212,636	25,303,433
Special Investment Accounts Mudharabah	26,058	5,022,921	26,058	5,025,258
General Investment Accounts Mudharabah	478,802	919,816	478,802	919,816
Term & Special term deposit-i Tawarruq	24,406,269	17,895,591	24,413,289	17,899,695
Negotiable Islamic Debt Certificates (NIDC) Waheed-i Ziyad	3,287,644 6,843 –	1,229,025 134,453 95,059	3,287,644 6,843 -	1,229,025 134,580 95,059
Others	94,444	86,729	94,444	86,729
Total Deposits	43,556,350	41,010,332	43,594,947	41,021,556

(b) Maturity structure of term deposits are as follows :

	GRO	GROUP		BANK	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	
	RM'000	RM'000	RM'000	RM'000	
Due within six months	23,218,044	22,201,248	23,224,498	22,207,468	
More than six months to one year	4,000,106	2,834,535	4,000,672	2,834,883	
More than one year to three years	946,690	224,132	946,690	224,132	
More than three years to five years	40,776	36,950	40,776	36,950	
	28,205,616	25,296,865	28,212,636	25,303,433	
		<u> </u>			

for the financial year ended 31 December 2015 (cont'd)

15. DEPOSITS FROM CUSTOMERS (cont'd)

(c) By type of customer

	GROUP		BANK	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	7,419,397	7,022,205	7,419,397	7,022,205
Business enterprises	12,183,999	9,970,005	12,183,999	9,970,005
Individuals	5,576,637	5,565,494	5,576,637	5,565,494
Others	18,376,317	18,452,628	18,414,914	18,463,852
	43,556,350	41,010,332	43,594,947	41,021,556

16. INVESTMENT ACCOUNTS OF CUSTOMERS

The Bank launched its unrestricted investment accounts on 1 June 2015 under the Mudharabah and Wakalah concept.

	GROUP AN	D BANK	
	31.12.2015	31.12.2014	
	RM'000	RM'000	
Unrestricted investment accounts			
Without maturity			
Mudharabah	461,312	-	
With maturity			
Wakalah	214,793	-	
	676,105	_	
Restricted investment accounts ^			
With maturity			
Wakalah	82,567	-	

[^] Restricted investment account ("RIA") is an arrangement between the Bank and its ultimate holding entity where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets.

16. INVESTMENT ACCOUNTS OF CUSTOMERS (cont'd)

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 fee income generated by the Bank for managing the RIA.

Movement of investment accounts of customers are as follows:

GROUP AND BANK	UNRESTRIO MUDHARABAH RM'000	CTED INVESTMENT WAKALAH RM'000		RESTRICTED INVESTMENT ACCOUNTS WAKALAH RM'000
As at 1 January 2015	-	-	-	-
Funding inflows/outflows: Placement during the year Redemption during the year Income from investment	461,046 - 13,861	212,315 - 2,932	673,361 - 16,793	83,998 (2,118) 1,087
Bank's share of profit: Profit distributed to Mudharib Wakalah performance incentive fee	(13,595 <u>)</u> –	– (454)	(13,595) (454)	– (400)
As at 31 December 2015	461,312	214,793	676,105	82,567
Investment portfolio: House financing Other term financing	461,312 -	214,793 -	676,105 -	- 82,567
		INVESTMENT A AVERAGE PROFIT SHARING RATIO (%)	CCOUNT HOLDER AVERAGE RATE OF RETURN (%)	BANK'S WAKALAH INCENTIVE FEE (%)
Unrestricted investment accounts: Less than 3 months - Mudharabah - Wakalah		2 -	0.12 3.78	- 0.69
Restricted investment accounts: Between 2 to 5 years		-	3.00	0.98

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP	AND BANK
	31.12.2015 RM'000	31.12.2014 RM'000
Mudharabah fund		
Licensed Islamic banks	_	280,000
Other financial institutions	-	20,000
	-	300,000

18. SUBORDINATED SUKUK MURABAHAH

	GROUP A		AND BANK	
	NOTE	31.12.2015 RM'000	31.12.2014 RM'000	
Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme				
First tranche, RM300 million				
5.75% due in 2025	(a)	303,355	_	
Second tranche, RM400 million				
5.50% due in 2025	(b)	401,025	_	
		704,380	_	
Finance cost on Subordinated Sukuk Murabahah		13,029	_	

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

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

19. OTHER LIABILITIES

	GROUP		BANK	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Other payables	435,065	455,931	401,478	453,384
Accruals	109,144	120,297	107,027	119,215
	544,209	576,228	508,505	572,599

Included in other payables is undistributed charity fund amounting to RM11,000 (2014: RM262,000) for the Group and the Bank respectively. Movement of sources and uses of charity fund are disclosed in Note 23.

20. ZAKAT AND TAXATION

	GROUP		BANK	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Zakat	8,740	12,781	8,711	12,754
Taxation	16,877	31,820	16,876	31,819
	25,617	44,601	25,587	44,573

During the year, the Bank changed its zakat computation method as recommended by Department of Awqaf, Zakat and Hajj ("JAWHAR"). Pursuant to this new method, the Bank will only pay zakat on the Bank's portion i.e. shareholders' fund as well as other funds received by the Bank except for depositors' funds. In previous years, zakat was computed for both shareholders' and depositors' funds. The revised method would result in a lower zakat payable by RM4,043,000 from RM12,754,000 to RM8,711,000.

for the financial year ended 31 December 2015 (cont'd)

21. SHARE CAPITAL

	NUMBER (OF SHARES	AMO	DUNT
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
GROUP AND BANK	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM1.00 each	2,540,000	2,540,000	2,540,000	2,540,000
Issued and fully paid Ordinary shares of RM1.00 each				
At 1 January	2,319,907	2,298,165	2,319,907	2,298,165
Allotment of new ordinary shares on				
22 September 2015/31 December 2014	43,376	21,742	43,376	21,742
At 31 December	2,363,283	2,319,907	2,363,283	2,319,907

On 30 June 2015, the Bank increased its issued and paid-up capital from RM2,319,907,000 to RM2,342,706,000 via the issuance of 22,799,000 new ordinary shares of RM1.00 each at a consideration of RM2.90 per share arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.75 sen in respect of financial year ended 31 December 2014, as disclosed in Note 37.

On 22 September 2015, the Bank further increased its issued and paid-up capital from RM2,342,706,000 to RM2,363,282,700 via the issuance of 20,576,700 new ordinary shares of RM1.00 each at a consideration of RM3.00 per share arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.27 sen in respect of financial year ended 31 December 2015, as disclosed in Note 37.

STATUTORY FAIR VALUE TRANSLATION

22. OTHER RESERVES

	RESERVE RM'000	RESERVE RM'000	RESERVE RM'000	TOTAL RM'000
GROUP				
At 1 January 2014	751,474	(8,009)	(20,898)	722,567
Foreign exchange translation differences	_	-	(22,628)	(22,628)
Fair value reserve				
- Net change in fair value	_	(2,992)	_	(2,992)
- Net amount reclassified to profit or loss	_	(21,685)	_	(21,685)
Transfer from current year profit	254,517	_	_	254,517
At 31 December 2014/1 January 2015	1,005,991	(32,686)	(43,526)	929,779
Foreign exchange translation differences	-	-	(84,907)	(84,907)
Fair value reserve				
- Net change in fair value	_	17,087	_	17,087
- Net amount reclassified to profit or loss	-	(14,735)	_	(14,735)
Income tax credit relating to components of				
other comprehensive income	_	7,280	_	7,280
Transfer from current year profit	253,416	_	_	253,416
At 31 December 2015	1,259,407	(23,054)	(128,433)	1,107,920
BANK				
At 1 January 2014	751,474	(8,009)	(20,926)	722,539
Foreign exchange translation differences	-	_	(22,658)	(22,658)
Fair value reserve				
- Net change in fair value	_	(2,992)	_	(2,992)
- Net amount reclassified to profit or loss	_	(21,685)	_	(21,685)
Transfer from current year profit	254,517	_	_	254,517
At 31 December 2014/1 January 2015	1,005,991	(32,686)	(43,584)	929,721
Foreign exchange translation differences	-	_	(85,031)	(85,031)
Fair value reserve				
- Net change in fair value	_	17,087	_	17,087
- Net amount reclassified to profit or loss	_	(14,735)	_	(14,735)
Income tax credit relating to components of				
other comprehensive income	-	7,280	-	7,280
Transfer from current year profit	253,416	_	_	253,416
At 31 December 2015	1,259,407	(23,054)	(128,615)	1,107,738

for the financial year ended 31 December 2015 (cont'd)

22. OTHER RESERVES (cont'd)

The statutory reserve is maintained in compliance with Section 57(2)(f) of the Islamic Financial Service Act, 2014 and is not distributable as cash dividends.

The fair value reserve includes the cumulative net change in the fair value of financial assets available-for-sale, excluding impairment losses, until the financial asset is derecognised.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the offshore banking operations in the Federal Territory of Labuan.

23. SOURCES AND USES OF CHARITY FUNDS

Undistributed funds as at 31 December 2015	2	9	11
Contribution to school	(1)	_	(1)
Contribution for Education Fund	(120)	_	(120)
Contribution for poor/needy family	(117)	_	(117)
Contribution to Non-profit Organisation	(23)	_	(23)
Uses of funds during the year	(261)	-	(261)
Funds collected /received during the year	2	8	10
Undistributed funds as at 31 December 2014/1 January 2015	261	1	262
Contribution to school	_	(4)	(4)
Contribution for poor/needy family	(67)	_	(67)
Contribution for Da'wah Activities	(15)	_	(15)
Contribution to Non-profit Organisation	(32)	(57)	(89)
Uses of funds during the year	(114)	(61)	(175)
Funds collected/received during the year	181	4	185
Undistributed funds as at 1 January 2014	194	58	252
GROUP AND BANK	CHARITY FUNDS RM'000	SHARIAH NON- COMPLIANCE INCOME RM'000	TOTAL RM'000

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24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

		GROU 2015 RM'000	P AND BANK 2014 RM'000
come	derived from investment of:		
Ge	eneral investment deposits	74,986	114,634
) Otl	her deposits	2,128,697	1,917,451
		2,203,683	2,032,085
Inc	come derived from investment of general investment deposits		
		GROU	P AND BANK
		2015	2014
		RM'000	RM'000
	nance, income and hibah	60.244	90 4F1
	nancing, advances and others nancial assets:	60,344	89,451
	- held-for-trading	1,025	2,399
	- neid-ior-trading - available-for-sale	10,326	19,152
	- held-to-maturity	174	286
	oney at call and deposits with financial institutions	2,576	2,138
		74,445	113,426
Otl	her dealing income		
Ne	et gain/(loss) from sale of financial assets held-for-trading	103	(192)
Ne	et (loss)/gain on revaluation of financial assets held-for-trading	(20)	173
		83	(19)
Otl	her operating income		
	et gain from sale of financial assets available-for-sale	458	1,227
		74,986	114,634
of	which		
Fir	nancing income earned on impaired financing	1,212	1,409

for the financial year ended 31 December 2015 (cont'd)

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (cont'd)

(ii) Income derived from investment of other deposits

	GROUP AND BAN	
	2015	2014
	RM'000	RM'000
Finance, income and hibah		
Financing, advances and others		
- Other deposits	1,785,622	1,498,013
Financial assets:		
- held-for-trading	23,963	39,970
- available-for-sale	244,808	318,176
- held-to-maturity	4,582	4,961
Money at call and deposits with financial institutions	59,020	36,171
	2,117,995	1,897,291
Other dealing income		
Net gain/(loss) from sale of financial assets held-for-trading	1,224	(3,172)
Net (loss)/gain on revaluation of financial assets held-for-trading	(1,062)	2,558
	162	(614)
Other operating income		
Net gain from sale of financial assets available-for-sale	10,540	20,774
	2,128,697	1,917,451
of which		
Financing income earned on impaired financing	29,120	23,612

25. INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	GROUP A	IND BANK
	2015	2014
	RM'000	RM'000
Finance income		
Unrestricted investment accounts		
- Mudharabah	13,861	_
- Wakalah	2,932	_
	16,793	_

26. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Finance, income and hibah				
Financing, advances and others	6,033	6,133	6,033	6,133
Financial assets available-for-sale	144,473	119,197	144,473	119,197
Money at call and deposits with financial institutions	5,586	7,888	5,586	7,888
	156,092	133,218	156,092	133,218
Other dealing income				
Net gain from foreign exchange transactions	81,668	95,443	81,668	95,443
Net derivatives loss	(1,152)	(2,370)	(1,152)	(2,370)
Net gain on revaluation of financial assets held-for-trading	165	90	_	_
	80,681	93,163	80,516	93,073
Other operating income				
Net gain/(loss) from sale of financial assets available-for-sale	_	(316)	_	(316)
Gain on liquidation of a subsidiary	_	-	_	350
Gain on liquidation of securities	3,737	_	3,737	_
Dividend from a subsidiary	_	-	_	800
Gross dividend income from securities				
- unquoted in Malaysia	1,612	2,619	1,612	2,619
- unit trust in Malaysia	901	13	901	13
- unit trust outside Malaysia	82	16	82	16
	6,332	2,332	6,332	3,482
Fees and commission				
Financing fees	21,972	13,735	21,972	13,735
Cheque issued and return, closing account and other fees	8,261	7,988	8,261	7,988
Ar-Rahnu fees	10,769	12,371	10,769	12,371
Corporate advisory fees	5,527	6,375	5,527	6,375
Processing fees	4,496	3,404	4,493	3,400
Unit trust management fees	6,878	6,966	=	_
Credit card fees and commission	32,734	33,478	32,734	33,478
Debit card fees	34,341	28,340	34,341	28,340
Takaful service fees and commission	18,778	24,472	18,778	24,472
Commission on MEPS	9,935	9,163	9,935	9,163
Ta'widh charges	936	1,071	936	1,071
Others	27,600	26,068	26,685	26,242

for the financial year ended 31 December 2015 (cont'd)

26. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (cont'd)

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other income				
Net gain/(loss) on disposal of property and equipment	101	(1,394)	101	(1,394)
Rental income	2,952	3,775	3,290	4,100
Other income	135	216	64	197
	3,188	2,597	3,455	2,903
	428,520	404,741	420,826	399,311

27. ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

GROUP AND BANK	
2015	2014
RM'000	RM'000
189,391	162,878
14,148	34,055
(134,208)	(136,940)
69,331	59,993
	2015 RM'000 189,391 14,148 (134,208)

28. ALLOWANCE FOR/(REVERSAL OF) IMPAIRMENT ON INVESTMENTS

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Allowance for/(Reversal of) impairment of financial assets:				
- available-for-sale	4,620	(2,872)	4,620	(2,872)
- held-to-maturity	(132)	(106)	(132)	(106)
	4,488	(2,978)	4,488	(2,978)
Allowance for impairment on investment in subsidiaries	-	-	-	1,656
	4,488	(2,978)	4,488	(1,322)

GROUP AND BANK

29. INCOME ATTRIBUTABLE TO DEPOSITORS

	GROUP		B	BANK	
	2015	2014	2015	2014	
	RM'000	RM'000	RM'000	RM'000	
Deposits from customers:					
- Mudharabah fund	62,413	600,505	62,413	601,004	
- Non-Mudharabah fund	960,238	227,159	960,457	227,172	
Deposits and placements of banks and other					
financial institutions:					
- Mudharabah fund	2,261	23,155	2,261	23,155	
- Non-Mudharabah fund	4,037	307	4,037	307	
	1,028,949	851,126	1,029,168	851,638	

30. INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDERS

	2015 RM'000	2014 RM'000
Unrestricted investment accounts		
- Mudharabah	266	_
- Wakalah	2,478	-
	2,744	_

31. PERSONNEL EXPENSES

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	248,903	225,572	245,455	222,635
Allowances and bonuses	119,925	136,020	119,243	134,846
Employees' Provident Fund	45,178	42,897	44,618	42,301
Directors and Shariah Supervisory Council Members'				
remuneration	10,197	9,501	9,583	9,019
Others	49,601	49,132	49,265	48,790
	473,804	463,122	468,164	457,591

for the financial year ended 31 December 2015 (cont'd)

32. OTHER OVERHEAD EXPENSES

	GR	OUP	BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Promotion				
Advertisement and publicity	6,893	6,968	6,547	6,869
Credit and debit card expenses	21,029	18,921	21,029	18,921
Others	9,778	9,877	7,721	8,902
	37,700	35,766	35,297	34,692
Establishment				
Office rental	50,377	48,742	50,321	48,631
Depreciation of property and equipment	63,935	49,995	63,746	49,882
Information technology expenses	32,010	33,518	32,010	33,518
Rental equipment	4,106	3,940	4,056	3,892
Office maintenance	13,155	10,318	12,892	10,152
Utilities	13,517	14,505	13,434	14,414
Security services	13,994	14,680	13,993	14,672
Takaful and insurance	8,613	7,653	8,525	7,550
Others	305	306	305	306
	200,012	183,657	199,282	183,017
General expenses				
Auditors' remuneration				
- statutory audit fees	690	663	618	596
- others	348	474	348	440
Professional fees	2,273	3,132	2,211	3,048
Office supplies	7,848	8,567	7,734	8,498
Travelling & transportation	8,734	8,273	8,594	8,204
Subscription fees	3,383	3,365	3,382	3,364
Outsourcing fees	16,861	39,931	16,861	39,931
Processing charges	1,933	10,812	1,933	10,812
Property and equipment written off	881	_	881	-
Others	67,816	50,916	69,595	52,448
	110,767	126,133	112,157	127,341
	348,479	345,556	346,736	345,050

33. DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION

GROUP		BANK	
2015	2014	2015	2014
RM'000	RM'000	RM'000	RM'000
7,529	7,092	7,522	7,087
200	254	200	254
7,729	7,346	7,722	7,341
	1,058		1,046
			539
184	264	184	264
1,923	1,870	1,902	1,849
343	289	_	
343	289	_	
135	66	-	_
94	88	_	_
229	154	_	
10,224	9,659	9,624	9,190
349	352	343	347
8	8	-	-
357	360	343	347
10,197	9,501	9,583	9,019
	2015 RM'000 7,529 200 7,729 1,108 631 184 1,923 343 343 343 229 10,224 349 8	2015 RM'000 2014 RM'000 7,529 200 7,092 254 7,729 7,346 1,108 631 548 184 264 1,058 631 548 184 264 1,923 1,870 343 289 289 343 289 289 135 94 88 66 94 88 229 154 154 10,224 9,659 9,659 349 8 8 8 357 360	2015 RM'000 2014 RM'000 2015 RM'000 7,529 7,092 200 254 200 7,722 200 7,729 7,346 7,722 7,722 1,108 1,058 1,096 631 548 622 184 264 184 622 184 964 184 1,923 1,870 1,902 1,902 343 289 - - 135 66 94 88 - - 229 154 - - 10,224 9,659 9,624 9,659 9,624 349 352 343 8 8 - 343 8 8 - 357 360 343

for the financial year ended 31 December 2015 (cont'd)

33. DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the Directors of the Bank is as follows:

	REMUNERATION RECEIVED FROM THE BANK			BANK ——	BANK	REMUNERATION REC			
	SALARY AND BONUS RM'000	FEES RM'000	OTHER EMOLUMENTS RM'000	BENEFITS -IN-KIND RM'000	TOTAL RM'000	FEES RM'000	OTHER EMOLUMENTS RM'000	TOTAL RM'000	
31 December 2015									
Executive Director:									
Dato' Sri Zukri Samat	5,883	_	1,639	200	7,722	_	7	7,729	
Non-Executive Directors:									
Datuk Zamani Abdul Ghani	_	228	143	44	415	_	_	415	
Tan Sri Ismee Ismail	_	70	61	25	156	_	_	156	
Professor Emeritus Tan Sri									
Dato' Dr. Abdul Shukor Husin	_	144	57	50	251	_	_	251	
Datuk Zaiton Mohd Hassan	_	240	123	15	378	_	-	378	
Dato' Johan Abdullah	-	90	53	25	168	-	-	168	
Zahari @ Mohd Zin Idris	_	216	123	-	339	12	9	360	
Mohamed Ridza Mohamed Abdulla	i –	108	62	25	195	-	-	195	
	-	1,096	622	184	1,902	12	9	1,923	
	5,883	1,096	2,261	384	9,624	12	16	9,652	
31 December 2014									
Executive Director:									
Dato' Sri Zukri Samat	5,586	-	1,501	254	7,341	-	5	7,346	
Non-Executive Directors:									
Datuk Zamani Abdul Ghani	_	213	126	54	393	_	_	393	
Tan Sri Ismee Ismail	_	89	58	50	197	_	_	197	
Professor Emeritus Tan Sri									
Dato' Dr. Abdul Shukor Husin	_	90	16	-	106	_	-	106	
Datuk Zaiton Mohd Hassan	_	230	107	25	362	_	-	362	
Dato' Johan Abdullah	_	90	60	50	200	-	-	200	
Zahari @ Mohd Zin Idris	_	226	121	35	382	12	9	403	
Mohamed Ridza Mohamed Abdulla	i –	108	51	50	209	-	_	209	
	_	1,046	539	264	1,849	12	9	1,870	

33. DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the Directors of the Bank is as follows: (cont'd)

	RECE	JNERATION IVED FROM HE BANK ———	BANK	REMUNERATION RECEIVED FROM SUBSIDIARY	GROUP
	FEES RM'000	OTHER EMOLUMENTS RM'000	TOTAL RM'000	FEES RM'000	TOTAL RM'000
31 December 2015					
Professor Dato' Dr. Ahmad Hidayat Buang	58	11	69	-	69
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	55	9	64	6	70
Ustaz Muhammad Syafii Antonio	54	8	62	-	62
Assistant Professor Dr. Uzaimah Ibrahim	54 9		63	-	63
Dr. Yasmin Hanani Mohd Saffian	41	7	48	-	48
Dato' Mohd Bakir Hj. Mansor	13	24	37	-	37
	275	68	343	6	349
31 December 2014					
Professor Dato' Dr. Ahmad Hidayat Buang	54	17	71	_	71
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	60	19	79	5	84
Ustaz Muhammad Syafii Antonio	54	7	61	-	61
Assistant Professor Dr. Uzaimah Ibrahim	54	11	65	_	65
Dr. Yasmin Hanani Mohd Saffian	_	_	_	_	-
Dato' Mohd Bakir Hj. Mansor	54	17	71	-	71
	276	71	347	5	352

34. KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

The compensation for key management personnel other than the Directors' remuneration is as follows:

	GROUP	AND BANK
	2015	2014
	RM'000	RM'000
Other key management personnel:		
- Short-term employee benefits	20,109	20,060

for the financial year ended 31 December 2015 (cont'd)

35. TAX EXPENSE

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current year	175,072	184,802	175,000	184,728
(Over)/Under provision in prior years	(8,721)	1,251	(8,723)	1,291
	166,351	186,053	166,277	186,019
Deferred tax expense relating to origination and reversal of temporary differences arising from:				
Current year	804	(7,687)	804	(7,687)
Effect of changes in tax rate	1,196	_	1,196	_
Under provision in prior years	1,318	1,080	1,318	1,080
	3,318	(6,607)	3,318	(6,607)
	169,669	179,446	169,595	179,412

The corporate tax rate is 25%. However with effect from year assessment 2016, corporate tax rate is at 24%. Consequently, deferred tax assets and liabilities are measured using this tax rate.

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

GR	OUP	BANK		
2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	
685,661	702,751	685,131	701,190	
171,417	175,562	171,283	175,298	
(1,070)	(3,394)	(1,070)	(3,181)	
5,402	5,171	5,318	4,924	
175,749	177,339	175,531	177,041	
_	(224)	_	_	
127	_	273	_	
1,196	_	1,196	_	
(8,721)	1,251	(8,723)	1,291	
1,318	1,080	1,318	1,080	
169,669	179,446	169,595	179,412	
	2015 RM'000 685,661 171,417 (1,070) 5,402 175,749 - 127 1,196 (8,721) 1,318	RM'000 RM'000 685,661 702,751 171,417 175,562 (1,070) (3,394) 5,402 5,171 175,749 177,339 - (224) 127 - 1,196 - (8,721) 1,251 1,318 1,080	2015 RM'000 2014 RM'000 2015 RM'000 685,661 702,751 685,131 171,417 175,562 171,283 (1,070) (3,394) (1,070) 5,402 5,171 5,318 175,749 177,339 175,531 - (224) - 127 - 273 1,196 - 1,196 (8,721) 1,251 (8,723) 1,318 1,080 1,318	

36. EARNINGS PER SHARE

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM507,262,000 (2014: RM510,502,000) and the weighted average number of ordinary shares outstanding during the year of 2,337,037,729 (2014: 2,304,002,824).

37. DIVIDENDS

Dividends paid by the Bank:

Single tier Interim 2014 ordinary	5.26	120,884	24 September 2014
2014			
		256,856	
Final 2014 ordinary Interim 2015 ordinary	5.75 5.27	133,395 123,461	30 June 2015 22 September 2015
Single tier			00.1
2015			
	PER SHARE	RM'000	DATE OF PAYMENT
	SEN	TOTOL AMOUNT	

From the total dividend amount paid of RM133.4 million on 30 June 2015, approximately 50% or RM67.3 million was distributed as cash dividend whilst the remaining 50% amounting to RM66.1 million was reinvested to subscribe for 22,799,000 new ordinary shares of RM1.00 at RM2.90 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM123.5 million on 22 September 2015, approximately 50% or RM61.8 million was distributed as cash dividend whilst the remaining 50% amounting to RM61.7 million was reinvested to subscribe for 20,576,700 new ordinary shares of RM1.00 at RM3.00 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM120.9 million on 24 September 2014, approximately 50% or RM60.5 million was distributed as cash dividend whilst the remaining 50% amounting to RM60.4 million was reinvested to subscribe for 21,741,664 new ordinary shares of RM1.00 at RM2.78 each via the Dividend Reinvestment Plan.

The dividend was reinvested by the sole shareholder, BIMB Holdings Berhad to strengthen the Bank's capital position to fund the business growth of the Bank.

After the financial year ended, the following dividend was proposed by the Directors. This dividend will be recognised in the subsequent financial year upon approval by the shareholder.

SEN PER SHARE	TOTAL AMOUNT RM'000
Final 2015 ordinary 5.49	129,744

It is also proposed that approximately 50% of the proposed final dividend totalling RM64.873 million be reinvested to subscribe for new ordinary share of RM1.00 at RM3.10 each via the Dividend Reinvestment Plan ("DRP"). The proposed DRP is subject to approval by Bank Negara Malaysia.

for the financial year ended 31 December 2015 (cont'd)

38. OPERATING SEGMENTS

The Group's reportable segments, as described below, can be classified into four segments. Each segments offer different products and services. The following summary describes the operations in each of the segments:

Consumer Banking	Includes financing, deposits and other transactions and balances with retail customers					
Corporate and Commercial Banking	Includes the Group's corporate finance activities, financing, deposits and other transactions and balances with corporate customers, commercial customers and small & medium enterprises					
Treasury Division	Undertakes the Group's funding activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities					
Shareholders unit	Operates the Group's shareholders' funds					

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before allocation of overheads and income tax.

	CONSUMER BANKING RM'000	CORPORATE AND COMMERCIAL BANKING RM'000	TREASURY DIVISION RM'000	SHAREHOLDERS UNIT RM'000	ELIMINATION RM'000	TOTAL RM'000
31 December 2015						
Total Revenue	1,563,465	470,613	441,377	182,241	(8,300)	2,649,396
Net fund based income Non-fund based income	809,766 131,542	363,946 39,376	(19,514) 94,725	179,834 26,109	- (8,081)	1,334,032 283,671
Net income Allowances for impairment	941,308 (108,608)	403,322 39,277	75,211 (4,488)	205,943 -	(8,081) –	1,617,703 (73,819)
Profit before overheads, zakat & taxation Operating expenses	832,700	442,599	70,723	205,943	(8,081)	1,543,884 (858,223)
Profit before zakat & taxation						685,661
Segment assets Unallocated assets	25,251,798	9,042,892	12,725,156	67,083	(54,906)	47,032,023 2,731,696
Total assets						49,763,719

38. OPERATING SEGMENTS (cont'd)

		CORPORATE AND				
	CONSUMER BANKING RM'000	COMMERCIAL BANKING RM'000	TREASURY DIVISION RM'000	SHAREHOLDERS UNIT RM'000	ELIMINATION RM'000	TOTAL RM'000
31 December 2014						
Total Revenue	1,379,450	370,146	541,469	158,114	(12,353)	2,436,826
Net fund based income Non-fund based income	744,160 131,174	307,570 30,823	21,929 119,573	219,150 23,162	- (11,841)	1,292,809 292,891
Net income Allowances for impairment	875,334 (85,161)	338,393 25,168	141,502 3,688	242,312 -	(11,841)	1,585,700 (56,305)
Profit before overheads, zakat & taxation Operating expenses	790,173	363,561	145,190	242,312	(11,841)	1,529,395 (826,644)
Profit before zakat & taxation						702,751
Segment assets Unallocated assets	22,053,548	7,471,022	13,772,807	34,500	(27,580)	43,304,297 2,516,385
Total assets						45,820,682

39. FINANCIAL RISK MANAGEMENT

Overview

The Bank's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Bank;
- Establish a standard approach and methodology in managing credit, market, liquidity, operational and business risks across the Bank;
- Clarify functional structures including objectives, roles and responsibilities;
- · Implement and use a risk management information system that meets international standards on confidentiality, integrity and its availability;
- · Develop and use tools, such as economic capital, value at risk, scoring models and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets;
- Ensure that the Bank's capital can support current and planned business needs in terms of risk exposures.

Risk Management Functional and Governance Structure

The Bank has realigned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Bank. As a matter of good business practice and prudence, the Bank's core risk management functions, which report to the Board of Directors through its Board Risk Committee ("BRC"), are independent and clearly segregated from the business divisions and centralised at head office.

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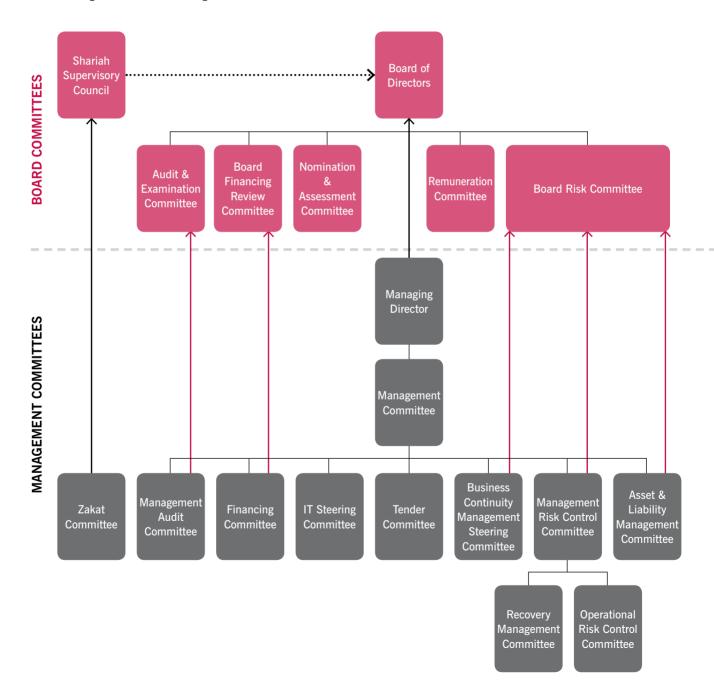
Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

Risk Management Functional and Governance Structure (cont'd)

The following illustrates the Bank's governance structure:



The Bank recognises the fact that the essence of banking and financial services is centred on risk taking. The Bank therefore:

- Recognises that it has to manage risks to effectively conduct its business;
- Reach an optimum level of risk-return in order to maximise stakeholders' value;
- Ensure effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Bank within its risk appetite and tolerance.

The Bank has established a Risk Appetite Framework that forms an integral part of the Bank's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Bank is prepared to accept in support of a stated strategy, impacting all business from a credit, market and operational risk viewpoint.

In order to ensure that the Bank has sufficient capital to support all its business and risk taking activities, the Bank has implemented sound capital management processes in its management systems and processes. A detailed capital management, also known as Internal Capital Adequacy Assessment Process ("ICAAP"), has been adopted by the Bank as a key enabler for a value creation and the long term sustainability of the Bank. This detailed capital management includes thorough risk assessment and risk management embedded within the risk governance structure of the Bank.

(a) Financial instruments by categories

The tables below provide an analysis of financial instruments categorised as follows:

- Financing, advances and receivables ("F&R")
- Fair value through profit or loss ("FVTPL")
- Financial assets available-for-sale ("AFS")
- Financial assets held-to-maturity ("HTM")
- Financial liabilities measured at amortised cost ("FL")

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Financial instruments by categories (cont'd)

BANK 31 DECEMBER 2015	CARRYING					
RM'000	AMOUNT	F&R/(FL)	FVTPL	AFS	HTM	DERIVATIVES
Financial assets						
Cash, balances and placements						
with banks	2,978,315	2,978,315	_	_	_	-
Financial assets						
held-for-trading	418,718	_	418,718	_	-	-
Derivative financial assets	119,259	_	_	_	_	119,259
Financial assets						
available-for-sale	9,938,173	-	_	9,938,173	_	-
Financial assets						
held-to-maturity	59,352	_	_	_	59,352	_
Financing, advances and others	34,294,690	34,294,690	_	_	_	_
Other assets	68,235	68,235	_	_	-	_
Statutory deposits with						
Bank Negara Malaysia	1,591,460	1,591,460	-	-	-	_
	49,468,202	38,932,700	418,718	9,938,173	59,352	119,259
Financial liabilities						
Deposits from customers	(43,594,947)	(43,594,947)	_	_	_	_
Investment accounts of						
customers	(676,105)	(676,105)	_	_	_	_
Deposits and placements of banks						
and other financial institutions	_	_	_	_	_	_
Derivative financial liabilities	(101,913)	_	_	_	_	(101,913)
Bills and acceptance payable	(122,577)	(122,577)	_	_	_	· =
Subordinated Sukuk Murabahah	(704,380)	(704,380)	_	_	_	_
Other liabilities	(508,505)	(508,505)	_	-	_	_
	(45,708,427)	(45,606,514)	_	_	-	(101,913)

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

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39. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Financial instruments by categories (cont'd)

BANK 31 DECEMBER 2014 RM'000	CARRYING AMOUNT	F&R/(FL)	FVTPL	AFS	НТМ	DERIVATIVES
Financial assets	7	, (,				J
Cash, balances and placements						
with banks	3,269,127	3,269,127	_	_	_	_
Financial assets	,,	, , , , ,				
held-for-trading	916,539	_	916,539	_	_	_
Derivative financial assets	62,541	_	, _	_	_	62,541
Financial assets	,					,
available-for-sale	10,237,120	_	_	10,237,120	_	_
Financial assets						
held-to-maturity	60,752	_	_	_	60,752	_
Financing, advances and others	29,524,571	29,524,571	_	_	_	_
Other assets	124,902	124,902	_	_	_	_
Statutory deposits with						
Bank Negara Malaysia	1,335,000	1,335,000	_	_	_	_
	45,530,552	34,253,600	916,539	10,237,120	60,752	62,541
Financial liabilities						
Deposits from customers	(41,021,556)	(41,021,556)	_	_	_	_
Investment accounts	_	_	_	_	_	_
Deposits and placements of banks						
and other financial institutions	(300,000)	(300,000)	-	_	_	_
Derivative financial liabilities	(32,407)	_	_	_	_	(32,407)
Bills and acceptance payable	(127,524)	(127,524)	_	_	_	_
Subordinated Sukuk Murabahah	_	_	_	_	_	_
Other liabilities	(572,599)	(572,599)	_	_	-	-
	(42,054,086)	(42,021,679)	-	_	-	(32,407)

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

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk

Overview

Credit risk arises from all transactions that could lead to actual, contingent or potential claims against any party, borrower or obligor. The types of credit risks that the Bank considers to be material includes: Default Risk, Counterparty Risk, Pre-Settlement Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the BRC, guided by the Board of Directors' approved Risk Appetite Statement.

The Management Risk Control Committee ("MRCC") is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

Management of Credit Risk

The management of credit risk is being performed by Credit Management Division ("CMD") and Risk Management Division ("RMD"), and two other units outside of the CMD and RMD domain, namely, Credit Administration Department and Credit Recovery. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Bank's overall strategy and risk appetite;
- To ensure that the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Bank monitors its credit exposures either on a portfolio or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain parts of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration to a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counter parties limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

(b) Credit risk (cont'd)

Maximum exposure to credit risk

The following table presents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	GRO	OUP	BA	NK
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Cash and short-term funds	2,881,669	3,164,628	2,877,738	3,164,402
Deposits and placements with banks and				
other financial institutions	100,577	104,725	100,577	104,725
Financial assets held-for-trading	423,973	921,629	418,718	916,539
Derivative financial assets	119,259	62,541	119,259	62,541
Financial assets available-for-sale	9,937,716	10,236,663	9,938,173	10,237,120
Financial assets held-to-maturity	59,352	60,752	59,352	60,752
Financing, advances and others	34,294,690	29,524,571	34,294,690	29,524,571
Sub-total	47,817,236	44,075,509	47,808,507	44,070,650
Credit related obligation:				
Credit commitments	9,506,449	9,000,815	9,506,449	9,000,815
Sub-total	9,506,449	9,000,815	9,506,449	9,000,815
Total credit exposures	57,323,685	53,076,324	57,314,956	53,071,465

for the financial year ended 31 December 2015 (cont'd)

- (b) Credit risk (cont'd)
 - (i) Concentration of credit risk for Group and Bank

2,189,654 - - 792,592	20,725 353,519 - - -	- 116,865 - 5 147	1,213,064 5,717,651 - - -	- - - -	369,858 1,319,296 1,071,714 25,241,982	1,603,647 9,696,985 1,071,714 25,241,987 792,739	369,211 1,055,373 1,601,395 657,927 1,190,654
2,189,654 - -	•	-			1,319,296 1,071,714	9,696,985	1,055,373 1,601,395
2,189,654 -	•	- 116,865 -		-	1,319,296	9,696,985	1,055,373
2,189,654	•	116,865		-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,
2,189,654	•	- 116,865		-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		•
	20,725	-	1,213,064	-	369,858	1,603,647	369,211
	20,725	-	1,213,064	-	369,858	1,603,647	369,211
_							
-	_	901	220,637	-	1,071,698	1,293,236	280,828
-	44,699	300	620,108	59,352	2,173,214	2,897,673	1,397,160
-	_	88	45,087	_	1,050,360	1,095,535	749,872
_	3,030	_	2,070,842	_	0/1,30/	2,747,173	3/3,31/
-	E 020		•	-	•	•	1,103,518 573,917
					,	,	•
-	-	-	-	-	395,930 12.834	395,930 12.834	115,190 411,404
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
TITUTIONS	TRADING	ASSETS	FOR-SALE	MATURITY	AND OTHERS	TOTAL	GENCIES*
FINANCIAL	HELD-FOR-	FINANCIAL	AVAILABLE-	HELD-TO-	ADVANCES	SHEETS	CONTIN-
		DERIVATIVE			FINANCING		MENTS AND
	FINIANICIAL		FINIANICIAL	FINIANIOIAL		ON	COMMIT-
UNDS AND							
ORT-TERM							
(L C	JNDS AND OSITS AND ACEMENTS WITH FINANCIAL	ORT-TERM JUNDS AND DISTS AND ICEMENTS FINANCIAL WITH ASSETS FINANCIAL HELD-FOR- ITTUTIONS TRADING	ORT-TERM JUNDS AND DISTS AND INCEMENTS WITH ASSETS DERIVATIVE FINANCIAL HELD-FOR-FINANCIAL TITUTIONS TRADING ASSETS RM'000 RM'000	ORT-TERM JINDS AND OSITS AND ICEMENTS WITH ASSETS FINANCIAL WITH ASSETS FINANCIAL HELD-FOR- FINANCIAL RM'000	ORT-TERM UNDS AND OSITS AND OCCEMENTS WITH ASSETS DERIVATIVE ASSETS ASSETS FINANCIAL HELD-FOR-FINANCIAL AVAILABLE-HELD-TO- FITUTIONS TRADING ASSETS FOR-SALE MATURITY RM'000 RM'000 RM'000 RM'000 RM'000	ORT-TERM UNDS AND OSITS AND OSITS AND OCCEMENTS WITH ASSETS DERIVATIVE ASSETS ASSETS FINANCIAL HELD-FOR-FINANCIAL ASSETS FOR-SALE MATURITY AND OTHERS RM'000 RM'000 RM'000 RM'000 RM'000 RM'000 RM'000 395,930 953 50,327 - 916,497	DRT-TERM JUNDS AND DSITS ASSETS FINANCIAL DSITS ASSETS FINANCIAL ASSETS ASSETS FINANCIAL AVAILABLE- HELD-TO- ADVANCES SHEETS TOTAL MATURITY AND OTHERS TOTAL MATURITY AND OTHERS TOTAL MATURITY AND OTHERS TOTAL MATURITY DSITS AND DS

^{*}Commitments and contingencies excluding derivative financial assets

- (b) Credit risk (cont'd)
 - (i) Concentration of credit risk for Group and Bank (cont'd)

	3,269,353	921,629	62,541	10,236,663	60,752	29,524,571	44,075,509	9,000,815
Other sectors	773,453	_	35,233	_	_	_	808,686	31,168
Household sectors	-	-	-	-	-	22,037,703	22,037,703	1,765,283
others	_	-	1	-	-	470,418	470,419	1,586,965
Education, health and								
business activities	2,495,900	775,904	21,831	4,804,909	-	845,889	8,944,433	1,004,094
Finance, insurance and								
Transport, storage and communications	-	_	_	1,459,015	_	514,173	1,973,188	347,280
Real estate	-	-	947	230,850	-	685,631	917,428	248,245
Construction	-	75,599	-	696,610	60,752	2,252,229	3,085,190	1,355,930
Wholesale & retail trade, and hotels & restaurants	_	-	2,018	45,171	-	846,278	893,467	739,364
Electricity, gas and water	-	70,126	_	2,951,743	-	539,790	3,561,659	452,626
Manufacturing (including agro-based)	-	-	2,511	5,078	-	987,551	995,140	886,879
Mining and quarrying	-	-	-	-	-	20,207	20,207	413,682
Primary agriculture	-	-	-	43,287	-	324,702	367,989	169,299
GROUP AS AT 31 DECEMBER 2014	CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	FINANCIAL ASSETS HELD-FOR- TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE- FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	FINANCING, ADVANCES AND OTHERS RM'000	ON- BALANCE SHEETS TOTAL RM'000	COMMIT- MENTS AND CONTIN- GENCIES* RM'000

^{*}Commitments and contingencies excluding derivative financial assets

for the financial year ended 31 December 2015 (cont'd)

- (b) Credit risk (cont'd)
 - (i) Concentration of credit risk for Group and Bank (cont'd)

BANK	CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS	FINANCIAL ASSETS HELD-FOR- TRADING	DERIVATIVE FINANCIAL ASSETS	FINANCIAL ASSETS AVAILABLE- FOR-SALE	FINANCIAL ASSETS HELD-TO- MATURITY	FINANCING, ADVANCES AND OTHERS	ON- BALANCE SHEETS TOTAL	COMMIT- MENTS AND CONTIN- GENCIES*
AS AT 31 DECEMBER 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	_	_	_	_	_	395,930	395,930	115,190
Mining and quarrying	_	_	-	-	_	12,834	12,834	411,404
Manufacturing								
(including agro-based)	_	_	953	50,327	_	916,497	967,777	1,103,518
Electricity, gas and water	_	5,030	_	2,070,842	-	671,307	2,747,179	573,917
Wholesale & retail trade,								
and hotels & restaurants	_	-	88	45,087	-	1,050,360	1,095,535	749,872
Construction	-	44,699	300	620,108	59,352	2,173,214	2,897,673	1,397,160
Real estate	_	-	901	220,637	-	1,071,698	1,293,236	280,828
Transport, storage and								
communications	_	20,725	_	1,213,064	-	369,858	1,603,647	369,21 1
Finance, insurance and								
business activities	2,189,653	348,264	116,865	5,718,108	-	1,319,296	9,692,186	1,055,373
Education, health and								
others	_	-	_	-	-	1,071,714	1,071,714	1,601,395
Household sectors	-	-	5	-	-	25,241,982	25,241,987	657,927
Other sectors	788,662	-	147	-	-	-	788,809	1,190,654
	2,978,315	418,718	119,259	9,938,173	59,352	34,294,690	47,808,507	9,506,449

^{*}Commitments and contingencies excluding derivative financial assets

(b) Credit risk (cont'd)

(i) Concentration of credit risk for Group and Bank (cont'd)

	3,269,127	916,539	62,541	10,237,120	60,752	29,524,571	44,070,650	9,000,815
Other sectors	773,272	-	35,233	_	-	-	808,505	31,168
Household sectors	_	-	-	-	-	22,037,703	22,037,703	1,765,283
others	-	-	1	-	-	470,418	470,419	1,586,965
Education, health and								
business activities	2,495,855	770,814	21,831	4,805,366	-	845,889	8,939,755	1,004,094
Finance, insurance and								
Transport, storage and communications	-	_	-	1,459,015	_	514,173	1,973,188	347,280
Real estate	-	-	947	230,850	-	685,631	917,428	248,245
Construction	_	75,599	-	696,610	60,752	2,252,229	3,085,190	1,355,930
Wholesale & retail trade, and hotels & restaurants	-	-	2,018	45,171	-	846,278	893,467	739,364
Electricity, gas and water	-	70,126	_	2,951,743	-	539,790	3,561,659	452,626
Manufacturing (including agro-based)	-	_	2,511	5,078	_	987,551	995,140	886,879
Mining and quarrying	-	-	_	-	-	20,207	20,207	413,682
Primary agriculture	-	-	-	43,287	-	324,702	367,989	169,299
BANK AS AT 31 DECEMBER 2014	CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	FINANCIAL ASSETS HELD-FOR- TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE- FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	FINANCING, ADVANCES AND OTHERS RM'000	ON- BALANCE SHEETS TOTAL RM'000	COMMIT- MENTS AND CONTIN- GENCIES* RM'000

^{*}Commitments and contingencies excluding derivative financial assets

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(ii) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate the credit risk are as follows:

- For residential mortgages charges over residential properties
- For commercial property financing charges over the properties being financed
- For vehicle financing ownership claims over the vehicles financed
- For other financing and advances charges over business assets such as premises, inventories, trade receivables and/or deposits

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified as follows:

· Neither past due nor impaired financing

Financing for which the borrower has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment

· Past due but not impaired financing

Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank

Impaired financing

Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The table below summarises the credit quality of the Group's and the Bank's gross financing according to the above classifications.

	GROUP AND BANK	
	31.12.2015	31.12.2014
	RM'000	RM'000
Neither past due nor impaired	33,797,333	29,346,053
Past due but not impaired	781,623	421,120
Impaired	381,270	344,539
	34,960,226	30,111,712
Allowance for impaired financing, advances and others		
- collective assessment allowance	(541,065)	(444,388)
- individual assessment allowance	(124,471)	(142,753)
	34,294,690	29,524,571

- (b) Credit risk (cont'd)
 - (iii) Credit quality of gross financing and advances (cont'd)

Neither past due nor impaired financing

	33,797,333	29,346,053
Fair	406,236	407,727
Satisfactory	5,968,683	5,741,808
Excellent to good	27,422,414	23,196,518
	GROUP) 31.12.2015 RM'000	31.12.2014 RM'000

Internal rating definition:-

Excellent to Good: Sound financial position with no difficulty in meeting its obligations.

Satisfactory: Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.

Fair: High risks on payment obligations. Financial performance may continue to deteriorate.

Past due but not impaired financing

	GROUP AND BANK			
	31.12.2015		31.12	2.2014
		% TO		% TO
		GROSS		GROSS
	RM'000	FINANCING	RM'000	FINANCING
By ageing				
Month-in-arrears 1	596,525	1.71%	274,624	0.91%
Month-in-arrears 2	185,098	0.53%	146,496	0.49%
	781,623	2.24%	421,120	1.40%

Impaired financing **GROUP AND BANK** 31.12.2015 31.12.2014 RM'000 RM'000 Individually assessed 211,198 215,552 of which: Month-in-arrears 0 38,490 95,853 Month-in-arrears 1 28,259 1,705 Month-in-arrears 2 13,235 6,847 111,147 Month-in-arrears 3 and above 131,214 170,072 Collectively assessed 128,987 381,270 344,539

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

- (b) Credit risk (cont'd)
 - (iii) Credit quality of gross financing and advances (cont'd)

Impaired financing of which rescheduled and restructured financing

	GROUP A	ND BANK
	31.12.2015	31.12.2014
	RM'000	RM'000
Consumer	38,592	64,488
Business	72,030	60,144
	110,622	124,632

Rescheduled and restructured financings are financings that have been rescheduled or restructured due to deterioration in the borrowers' financial positions and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to performing.

Financing, advances and others by line of business assessed by reference to the Bank's internal rating system:

GROUP AND BANK AS AT 31 DECEMBER 2015	CONSUMER RM'000	BUSINESS RM'000	TOTAL RM'000
Excellent to good	20,401,560	7,020,854	27,422,414
Satisfactory	4,013,318	1,955,365	5,968,683
Fair	404,473	1,763	406,236
Past due but not impaired	606,586	175,037	781,623
Impaired	185,542	195,728	381,270
Total	25,611,479	9,348,747	34,960,226
GROUP AND BANK AS AT 31 DECEMBER 2014	CONSUMER RM'000	BUSINESS RM'000	TOTAL RM'000
Excellent to good	17,744,014	5,452,504	23,196,518
Satisfactory	3,693,530	2,048,278	5,741,808
Fair	406,741	986	407,727
Past due but not impaired	368,417	52,703	421,120
Impaired	144,491	200,048	344,539
Total	22,357,193	7,754,519	30,111,712

(b) Credit risk (cont'd)

(iv) Credit quality of other financial assets

Credit quality of other financial assets by external rating is as follows:

BANK AS AT 31 DECEMBER 2015	FINANCIAL ASSETS HELD-FOR -TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE -FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	TOTAL RM'000
Government bonds and treasury bills Islamic debts securities	241,717	-	3,183,371	-	3,425,088
Rated AAA	96,112	_	2,457,979	_	2,554,091
Rated AA1 to AA3	-	_	1,207,996	_	1,207,996
Rated A1 to A3	_	_	45,968	_	45,968
Unrated – Government guaranteed			,		•
bonds	80,889	_	2,993,736	_	3,074,625
Unrated – Quasi-government	_	_	_	_	_
Unrated – Others	_	_	49,123	59,352	108,475
Derivative financial assets					
Bank and financial institution					
counterparties	_	116,865	-	_	116,865
Corporate	_	2,394	_	_	2,394
	418,718	119,259	9,938,173	59,352	10,535,502

Note: The Group's financial assets are not materially different from the Bank's financial assets.

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(iv) Credit quality of other financial assets (cont'd)

Credit quality of other financial assets by external rating is as follows: (cont'd)

BANK AS AT 31 DECEMBER 2014	FINANCIAL ASSETS HELD-FOR -TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE -FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	TOTAL RM'000
Government bonds and treasury bills	445,576	_	1,855,796	_	2,301,372
Islamic debts securities					
Rated AAA	50,493	_	3,141,369	_	3,191,862
Rated AA1 to AA3	275,160	_	1,292,901	_	1,568,061
Rated A1 to A3	49,858	_	56,540	_	106,398
Unrated – Government guaranteed					
bonds	95,452	_	3,639,815	-	3,735,267
Unrated – Quasi-government	_	_	209,137	-	209,137
Unrated – Others	_	-	41,562	60,752	102,314
Derivative financial assets					
Bank and financial institution					
counterparties	_	57,078	_	_	57,078
Corporate	-	5,463	_	_	5,463
	916,539	62,541	10,237,120	60,752	11,276,952

Note: The Group's financial assets are not materially different from the Bank's financial assets.

(c) Market risk

Overview

All the Bank's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Bank. Furthermore, significant or sudden movements in rates could affect the Bank's liquidity/funding position. The Bank is exposed to the following main market/liquidity risk factors:

- Rate of Return or Profit Rate Risk: the potential impact on the Bank's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/borrower specific reasons;
- Foreign Exchange Risk: the impact of exchange rate movements on the Bank's currency positions;
- Equity Investment Risk: the profitability impact on the Bank's equity positions or investments caused by changes in equity prices
 or values;
- Commodity Inventory Risk: the risk of loss due to movements in commodity prices;
- **Liquidity Risk**: the potential inability of the Bank to meet its funding requirements at a reasonable cost (funding liquidity risk) or its inability to liquidate positions quickly at a reasonable price (market liquidity risk).

(c) Market risk (cont'd)

Overview (cont'd)

The objective of the Bank's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Bank's approved risk appetite.

The Bank separates exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions so designated as per the approved Trading Book Policy Statements. Non-trading portfolios primarily arise from the Bank's customer driven assets and liabilities and from the Bank's investment of its surplus funds.

Market risk governance

The management of market risk is principally carried out by using risk limits approved by the BRC, guided by the Risk Appetite Statement approved by the Board of Directors.

The Asset and Liability Management Committee ("ALCO") is responsible under the authority delegated by the BRC for managing market risk at strategic level.

Management of market risk

All market risk exposures are managed by Treasury. The aim is to ensure that all market risks are consolidated at Treasury, who have the necessary skills, tools, management and governance to manage such risks professionally. Limits are set for portfolios, products and risk types, with market liquidity and credit quality being the principal factors in determining the level of limits set.

The Market Risk Management Department ("MRMD") is the independent risk control function and is responsible for ensuring efficient implementation of market risk management policies. MRMD is also responsible for developing the Bank's market risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits are reported immediately to the Senior Management. Strict escalation procedures are well documented and approved by the BRC. In addition, the market risk exposures and limits are regularly reported to the ALCO and the BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and a list of permissible instruments that can be traded. Stress test results are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Bank's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk

The table below summarises the Group's and the Bank's exposure to profit rate risk. The table indicates average profit rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Total assets	29,674,791	986,168	1,624,273	7,235,748	7,244,697	2,454,810	543,232	49,763,719	
Other assets	_	_	_	-	-	1,946,483	_	1,946,483	_
allowances *	_	_	-	-	-	(284,266)	-	(284,266)	-
- impaired net of			•						
- non-impaired	27,020,445	826,661	399,167	1,448,247	4,884,436	_	_	34,578,956	6.07
and others									
Financing, advances					33,332			33,332	7.54
held-to-maturity	_	_	_	_	59,352	_	_	59,352	7.94
available-for-sale Financial assets	464,693	159,507	1,225,106	5,787,501	2,300,909	-	-	9,937,716	4.02
Financial assets									
assets	-	-	-	-	-	-	119,259	119,259	3.74
Derivative financial							,	,	
Financial assets held-for-trading	_	_	_	_	_	_	423,973	423,973	3.70
banks	2,189,653	-	-	-	-	792,593	-	2,982,246	2.31
placements with									
Cash, balances and									
Assets									
AS AT 31 DECEMBER 2015	5 RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
GROUP	UP TO 1 MONTH	>1-3 MONTHS	>3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	PROFIT SENSITIVE	TRADING BOOK	TOTAL	PROFIT RATE
	UD TO 1	. 1.0	0.10	1.5	OVED 5	NON	TDADING		EFFECTIVE
	-		—— NON TR	ADING BOOK					

^{*} This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

			— NON TRA	DING BOOK					
GROUP AS AT 31 DECEMBER 2015	UP TO 1 MONTH 6 RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
Liabilities									
Deposits from customers Investment accounts of	17,705,682	5,322,685	5,097,995	79,254	-	15,350,734	-	43,556,350	2.48
customers Deposits and placements of banks and other	175,916	38,877	-	-	-	461,312	-	676,105	1.28
financial institutions Derivative financial	-	-	-	-	-	-	-	-	-
liabilities Bills and acceptance	-	-	-	-	-	-	101,913	101,913	3.20
payable Subordinated Sukuk	-	-	-	-	-	122,577	-	122,577	-
Murabahah	_	_	_	_	700,000	4,380	_	704,380	5.61
Other liabilities	-	-	-	-	, -	569,826	-	569,826	-
Total liabilities	17,881,598	5,361,562	5,097,995	79,254	700,000	16,508,829	101,913	45,731,151	-
Equity Equity attributable to equity holder of the Bank	-	-	-	-	-	4,032,568	_	4,032,568	-
Total equity	-	-	-	-	-	4,032,568	-	4,032,568	-
Total liabilities and shareholders' equity	17,881,598	5,361,562	5,097,995	79,254	700,000	20,541,397	101,913	49,763,719	-
On-balance sheet profit sensitivity gap Off-balance sheet profit	11,793,193	(4,375,394)	(3,473,722)	7,156,494	6,544,697	(18,086,587)	441,319	-	
sensitivity gap (profit rate swaps)	300,000	300,000	_	(600,000)	-	_	_	_	
Total profit sensitivity gap	12,093,193	(4,075,394)	(3,473,722)	6,556,494	6,544,697	(18,086,587)	441,319	-	

for the financial year ended 31 December 2015 (cont'd)

- (c) Market risk (cont'd)
 - (i) Profit rate risk (cont'd)

	-		— NON TR	ADING BOOK					
GROUP AS AT 31 DECEMBER 201	UP TO 1 MONTH 4 RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
Assets									
Cash, balances and									
placements with									
banks	2,391,792	104,108	-	-	-	773,453	-	3,269,353	2.40
Financial assets									
held-for-trading	-	-	-	-	-	-	921,629	921,629	3.80
Derivative financial									
assets	-	_	-	-	-	-	62,541	62,541	1.99
Financial assets available-for-sale	56,394	124,169	1,799,758	5,396,262	2,860,080			10,236,663	111
Financial assets	30,394	124,109	1,/99,/36	3,390,202	2,000,000	_	_	10,230,003	4.14
held-to-maturity	_	_	_	_	60,752	_	_	60,752	8.44
Financing, advances and others					55,752			00,702	0111
- non-impaired	22,300,734	607,877	314,917	1,361,446	5,182,199	_	-	29,767,173	6.01
- impaired net of									
allowances *	-	-	-	-	-	(242,602)	-	(242,602)	-
Other assets	-	-	-	-	-	1,745,173	-	1,745,173	-
Total assets	24,748,920	836,154	2,114,675	6,757,708	8,103,031	2,276,024	984,170	45,820,682	•

^{*} This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

	-		— NON TRA	DING BOOK					
GROUP AS AT 31 DECEMBER 2014	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
Liabilities									
•	18,070,797	4,317,866	2,852,504	55,698	-	15,713,467	-	41,010,332	2.19
Investment accounts of customers	_	_	_	_	_	_	_	_	_
Deposits and placements	_	_		_					
of banks and other									
financial institutions	200,000	100,000	-	-	-	-	-	300,000	2.99
Derivative financial									
liabilities	-	-	_	-	-	-	32,407	32,407	1.03
Bills and acceptance payable	_	_	_	_	_	127,524	_	127,524	_
Subordinated Sukuk						127,524		127,524	
Murabahah	_	_	_	_	_	_	_	_	_
Other liabilities	-	-	-	-	-	620,829	-	620,829	-
Total liabilities	18,270,797	4,417,866	2,852,504	55,698	-	16,461,820	32,407	42,091,092	
Equity Equity attributable to equity holder of the Bank	-	-	-	-	_	3,729,590	_	3,729,590	
Total equity	-	-	-	-	_	3,729,590	-	3,729,590	-
Total liabilities and shareholders' equity	18,270,797	4,417,866	2,852,504	55,698	-	20,191,410	32,407	45,820,682	
On-balance sheet profit sensitivity gap	6,478,123	(3,581,712)	(737,829)	6,702,010	8,103,031	(17,915,386)	951,763	_	•
Off-balance sheet profit sensitivity gap									
(profit rate swaps)	300,000	300,000	_	(600,000)	_	_	_	_	
Total profit sensitivity gap	6,778,123	(3,281,712)	(737,829)	6,102,010	8,103,031	(17,915,386)	951,763	-	

for the financial year ended 31 December 2015 (cont'd)

- (c) Market risk (cont'd)
 - (i) Profit rate risk (cont'd)

Total assets	29,675,248	986,168	1,624,273	7,235,748	7,244,697	2,462,956	537,977	49,767,067	
Other assets	_	_	_	_	_	1,958,560	_	1,958,560	_
allowances*	_	_	_	-	_	(284,266)	-	(284,266)	-
- impaired net of									
- non-impaired	27,020,445	826,661	399,167	1,448,247	4,884,436	-	-	34,578,956	5.95
and others									
Financing, advances					, , , ,			,	
held-to-maturity	_	_	_	_	59,352	_	_	59,352	7.95
Financial assets	403,130	139,307	1,225,100	3,767,301	2,300,303	_	_	3,330,173	4.00
Financial assets available-for-sale	465.150	159,507	1,225,106	5.787.501	2.300.909		_	9,938,173	4.06
assets	-	_	-	-	-	-	119,259	119,259	3.74
Derivative financial									
held-for-trading	-	-	-	-	-	-	418,718	418,718	4.20
Financial assets									
banks	2,189,653	-	-	-	-	788,662	-	2,978,315	2.61
placements with									
Cash, balances and									
Assets									
AS AT 31 DECEMBER 201		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
BANK	UP TO 1 MONTH	>1-3 MONTHS	>3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	PROFIT SENSITIVE	TRADING BOOK	TOTAL	PROFIT RATE
						NON			EFFECTIVE
	-		NON TR	ADING BOOK					

^{*} This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

	-		— NON TRA	DING BOOK					
BANK AS AT 31 DECEMBER 201	UP TO 1 MONTH 5 RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
Liabilities									
Deposits from customers Investment accounts of	17,708,475	5,326,031	5,098,876	79,254	-	15,382,311	-	43,594,947	2.48
customers Deposits and placements of banks and other	175,916	38,877	-	-	-	461,312	-	676,105	1.28
financial institutions Derivative financial	-	-	-	-	-	-	-	-	-
liabilities Bills and acceptance	-	-	-	-	-	-	101,913	101,913	3.20
payable Subordinated Sukuk	-	-	-	-	-	122,577	-	122,577	-
Murabahah Other liabilities	- -	-	-	-	700,000 -	4,380 534,092	-	704,380 534,092	5.61
Total liabilities	17,884,391	5,364,908	5,098,876	79,254	700,000	16,504,672	101,913	· · · · · · · · · · · · · · · · · · ·	-
Equity Equity attributable to equity holder of the Bank	_	_	-	-	_	4,033,053	_	4,033,053	-
Total equity	-	-	-	-	-	4,033,053	-	4,033,053	-
Total liabilities and shareholders' equity	17,884,391	5,364,908	5,098,876	79,254	700,000	20,537,725	101,913	49,767,067	
On-balance sheet profit sensitivity gap Off-balance sheet profit	11,790,857	(4,378,740)	(3,474,603)	7,156,494	6,544,697	(18,074,769)	436,064	-	
sensitivity gap (profit rate swaps)	300,000	300,000	-	(600,000)	-	_	-	-	
Total profit sensitivity gap	12,090,857	(4,078,740)	(3,474,603)	6,556,494	6,544,697	(18,074,769)	436,064	-	-

for the financial year ended 31 December 2015 (cont'd)

- (c) Market risk (cont'd)
 - (i) Profit rate risk (cont'd)

	-		— NON TR	ADING BOOK					
BANK AS AT 31 DECEMBER 2014	UP TO 1 MONTH 4 RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
Assets									
Cash, balances and									
placements with									
banks	2,391,747	104,108	-	-	-	773,272	-	3,269,127	2.40
Financial assets									
held-for-trading	-	-	_	-	_	-	916,539	916,539	3.80
Derivative financial							60 541	60 541	1.00
assets Financial assets	_	_	_	_	_	_	62,541	62,541	1.99
available-for-sale	56,851	124.169	1,799,758	5,396,262	2,860,080	_	_	10,237,120	4.14
Financial assets	50,051	124,109	1,799,730	3,390,202	2,000,000	_	_	10,237,120	4.14
held-to-maturity	_	_	_	_	60,752	_	_	60,752	8.44
Financing, advances and others					,				
- non-impaired	22,300,734	607,877	314,917	1,361,446	5,182,199	-	-	29,767,173	6.01
- impaired net of									
allowances *	-	-	_	-	-	(242,602)	-	(242,602)	-
Other assets	-	-	-	-	-	1,758,637	-	1,758,637	-
Total assets	24,749,332	836,154	2,114,675	6,757,708	8,103,031	2,289,307	979,080	45,829,287	

^{*} This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

	-		— NON TRA	DING BOOK					
BANK AS AT 31 DECEMBER 201	UP TO 1 MONTH 4 RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
Liabilities									
Deposits from customers Investment accounts of	18,076,815	4,317,866	2,853,054	55,698	-	15,718,123	-	41,021,556	2.19
customers	_	_	_	_	_	_	_	_	_
Deposits and placements									
of banks and other									
financial institutions	200,000	100,000	-	_	-	-	-	300,000	2.99
Derivative financial liabilities	_	_	_	_	_	_	32,407	32,407	1.03
Bills and acceptance							02,107	02,107	1.00
payable	-	-	_	_	_	127,524	-	127,524	-
Subordinated Sukuk									
Murabahah Other liabilities	-	-	-	-	_	- 617,172	-	617,172	-
						· · · · · · · · · · · · · · · · · · ·			-
Total liabilities	18,276,815	4,417,866	2,853,054	55,698	-	16,462,819	32,407	42,098,659	_
Equity Equity attributable to equity holder of the Bank	-	-	-	-	-	3,730,628	_	3,730,628	
Total equity	-	-	_	-	-	3,730,628	-	3,730,628	-
Total liabilities and shareholders' equity	18,276,815	4,417,866	2,853,054	55,698	-	20,193,447	32,407	45,829,287	-
On-balance sheet profit sensitivity gap	6,472,517	(3,581,712)	(738,379)	6,702,010	8,103,031	(17,904,140)	946,673	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	_	(600,000)	_	_	_	_	
									_
Total profit sensitivity gap	6,772,517	(3,281,712)	(738,379)	6,102,010	8,103,031	(17,904,140)	946,673	-	

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

- (c) Market risk (cont'd)
 - (i) Profit rate risk (cont'd)

Profit rate risk in the non-trading portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as economic value of equity ("EVE") and earnings-at-risk ("EaR"). EVE and EaR limits are approved by the BRC and independently monitored by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

The Bank manages market risk in non-trading portfolios by monitoring the sensitivity of projected EaR and EVE under varying profit rate scenarios (simulation modeling). For simulation modeling, a combination of standard scenarios and non-standard scenarios relevant to the local market are used. The standard scenarios monitored monthly include a 100 and 200 basis points parallel fall or rise in the profit rate yield curve and historical simulation of past events. The scenarios assume no management action. Hence, they do not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimise net revenues. The nature of the hedging and risk mitigation strategies corresponds to the market instruments available. These strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the projected sensitivity to a 100 basis points parallel shift to profit rates across all maturities applied on the Group's and Bank's profit rate sensitivity gap as at reporting date.

	201	5	2014		
	-100BPS	+100BPS	-100BPS	+100BPS	
		INCREASE/((DECREASE)		
	RM	RM	RM	RM	
	MILLION	MILLION	MILLION	MILLION	
Bank					
Impact on EaR	(10.38)	10.38	22.45	(22.45)	
Impact on EVE	326.12	(326.12)	397.43	(397.43)	

Other controls to contain profit rate risk in the non-trading portfolio include stress testing and applying sensitivity limits to the available-for-sale financial assets. Sensitivity is measured by the present value of a 1 basis point change ("PV01") and is independently monitored by the MRMD on a daily basis against limits approved by the BRC. PV01 exposures and limits are regularly discussed and reported to the ALCO and the BRC.

(c) Market risk (cont'd)

(ii) Market risk in the Trading Portfolio

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk ("VaR"). VaR limit is approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

Value-at-Risk

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by the Bank are based on historical simulation. These models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as profit rates and foreign exchange rates. The historical simulation models used by the Bank incorporate the following features:

- · Potential market movements are calculated with reference to data from the past four years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates;
- · VaR is calculated using a 99 per cent confidence level and for a one-day holding period. The nature of the VaR model means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions; and
- · The dataset is updated on daily basis.

Statistically, the Bank would expect to see losses in excess of VaR only 1 per cent of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the models are performing.

A summary of the VaR position of the Bank's trading portfolios at the reporting date is as follows:

	AS AT	1.1.	2015 TO 31.12.20	015
	31.12.2015	AVERAGE	MAXIMUM	MINIMUM
	RM MILLION	RM MILLION	RM MILLION	RM MILLION
Profit rate risk	1.81	1.69	4.61	0.40
Foreign exchange risk	0.17	0.14	0.94	0.01
Overall	1.98	1.83	4.77	0.48
	AS AT	1.1.	2014 TO 31.12.20	014
	31.12.2014	AVERAGE	MAXIMUM	MINIMUM
	RM MILLION	RM MILLION	RM MILLION	RM MILLION
Profit rate risk	0.67	1.62	2.83	0.63
Foreign exchange risk	0.11	0.22	2.08	0.01
Overall	0.78	1.84	4.71	0.68

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(ii) Market risk in the Trading Portfolio (cont'd)

Value-at-Risk (cont'd)

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those
 which are extreme in nature;
- The use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully
 reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or
 hedge all positions fully;
- The use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level
 of confidence:
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and
- · VaR is unlikely to reflect the loss potential on exposures that might arise under significant market movements.

The Bank recognises these limitations by augmenting the VaR limits with other limits such as maximum loss limits, position limits and PV01 limits. These limits are approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

Other controls to contain market risk at an acceptable level are through stress testing, rigorous new product approval processes and a list of permissible instruments to be traded. Stress tests are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other main economic indicators on the Group's and the Bank's profitability, capital adequacy and liquidity. The stress-testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

(iii) Foreign exchange risk

Trading positions

In addition to VaR and stress-testing, the Bank controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

Overall (trading and non-trading positions)

The Bank controls the overall foreign exchange risk by limiting the open exposure to non-Ringgit positions on an aggregate basis.

Foreign exchange limits are approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

(c) Market risk (cont'd)

(iii) Foreign exchange risk (cont'd)

Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and Bank as at reporting date is summarised as follows (only exposures in currencies that account for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2	015	2014		
	-1%	+1%	-1% +1%		
	DEPRECIATION APPRECIATION D		DEPRECIATION	APPRECIATION	
	RM'000N	RM'000	RM'000	RM'000	
Group and Bank					
US Dollar	(5,414)	5,414	(4,855)	4,855	
Euro	4,916	(4,916)	5,268	(5,268)	
Others	224	(224)	861	(861)	

(d) Liquidity risk

Overview

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms when required.

The Bank maintains a diversified and stable funding base comprising core retail, commercial, corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Bank's funding, and the Bank places considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositor confidence in the Bank and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

The management of liquidity and funding is primarily carried out in accordance with the Bank Negara Malaysia's requirements and practices and limits and triggers approved by the BRC and the ALCO. These limits and triggers vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Overview (cont'd)

The Bank's liquidity and funding management process includes:

- Daily projection of cash flows and ensuring that the Bank has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- · Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

Liquidity and funding risk governance

The management of liquidity and funding risk is principally undertaken using risk limit mandates approved by the BRC and management action triggers assigned by the ALCO.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity and funding risk at strategic level.

Management of liquidity and funding risk

All liquidity risk exposures are managed by Treasury. The aim is to ensure that liquidity and funding risks are consolidated at Treasury, who have the necessary skills, tools, management and governance to manage such risks professionally. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

The MRMD is the independent risk control function and is responsible for ensuring efficient implementation of liquidity and funding risk management policies. The MRMD is also responsible for developing the Bank's liquidity and funding risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits and triggers are reported immediately to the Senior Management. Strict escalation procedures are documented and approved by the BRC, with proper authorities to ratify or approve the excess. In addition, the market risk exposures and limits are regularly reported to the ALCO and the BRC.

Another control to ensure that liquidity and funding risk exposures remain within tolerable level is stress testing. Stress testing and scenario analysis are important tools in the Bank's liquidity management framework. Stress test results are produced monthly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Bank.

A final key control feature of the Bank's liquidity and funding risk management are the approved and documented liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications to the Bank.

(d) Liquidity risk (cont'd)

Maturity analysis

The table below summarises the Group's and Bank's assets and liabilities based on remaining contractual maturities.

GROUP AS AT 31 DECEMBER 201	ON DEMAND 5 RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Assets							
Cash, balances and							
placements with banks	792,593	2,189,653	_	_	_	_	2,982,246
Securities portfolio	_	536,669	159,507	680,974	554,331	8,489,560	10,421,041
Derivatives financial assets	2,648	8,618	94,809	327	_	12,857	119,259
Financing and advances	_	774,128	1,548,207	393,573	735,472	30,843,310	34,294,690
Other assets						1,946,483	1,946,483
Total assets	795,241	3,509,068	1,802,523	1,074,874	1,289,803	41,292,210	49,763,719
Liabilities							
Deposits from customers	15,350,734	17,705,682	5,322,685	2,846,530	2,251,465	79,254	43,556,350
Investment accounts							
of customers	461,312	175,916	38,877	_	_	_	676,105
Deposits and placements							
of banks and other							
financial institutions	-	-	_	-	_	-	-
Derivative financial							
liabilities	2,746	20,500	74,932	415	_	3,320	101,913
Subordinated Sukuk							
Murabahah	_	_	_	_	4,380	700,000	704,380
Other liabilities		_	_		_	692,403	692,403
Total liabilities	15,814,792	17,902,098	5,436,494	2,846,945	2,255,845	1,474,977	45,731,151
Equity							
Equity attributable to equi	ty						
holders of the Bank	_	_	_	-	_	4,032,568	4,032,568
On Balance Sheet Net							
	(15,019,551)	(14,393,030)	(3,633,971)	(1,772,071)	(966,042)	35,784,665	_
Commitments and							
contingencies	2,469,997	1,340,825	2,652,505	1,795,806	1,606,570	2,826,600	12,692,303
Net liquidity gap	(17,489,548)	(15,733,855)	(6,286,476)	(3,567,877)	(2,572,612)	32,958,065	(12,692,303)

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Maturity analysis (cont'd)

GROUP AS AT 31 DECEMBER 2014	ON DEMAND RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Assets							
Cash, balances and							
placements with banks	773,453	2,391,792	104,108	-	-	-	3,269,353
Securities portfolio	-	490,709	259,457	730,579	1,229,869	8,508,430	11,219,044
Derivatives financial assets	-	4,323	8,250	26,970	6,328	16,670	62,541
Financing and advances	-	1,048,140	1,210,137	509,343	267,918	26,489,033	29,524,571
Other assets	_	_	_	_	_	1,745,173	1,745,173
Total assets	773,453	3,934,964	1,581,952	1,266,892	1,504,115	36,759,306	45,820,682
Liabilities							
Deposits from customers	15,713,467	18,070,797	4,317,866	1,860,673	991,831	55,698	41,010,332
Investment accounts							
of customers	-	_	_	_	_	_	_
Deposits and placements							
of banks and other							
financial institutions	_	200,000	100,000	-	_	-	300,000
Derivative financial							
liabilities	_	2,108	17,720	4,310	4,985	3,284	32,407
Subordinated Sukuk							
Murabahah Other liabilities	_	_	_	_	_	749.252	749.252
Other habilities						748,353	748,353
Total liabilities	15,713,467	18,272,905	4,435,586	1,864,983	996,816	807,335	42,091,092
Equity							
Equity attributable to equity	/						
holders of the Bank	_	_	_	-	_	3,729,590	3,729,590
On Balance Sheet Net							
	14,940,014)	(14,337,941)	(2,853,634)	(598,091)	507,299	32,222,381	_
Commitments and	•		•		•		
contingencies	2,410,036	1,676,783	1,434,560	1,434,375	2,372,617	2,807,596	12,135,967
Net liquidity gap (1	17,350,050)	(16,014,724)	(4,288,194)	(2,032,466)	(1,865,318)	29,414,785	(12,135,967)

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39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Maturity analysis (cont'd)

BANK AS AT 31 DECEMBER 2015	ON DEMAND 5 RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Assets Cash, balances and placements with banks	788,662	2,189,653	_	_	_	_	2,978,315
Securities portfolio	<i>′</i> –	531,871	159,507	680,974	554,331	8,489,560	10,416,243
Derivatives financial assets	2,648	8,618	94,809	327	_	12,857	119,259
Financing and advances	_	774,128	1,548,207	393,573	735,472	30,843,310	34,294,690
Other assets	_	_	_	-	=	1,958,560	1,958,560
Total assets	791,310	3,504,270	1,802,523	1,074,874	1,289,803	41,304,287	49,767,067
Liabilities							
Deposits from customers	15,382,311	17,708,475	5,326,031	2,846,845	2,252,031	79,254	43,594,947
Investment accounts							
of customers	461,312	175,916	38,877	_	_	_	676,105
Deposits and placements							
of banks and other							
financial institutions	_	_	_	_	_	-	_
Derivative financial							
liabilities	2,746	20,500	74,932	415	_	3,320	101,913
Subordinated Sukuk							
Murabahah	_	_	_	_	4,380	700,000	704,380
Other liabilities	-	_	-	-	_	656,669	656,669
Total liabilities	15,846,369	17,904,891	5,439,840	2,847,260	2,256,411	1,439,243	45,734,014
Equity							
Equity attributable to equity	/						
holders of the Bank	_	_	-	-	_	4,033,053	4,033,053
	15,055,059)	(14,400,621)	(3,637,317)	(1,772,386)	(966,608)	35,831,991	_
Commitments and contingencies	2,469,997	1,340,825	2,652,505	1,795,806	1,606,570	2,826,600	12,692,303
Net liquidity gap (17,525,056)	(15,741,446)	(6,289,822)	(3,568,192)	(2,573,178)	33,005,391	(12,692,303)

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Maturity analysis (cont'd)

liquidity gap Commitments and contingencies	2,410,036	(14,348,637) 1,676,783	1,434,560	(598,091) 1,434,375	506,749	32,238,464 2,807,596	- 12,135,967
On Balance Sheet Net	(1.4.0.4.4.0.7.1)	(1.4.0.40.60=)	(0.050.60.1)	(500.001)	506740	22 222 421	
Equity Equity attributable to equ holders of the Bank	ity –	_	-	-	-	3,730,628	3,730,628
Total liabilities	15,718,123	18,278,923	4,435,586	1,864,983	997,366	803,678	42,098,659
Other liabilities		_	_	_	_	744,696	744,696
liabilities	-	2,108	17,720	4,310	4,985	3,284	32,407
institutions Derivative financial	_	200,000	100,000	_	_	_	300,000
Deposits and placements of banks and other fina	ncial	200 000	100.000				300 000
Investment accounts of customers	-	-	-	-	_	-	-
Liabilities Deposits from customers	15,718,123	18,076,815	4,317,866	1,860,673	992,381	55,698	41,021,556
Total assets	773,272	3,930,286	1,581,952	1,266,892	1,504,115	36,772,770	45,829,287
Financing and advances Other assets		1,048,140 -	1,210,137 -	509,343 -	267,918 –	26,489,033 1,758,637	29,524,571 1,758,637
Derivatives financial asset	rs –	4,323	8,250	26,970	6,328	16,670	62,541
Cash, balances and placements with banks Securities portfolio	773,272 -	2,391,747 486,076	104,108 259,457	- 730,579	- 1,229,869	- 8,508,430	3,269,127 11,214,411
Assets							
BANK AS AT 31 DECEMBER 20	ON DEMAND 14 RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000

(d) Liquidity risk (cont'd)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows:

BANK AS AT 31 DECEMBER 2015	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Financial Liabilities						
Deposit from customers	33,039,670	5,995,394	2,632,430	1,965,003	83,882	43,716,379
Investment accounts of customers	637,570	39,042	-	_	_	676,612
Deposit from placements of banks						
and other financial institutions	_	_	_	_	_	_
Derivatives financial liabilities	5,555	21,007	74,936	415	_	101,913
Forward contract	2,746	20,496	74,936	415	-	98,593
Islamic Profit Rate Swap	2,809	511	_	_	_	3,320
Structured deposits	_	_	_	_	_	-
Bills and acceptance payable	122,577	_	_	_	_	122,577
Subordinated Sukuk Murabahah	_	_	_	8,649	1,084,174	1,092,823
Other liabilities	534,092	_	_	_	_	534,092
	34,339,464	6,055,443	2,707,366	1,974,067	1,168,056	46,244,396
Commitment and Contingencies						
Direct credit substitutes	53,897	13,690	30,175	115,142	124,109	337,013
Transaction related contingent items	59,394	126,479	104,411	185,896	480,641	956,821
Short term self liquidating trade						
related contingencies	185,386	108,685	16,702	12,553	25,115	348,441
	298,677	248,854	151,288	313,591	629,865	1,642,275

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

for the financial year ended 31 December 2015 (cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

	310,576	188,317	145,547	375,544	603,588	1,623,572
related contingencies	158,699	32,308	_	3,117	42,750	236,874
Short term self liquidating trade						
Transaction related contingent items	114,274	74,499	89,310	248,546	499,636	1,026,265
Direct credit substitutes	37,603	81,510	56,237	123,881	61,202	360,433
Commitment and Contingencies						
	34,659,364	4,405,996	1,943,396	1,025,727	59,040	42,093,523
Other liabilities	579,259	-	_	-	_	579,259
Subordinated Sukuk Murabahah	_	_	_	_	_	_
Bills and acceptance payable	127,524	_	_	_	_	127,524
Structured deposits	_	_	_	-	15	15
Islamic Profit Rate Swap	2,802	792	_	_	_	3,594
Forward contract	2,123	17,410	4,310	4,985	_	28,828
Derivatives financial liabilities	4,925	18,202	4,310	4,985	15	32,437
Deposit from placements of banks and other financial institutions	200,425	100,409	_	_	_	300,834
Investment accounts of customers	_	_	_	_	_	_
Financial Liabilities Deposit from customers	33,747,231	4,287,385	1,939,086	1,020,742	59,025	41,053,469
AS AT 31 DECEMBER 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK	1 MONTH	MONTHS	MONTHS	MONTHS	1 YEAR	TOTAL
	UP TO	>1 TO 3	>3 TO 6	>6 TO 12	OVER	

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

(e) Operational Risk ("OpRisk")

Overview

Operational Risk ("OpRisk") is defined as the "risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and shariah compliance risk but excludes strategic and reputational risk".

Management of OpRisk

The Bank recognises and emphasises the importance of operational risk management ("ORM") and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established OpRisk guidelines, procedures and limits.

The Bank's overall governance approach in managing OpRisk is premised on the Three Lines of Defence Approach:

- 1st line of defence the risk owner or risk taking unit i.e. Business or Support Unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of OpRisk. To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Bank.
- 2nd line of defence The Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of OpRisk, monitoring the effectiveness of ORM, assessing OpRisk issues from the risk owner and escalating OpRisk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Bank.
 - Both Shariah Risk Management ("SRM") and Compliance Division complement the role of ORM as the second line of defence. SRM is responsible for managing the Shariah compliance risk ("SCR") by establishing & maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling & monitoring SCR and promoting SCR awareness.
 - Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programmes as well as conducting training that promotes awareness creation.
- 3rd line of defence Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

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Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7, "Financial Instruments: Disclosure and Presentation" which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Financial assets held-for-trading, available-for-sale and held-to-maturity

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities. The fair values are represented by their carrying value, net of impairment loss, being the recoverable amount.

Deposits from customers and investment accounts of customers

The fair values of deposits and investment accounts are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

Bills and acceptance payable

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Fair value hierarchy

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

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

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

GROUP 31 DECEMBER 2015 RM'000	FAIR VA	LUE OF FINA CARRIED AT LEVEL 2			FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3	TOTAL FAIR VALUE	CARRYING AMOUNT
Financial assets							
Financial assets							
held-for-trading	_	423,973	_	423,973	_	423,973	423,973
Derivative financial assets	_	119,259	_	119,259	_	119,259	119,259
Financial assets							
available-for-sale	29,807	9,902,589	_	9,932,396	5,320	9,937,716	9,937,716
Financial assets							
held-to-maturity	_	_	_	_	59,352	59,352	59,352
Financing, advances and others	-	-	_	-	34,334,821	34,334,821	34,294,690
Financial liabilities							
Derivative financial liabilities	_	101,913	_	101,913	_	101,913	101,913
Subordinated Sukuk		,		,		,	,
Murabahah	_	_	-	_	712,983	712,983	704,380

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

			/
Fair	value	hierarchy	(cont'd)

GROUP 31 DECEMBER 2014 RM'000	FAIR V/	ALUE OF FINA CARRIED AT LEVEL 2			FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3	TOTAL FAIR VALUE	CARRYING AMOUNT
Financial assets							
Financial assets							
held-for-trading	_	921,629	-	921,629	-	921,629	921,629
Derivative financial assets	_	62,541	-	62,541	_	62,541	62,541
Financial assets							
available-for-sale	22,564	10,200,434	4,620	10,227,618	9,045	10,236,663	10,236,663
Financial assets							
held-to-maturity	_	_	-	_	60,752	60,752	60,752
Financing, advances and others	_	_	-	_	29,527,807	29,527,807	29,524,571
Financial liabilities							
Derivative financial liabilities	_	32,407	_	32,407	_	32,407	32,407
Subordinated Sukuk		, ,		,,		-=, ,	,
Murabahah	_	_	-	_	_	_	_

BANK 31 DECEMBER 2015 RM'000	FAIR VA	LUE OF FINA CARRIED AT LEVEL 2			FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3	TOTAL FAIR VALUE	CARRYING AMOUNT
Financial assets							
Financial assets		410.710		410.710		410.710	410.710
held-for-trading	_	418,718	_	418,718	_	418,718	418,718
Derivative financial assets	_	119,259	_	119,259	_	119,259	119,259
Financial assets							
available-for-sale	29,807	9,903,046	_	9,932,853	5,320	9,938,173	9,938,173
Financial assets							
held-to-maturity	_	_	_	_	59,352	59,352	59,352
Financing, advances and others	-	-	_	-	34,334,821	34,334,821	34,294,690
Financial liabilities							
Derivative financial liabilities	_	101,913	_	101,913	_	101,913	101,913
Subordinated Sukuk		,		,			2 -,
Murabahah	_	_	-	_	712,983	712,983	704,380

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Fair value hierarchy (cont'd)

BANK 31 DECEMBER 2014 RM'000	FAIR VA	ALUE OF FINA CARRIED AT LEVEL 2			FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3	TOTAL FAIR VALUE	CARRYING AMOUNT
Financial assets							
Financial assets							
held-for-trading	_	916,539	-	916,539	_	916,539	916,539
Derivative financial assets	_	62,541	-	62,541	_	62,541	62,541
Financial assets							
available-for-sale	22,564	10,200,891	4,620	10,228,075	9,045	10,237,120	10,237,120
Financial assets							
held-to-maturity	_	-	-	_	60,752	60,752	60,752
Financing, advances and others	_	_	_	-	29,527,807	29,527,807	29,524,571
Financial liabilities		00.407		00.407		00.107	
Derivative financial liabilities Subordinated Sukuk	_	32,407	_	32,407	_	32,407	32,407
Murabahah	_	_	_	_	_	_	_

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2015 for the Group and the Bank:

	2015 RM'000	2014 RM'000
Financial assets available-for-sale	KIVI 000	KWI 000
At 1 January	4,620	4,620
Allowance for impairment	(4,620)	_
At 31 December	_	4,620

Unobservable inputs used in measuring fair value

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

(a) Financial instruments carried at fair value

TYPE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Financial assets available-for-sale	Valued at cost less impairment	Not applicable	Not applicable

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments not carried at fair value

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

(i) Financial investments held-to-maturity ("HTM")

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

(ii) Financing and advances

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

(iii) Subordinated Sukuk Murabahah

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risks profiles.

41. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of equipment on hire and rental of premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments are as follows:

	GROUP		BANK	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Within one year	45,276	45,204	44,881	44,817
Between one and five years	119,885	119,763	119,656	119,262
More than five years	284,477	304,209	284,477	304,209
	449,638	469,176	449,014	468,288

Included in the above are lease rentals with the ultimate holding entity amounting to RM404,184,000 (2014: RM423,588,000).

42. CAPITAL COMMITMENTS

	GROUP AND BANK	
	31.12.2015	31.12.2014
	RM'000	RM'000
Property and equipment		
Contracted but not provided for in the financial statements	70,142	47,651
Approved but not contracted for and provided for in the financial statements	18,938	20,427
	89,080	68,078

43. COMMITMENTS AND CONTINGENCIES

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows:

31 December 2015

	POSITIVE FAIR VALUE		
PRINCIPAL AMOUNT RM'000	OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
343,731		343,731	301,001
2		2	2
956,822		478,411	413,964
374,892		74,978	72,446
2,014		403	403
837,455		418,728	333,700
1,169,445		233,889	176,494
5,822,088		_	_
9,506,449		1,550,142	1,298,010
2,323,286	106,402	139,771	67,272
_	_	_	_
600,000	9,200	20,504	4,101
262,568	3,657	24,048	13,688
_	_	_	_
3,185,854	119,259	184,323	85,061
12,692,303	119,259	1,734,465	1,383,071
	343,731 2 956,822 374,892 2,014 837,455 1,169,445 5,822,088 9,506,449 2,323,286 600,000 262,568	PRINCIPAL AMOUNT RM'000 343,731 2 956,822 374,892 2,014 837,455 1,169,445 5,822,088 9,506,449 2,323,286 106,402	FAIR VALUE OF CREDIT DERIVATIVE CONTRACTS RM'000 RM'000 RM'000 RM'000 343,731 343,731 2 2 478,411 74,978 2,956,822 478,411 74,978 2,014 403 418,728 233,889 5,822,088

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

43. COMMITMENTS AND CONTINGENCIES (cont'd)

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows: (cont'd)

31 December 2014

01 300011801 2011		POSITIVE FAIR VALUE		
	PRINCIPAL AMOUNT RM'000	OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Nature of item				
Credit related exposures				
Direct credit substitutes	360,433		360,433	355,715
Assets sold with recourse	2		2	2
Transaction related contingent items	1,026,265		513,132	451,601
Short term self-liquidating trade related contingencies	236,874		47,375	45,832
Other commitments, such as formal standby facilities				
and credit lines, with an original maturity of:				
- not exceeding one year	6,165		1,233	1,215
- exceeding one year	942,851		471,425	378,793
Unutilised credit card lines	1,023,337		204,668	153,502
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	5,404,888		_	_
	9,000,815		1,598,268	1,386,660
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	1,840,778	45,508	65,406	36,492
Profit rate related contracts				
- less than one year	300,000	348	308	62
- one year to less than five years	600,000	12,278	20,153	4,031
- five years and above	287,694	4,392	12,996	12,996
Equity related contracts				
- one year to less than five years	106,680	15	6,401	3,200
	3,135,152	62,541	105,264	56,781
	12,135,967	62,541	1,703,532	1,443,441

44. CAPITAL ADEQUACY

Total capital and capital adequacy ratios of the Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy ratios requirement for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively for year 2015. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and the Bank are set out below:

	GROUP		BANK	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Common Equity Tier I ("CET I") Capital Ratio	12.087%	12.240%	12.049%	12.201%
Total Capital Ratio	15.320%	13.355%	15.284%	13.316%
The components of CET I, Tier I and Tier II capital:				
	GRO	OUP	BA	NK
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,363,283	2,319,907	2,363,283	2,319,907
Share premium	175,452	90,981	175,452	90,981
Retained earnings	385,913	388,923	386,580	390,019
Other reserves	1,107,920	929,779	1,107,738	929,721
Less: Deferred tax assets	(35,182)	(31,220)	(35,182)	(31,220)
Less: Investment in subsidiaries	_	_	(15,525)	(15,525)
Total CET I and Tier I Capital	3,997,386	3,698,370	3,982,346	3,683,883
Sukuk Murabahah	700,000	_	700,000	_
Collective assessment allowance ^	369,414	336,850	369,357	336,819
Total Tier II Capital	1,069,414	336,850	1,069,357	336,819
Total Capital	5,066,800	4,035,220	5,051,703	4,020,702

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

	GRO	OUP	BA	NK
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Credit risk Less: Credit risk absorbed by unrestricted	29,841,140	26,947,994	29,836,588	26,945,514
investment accounts	(288,030)	_	(288,030)	_
Market risk	668,158	542,910	668,158	542,910
Operational risk	2,851,129	2,724,074	2,834,709	2,705,152
	33,072,397	30,214,978	33,051,425	30,193,576

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

45. RELATED PARTY TRANSACTIONS

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see note 13) and substantial shareholders of the holding company.

(a) The significant related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows:

	GROUP TRANSACTIONS AMOUNT FOR		BANK TRANSACTIONS AMOUNT FOR	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ultimate holding entity				
Gain on forex transaction	239	95	239	95
Profit attributable on deposits placed	94,232	84,996	94,232	84,996
Dividend attributable on Sukuk Murabahah	4,001	_	4,001	_
Rental of premises paid	22,610	21,608	22,610	21,608
Other rental	617	292	617	292
Wakalah incentive fee	400	_	400	_
Office rental received	40	17	40	17
Fees and commission received	_	1	_	1
Holding company				
Profit attributable on deposits placed	3,697	3,220	3,697	3,220
Profit attributable on investment accounts	2,478	, _	2,478	, -
Office rental received	976	929	976	929
Others	19	20	19	20
Subsidiaries				
Fees and commission received	=	_	4,854	7,798
Fees and commission paid	=	_	2,240	1,853
Dividend	_	_	· -	800
Profit attributable on deposits placed	_	_	253	512
Net gain on forex transaction	_	_	1	_
Office rental received	_	_	383	325
Others	_	-	808	1,064

45. RELATED PARTY TRANSACTIONS (cont'd)

Identity of related parties (cont'd)

(a) The significant related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows: (cont'd)

	GROUP TRANSACTIONS AMOUNT FOR		BANK TRANSACTIONS AMOUNT FOR	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other related companies				
Income received from financing, advances and others	22	14	22	14
Fees and commission received	193	39	193	39
Net (loss)/gain on forex transaction	(111)	1,181	(111)	1,181
Income from Bancatakaful service fee	22,637	22,972	22,637	22,972
Profit attributable on deposits placed	12,427	9,178	12,427	9,178
Dividend attributable on Sukuk Murabahah	128	_	128	_
Office rental received	9	_	9	_
Office rental paid	3,086	3,261	3,086	3,261
Other rental	40	37	40	37
Takaful fee paid	1,866	1,886	1,782	1,797
Others	7	50	7	50
Co-operative society in which the employees have interest				
Income received from financing, advances and others	1,696	832	1,696	832
Rental of equipment paid	2,414	324	2,414	324
Others	132	102	132	102

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

45. RELATED PARTY TRANSACTIONS (cont'd)

(b) The significant outstanding balances of the Group and the Bank with related party, are as follows:

	NET	ROUP BALANCE NDING AS AT	NET	BANK BALANCE NDING AS AT
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Ultimate holding entity				
Amount due from Others	6	-	6	-
Amount due to Demand and investment deposits Subordinated Sukuk Murabahah Dividend Payable on Sukuk Murabahah Profit payable to investment deposit Commitment and contingencies	673,712	2,639,396	673,712	2,639,396
	100,000	-	100,000	-
	1,118	-	1,118	-
	5,201	3,347	5,201	3,347
	127	187	127	187
Holding company				
Amount due from Others	215	-	215	-
Amount due to Demand and investment deposits Profit payable to investment deposit Others	214,446	123,834	214,446	123,834
	966	472	966	472
	65	-	65	–
Subsidiaries Amount due from Redeemable non-cumulative preference shares Others	-	-	2,011	2,011
	-	-	188	192
Amount due to Demand and investment deposits Others	-	-	38,082	11,224
	-	-	19	178

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45. RELATED PARTY TRANSACTIONS (cont'd)

(b) The significant outstanding balances of the Group and the Bank with related party, are as follows: (cont'd)

	GROUP NET BALANCE OUTSTANDING AS AT		BANK NET BALANCE OUTSTANDING AS AT	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Other related companies				
Amount due from				
Financing, advances and others	442	205	442	205
Others	7		7	-
Amount due to				
Demand and investment deposits	444,969	830,437	444,969	830,437
Subordinated Sukuk Murabahah	50,000	_	50,000	_
Dividend Payable on Sukuk Murabahah	128	_	128	_
Profit payable to investment deposit	569	808	569	808
Commitment and contingencies	7,163	5,299	7,163	5,299
Co-operative society in which the employees have interest				
Amount due from				
Financing, advances and others	38,436	19,258	38,436	19,258
Amount due to				
Demand and investment deposits	435	539	435	539

46. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	GROUP A	AND BANK
	31.12.2015	31.12.2014
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,095,130	1,623,424
% of outstanding credit exposures to connected parties as a proportion of		
total credit exposures	3.13%	5.39%
% of outstanding credit exposures with connected parties which is		
non-performing or in default	0.001%	0.002%

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

47. SUBSEQUENT EVENT

On 21 January 2016, BNM announced the reduction of the Statutory Reserve Requirement ("SRR") ratio from 4.00% to 3.50% effective from 1 February 2016.

as at 31 December 2015

OVERVIEW

The Pillar 3 Disclosure for financial year ended 31 December 2015 for Bank Islam ("the Bank") and its subsidiaries ("the Group") complies with Bank Negara Malaysia's ("BNM") "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3")", which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed.

CAFIB consists of 3 Pillars:

- (a) Pillar 1 sets minimum regulatory capital to cover credit, market and operational risk;
- (b) Pillar 2 aims to ensure that Islamic banking institutions have adequate capital to support their operations at all times; and
- (c) Pillar 3 aims to enhance transparency by setting the minimum requirements for market disclosures of information on the risk management practices and capital adequacy of Islamic banks.

The Group has adopted the Standardised Approach in determining the capital requirements for credit and market risk and the Basic Indicator Approach ("BIA") for operational risk under Pillar 1 since January 2008. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit and market risk whilst the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Group's average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process ("ICAAP") framework which closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and has been fully implemented in year 2013. The ICAAP is updated on an annual basis to the Management Committee, Board Risk Committee, and Board.

In compliance with the Pillar 3 Guideline, the Pillar 3 Disclosure for the Group is being regularly prepared for two periods: 30 June and 31 December. The Group's Pillar 3 Disclosure will be made available under the Corporate Info section of the Bank's website at www.bankislam.com.my, attached to its annual and the half-yearly financial reports after the notes to the financial statements.

The Group's main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group's and the Bank's risk weighted assets.

	31.1	12.2015	31.3	12.2014
		MINIMUM		MINIMUM
	RISK-	CAPITAL	RISK-	CAPITAL
	WEIGHTED	REQUIREMENT	WEIGHTED	REQUIREMENT
	ASSETS	AT 8%	ASSETS	AT 8%
GROUP	RM'000	RM'000	RM'000	RM'000
Credit Risk	29,841,140	2,387,291	26,947,994	2,155,839
Less: Credit Risk absorbed by PSIA	(288,030)	(23,042)	_	_
Market Risk	668,158	53,453	542,910	43,432
Operational Risk	2,851,129	228,090	2,724,074	217,926
Total	33,072,397	2,645, 792	30,214,978	2,417,197

OVERVIEW (cont'd)

	31.1	12.2015	31.12.2014	
		MINIMUM		MINIMUM
	RISK-	CAPITAL	RISK-	CAPITAL
	WEIGHTED	REQUIREMENT	WEIGHTED	REQUIREMENT
	ASSETS	AT 8%	ASSETS	AT 8%
BANK	RM'000	RM'000	RM'000	RM'000
Credit Risk	29,836,588	2,386,927	26,945,514	2,155,641
Less: Credit Risk absorbed by PSIA	(288,030)	(23,042)	_	_
Market Risk	668,158	53,453	542,910	43,432
Operational Risk	2,834,709	226,777	2,705,152	216,412
Total	33,051,425	2,644,115	30,193,576	2,415,485

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's CAFIB.

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

2. **CAPITAL ADEQUACY**

2.1 **Capital Management**

The Group's primary objective when managing capital is to maintain a strong capital position to support business growth and to maintain investor, depositor, customer and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk taking activities, the Group has implemented sound capital management processes in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group's risk governance.

as at 31 December 2015 (cont'd)

2. CAPITAL ADEQUACY (cont'd)

2.1 Capital Management (cont'd)

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group's capital plan. The Group aims to achieve the following capital management objectives:

- · Meeting regulatory capital requirements;
- Sustainable returns to shareholders;
- Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
- · Ensuring adequate capital to withstand shocks and stress;
- · Ensuring sufficient capital to expand its business ventures and inorganic growth; and
- · Allocating an appropriate amount of capital to business units to optimise return on capital.

The Group's capital management is guided by the Capital Management Plan, approved by the Board, to ensure management of capital is consistent and aligned with the Risk Appetite Statement and Internal Capital Adequacy Assessment Process of the Group.

The Group's capital management processes comprise:

- Capital Structuring ensuring that the amount of regulatory and statutory capital available is consistent with the Group's
 growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting the appropriate, most
 costeffective mix of capital instruments;
- Capital Allocation ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital;
- Capital Optimisation seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
 - reshaping of the balance sheet;
 - capital planning, allocation and optimisation; and
 - a sound management of the capital buffer.

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- · Capital policy and risk capture;
- · Forward-looking view; and
- Management framework for preserving capital.

The Group's Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, capital benchmarking against industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital ("RAROC") approach as well as ICAAP and stress testing results.

CAPITAL ADEQUACY (cont'd)

2.1 Capital Management (cont'd)

The Bank has issued Subordinated Sukuk Murabahah Programme of up to RM1.0 Billion in Nominal Value ("Subordinated Sukuk Murabahah Programme"). The purpose of the Subordinated Sukuk Murabahah Programme is to enhance the capital adequacy of Bank Islam in line with the requirements under the Basel III capital framework. The Subordinated Sukuk Murabahah qualifies as Tier 2 regulatory capital of the Bank in compliance with CAFIB.

CAPITAL INSTRUMENT	CAPITAL COMPONENT	MAIN FEATURES
Basel III-Compliant Subordinated Sukuk Murabahah ("Subordinated Sukuk")	Tier II Capital	The tenure of the Subordinated Sukuk Murabahah Programme shall be up to (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme
Tranche 1 RM300million		The tenure of each issuance of the Subordinated Sukuk Murabahah shall be not less than five (5) years and up to thirty (30) years from the issue date.
Issued on 22 April 2015 Mature on 22 April 2025		Each of the Subordinated Sukuk Murabahah may have a call option to allow Bank Islam, to redeem the relevant trance of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after
Basel III-Compliant Subordinated Sukuk Murabahah		a minimum period of (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied.
("Subordinated Sukuk")		Unsecured.
Tranche 2 RM400million		Subordinated Sukuk Murabahah shall be utilised to finance its Islamic banking activities, working capital
Issued on 15 December 2015		requirements and other corporate purposes and/or, if required, to redeem any outstanding Subordinated Sukuk Murabahah issued under the Subordinated Sukuk
Mature on 15 December 2025		Murabahah Programme. All utilisation shall be Shariah Compliant.
		Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off.
		No Conversion into Equity.

as at 31 December 2015 (cont'd)

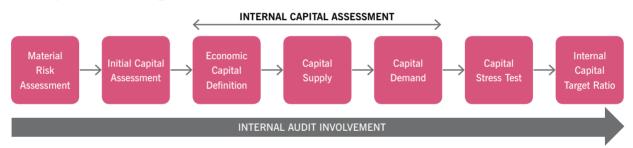
2. CAPITAL ADEQUACY (cont'd)

2.2 Internal Capital Adequacy Assessment Process ("ICAAP")

The Group has carried out the internal assessment process on capital as prescribed in BNM's CAFIB - ICAAP ("Pillar 2") to complement its current capital management practices. The ICAAP Framework has been formalised and approved by the Board in May 2013. The Group's ICAAP helps to suggest the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.

The Group's ICAAP is conducted on a consolidated basis covering all the Bank's legal entities as suggested by BNM's ICAAP guideline.

The Group's ICAAP methodology can be summarized as follows:



Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e. Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g. Migration and Residual Risk);
- Risk not covered under Pillar 1 (e.g. Credit Concentration Risk, Profit Rate Risk in the Banking Book, Shariah Compliance Risk, IT Risk, Business and Strategy Risk, and Reputational Risk)

2.3 Stress Testing

Regular stress testing is performed to assess the Group's ability to maintain adequate capital under both a normal business cycle and unfavorable economic conditions. The stress testing is embedded within the risk and capital management process of the Group, and is a key function of capital planning and business planning processes.

The Group's objectives of stress testing include:

- To identify the possible events or future changes in the financial and economic conditions of the country that could potentially have unfavorable effects on the Group's exposures;
- To identify the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- To evaluate the Group's ability to withstand such changes, i.e. its capacity in terms of its capital and earnings, to absorb potentially significant losses;
- To better understand the Group's risk profile, evaluate business risks and thus take appropriate measures accordingly; and
- To analyse the Group's ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

CAPITAL ADEQUACY (cont'd)

2.4 **Capital Adequacy Ratios**

The Group is required to comply with the Common Equity Tier 1 Capital Ratio and Total Capital Ratio as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

The Group's capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2015 determined by the requirements of the CAFIB.

The capital adequacy ratios of the Group and Bank are set out below:

(a) The capital adequacy ratios of the Group and of the Bank:

	GROUP		BANK	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier 1 (CET 1) Capital Ratio	12.09%	12.24%	12.05%	12.20%
Tier 1 Capital Ratio	12.09%	12.24%	12.05%	12.20%
Total Capital Ratio	15.32%	13.36%	15.28%	13.32%

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank:

	31.12	
	GROUP	BANK
	RM'000	RM'000
Tier I Capital		
Paid-up share capital	2,363,283	2,363,283
Share Premium	175,452	175,452
Retained earnings	385,913	386,580
Other reserves	1,107,920	1,107,738
Less: Deferred tax assets	(35,182)	(35,182)
Less: Investment in subsidiaries	_	(15,525)
Total Common Equity Tier I Capital	3,997,386	3,982,346
Total Additional Tier I Capital	_	_
Total Tier I Capital	3,997,386	3,982,346
Subordinated sukuk	700,000	700,000
Collective assessment allowance ^	369,414	369,357
Total Tier II Capital	1,069,414	1,069,357
Total Capital	5,066,800	5,051,703

[^] Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit riskweighted assets.

as at 31 December 2015 (cont'd)

2. CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (b) CET I, Tier I and Tier II capital components of the Group and of the Bank: (cont'd)

	31.1	2.2014
	GROUP	BANK
	RM'000	RM'000
Tier I Capital		
Paid-up share capital	2,319,907	2,319,907
Share Premium	90,981	90,981
Retained earnings	388,923	390,019
Other reserves	929,779	929,721
Less: Deferred tax assets	(31,220)	(31,220)
Less: Investment in subsidiaries	_	(15,525)
Total Common Equity Tier I Capital	3,698,370	3,683,883
Total Additional Tier I Capital	-	-
Total Tier I Capital	3,698,370	3,683,883
Subordinated sukuk	_	_
Collective assessment allowance ^	336,850	336,819
Total Tier II Capital	336,850	336,819
Total Capital	4,035,220	4,020,702

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

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CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:
 - (i) Group

31 DECEMBER 2015 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,272,318	5,272,318	-	_
Public Sector Entities	1,518,456	1,505,045	239,294	19,144
Banks, Developments Financial				
Institutions ("DFIs") and Multilateral				
Development Banks ("MDBs")	681,901	681,901	71,723	5,738
Corporate	13,479,088	13,328,216	7,076,852	566,148
Regulatory Retail	13,842,759	13,744,869	13,029,854	1,042,388
Residential Mortgages	11,544,602	11,540,816	7,259,179	580,734
Higher Risk Assets	74,616	74,616	111,924	8,954
Other Assets	2,691,116	2,691,116	459,416	36,753
Defaulted Exposures	199,708	191,173	209,827	16,786
Total for On-Balance Sheet Exposures	49,304,564	49,030,070	28,458,079	2,276,645
Off-Balance Sheet Exposures				
Credit-related Exposures	1,541,568	1,541,568	1,285,187	102,815
Derivative Financial Instruments	184,323	184,323	85,061	6,805
Defaulted Exposures	8,574	8,574	12,823	1,026
Total for Off-Balance Sheet Exposures	1,734,465	1,734,465	1,383,071	110,646
Total On and Off-Balance Sheet				
Exposures	51,039,029	50,764,535	29,841,140	2,387,291
Less: Credit Risk absorbed by PSIA			(288,030)	(23,042)

as at 31 December 2015 (cont'd)

2. CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)
 - (i) Group (cont'd)

				MINIMUM
			RISK-	CAPITAL
	GROSS	NET	WEIGHTED	REQUIREMENT
	EXPOSURE	EXPOSURE	ASSET	AT 8%
	RM'000	RM'000	RM'000	RM'000
Long Position	Short Position			
6,379,124	(5,996,805)	382,319	208,959	16,717
28,199	(457,351)	(429,152)	457,351	36,588
_	-	1,849	1,848	148
6,407,323	(6,454,156)	(44,984)	668,158	53,453
			2,851,129	228,090
			33,072,397	2,645,792
	Position 6,379,124 28,199	EXPOSURE RM'000 Long Short Position 6,379,124 (5,996,805) 28,199 (457,351)	EXPOSURE RM'000 Long Short Position 6,379,124 (5,996,805) 382,319 28,199 (457,351) (429,152) 1,849	Long Position Short Position EXPOSURE RM'000 WEIGHTED ASSET RM'000 4,379,124 (5,996,805) 382,319 208,959 28,199 (457,351) (429,152) 457,351 - - 1,849 1,848 6,407,323 (6,454,156) (44,984) 668,158 2,851,129

Note: As at 31 December 2015, the Group did not have any exposures under securitisation.

	BEFORE EFFECT OF PSIA	AFTER EFFECT OF PSIA
CET1 Capital Ratio	11.98%	12.09%
Tier 1 Capital Ratio	11.98%	12.09%
Total Capital Ratio	15.20%	15.32%

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CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)
 - (i) Group (cont'd)

31 DECEMBER 2014 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,888,002	3,888,002	_	_
Public Sector Entities	992,097	990,893	339,408	27,153
Banks, Developments Financial Institutions ("DFIs") and Multilateral				
Development Banks ("MDBs")	1,220,439	1,220,439	143,066	11,445
Corporate	13,867,576	13,709,836	6,761,506	540,920
Regulatory Retail	12,942,334	12,835,414	11,553,620	924,290
Residential Mortgages	8,945,396	8,942,143	5,578,925	446,314
Higher Risk Assets	19,951	19,951	29,927	2,394
Other Assets	2,496,244	2,496,244	437,200	34,976
Defaulted Exposures	495,794	481,745	660,901	52,872
Total for On-Balance Sheet Exposures	44,867,833	44,584,667	25,504,553	2,040,364
Off-Balance Sheet Exposures				
Credit-related Exposures	1,590,551	1,590,551	1,375,137	110,011
Derivative Financial Instruments	105,264	105,264	56,781	4,542
Defaulted Exposures	7,717	7,717	11,523	922
Total for Off-Balance Sheet Exposures	1,703,532	1,703,532	1,443,44	115,475
Total On and Off-Balance Sheet				
Exposures	46,571,365	46,288,199	26,947,994	2,155,839
Less: Credit Risk absorbed by PSIA			_	_

as at 31 December 2015 (cont'd)

2. CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)
 - (i) Group (cont'd)

					MINIMUM
				RISK-	CAPITAL
		GROSS	NET	WEIGHTED	REQUIREMENT
31 DECEMBER 2014		EXPOSURE	EXPOSURE	ASSET	AT 8%
EXPOSURE CLASS		RM'000	RM'000	RM'000	RM'000
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	994,991	(4,532,410)	(3,537,419)	153,889	12,311
Foreign Exchange Risk	25,896	(386,305)	(360,409)	386,305	30,904
Inventory Risk	_	_	2,716	2,716	217
Total Market Risk	1,020,887	(4,918,715)	(3,895,112)	542,910	43,432
Operational Risk				2,724,074	217,926
Total RWA and Capital Requirements				30,214,978	2,417,197

Note: As at 31 December 2014, the Group did not have any credit risk weighted assets absorbed by Profit Sharing Investment Account ("PSIA"), nor exposures under securitisation.

	BEFORE EFFECT OF PSIA	AFTER EFFECT OF PSIA
CET1 Capital Ratio	12.24%	12.24%
Tier 1 Capital Ratio	12.24%	12.24%
Total Capital Ratio	13.36%	13.36%

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CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)
 - (ii) Bank

			DICK	MINIMUM
	GROSS	NET	RISK- WEIGHTED	CAPITAL REQUIREMENT
31 DECEMBER 2015	EXPOSURE	EXPOSURE	ASSET	AT 8%
EXPOSURE CLASS	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,272,318	5,272,318	_	_
Public Sector Entities	1,518,456	1,505,045	239,294	19,144
Banks, Developments Financial				
Institutions ("DFIs") and Multilateral				
evelopment Banks ("MDBs")	677,975	677,975	70,937	5,675
Corporate	13,479,088	13,328,216	7,076,852	566,148
Regulatory Retail	13,842,759	13,744,869	13,029,854	1,042,388
Residential Mortgages	11,544,602	11,540,816	7,259,179	580,734
Higher Risk Assets	74,616	74,616	111,924	8,954
Other Assets	2,688,119	2,688,119	455,650	36,452
Defaulted Exposures	199,708	191,173	209,827	16,786
Total for On-Balance Sheet Exposures	49,297,641	49,023,147	28,453,517	2,276,281
Off-Balance Sheet Exposures				
Credit-related Exposures	1,541,568	1,541,568	1,285,187	102,815
Derivative Financial Instruments	184,323	184,323	85,061	6,805
Defaulted Exposures	8,574	8,574	12,823	1,026
Total for Off-Balance Sheet Exposures	1,734,465	1,734,465	1,383,071	110,646
Total On and Off-Balance Sheet				
Exposures	51,032,106	50,757,612	29,836,588	2,386,927
Less: Credit Risk absorbed by PSIA			(288,030)	(23,042)

as at 31 December 2015 (cont'd)

2. CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)
 - (ii) Bank (cont'd)

					MINIMUM
				RISK-	CAPITAL
		GROSS	NET	WEIGHTED	REQUIREMENT
31 DECEMBER 2015		EXPOSURE	EXPOSURE	ASSET	AT 8%
EXPOSURE CLASS		RM'000	RM'000	RM'000	RM'000
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	6,379,124	(5,996,805)	382,319	208,959	16,716
Foreign Exchange Risk	28,199	(457,351)	(429,152)	457,351	36,588
Inventory Risk	-	_	1,849	1,848	148
Total Market Risk	6,407,323	(6,454,156)	(44,984)	668,158	53,452
Operational Risk				2,834,709	226,777
Total RWA and Capital Requirements				33,051,425	2,644,114

Note: As at 31 December 2015, the Bank did not have any exposures under securitisation.

	BEFORE EFFECT OF PSIA	AFTER EFFECT OF PSIA
CET1 Capital Ratio	11.95%	12.05%
Tier 1 Capital Ratio	11.95%	12.05%
Total Capital Ratio	15.16%	15.28%

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CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)
 - (ii) Bank (cont'd)

31 DECEMBER 2014 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,888,002	3,888,002	_	_
Public Sector Entities	992,097	990,893	339,408	27,153
Banks, Developments Financial				
Institutions ("DFIs") and Multilateral				
evelopment Banks ("MDBs")	1,220,213	1,220,213	143,021	11,442
Corporate	13,867,576	13,709,836	6,761,506	540,920
Regulatory Retail	12,942,334	12,835,414	11,553,620	924,290
Residential Mortgages	8,945,396	8,942,143	5,578,925	446,314
Higher Risk Assets	19,951	19,951	29,927	2,394
Other Assets	2,494,640	2,494,640	434,765	34,781
Defaulted Exposures	495,794	481,745	660,901	52,872
Total for On-Balance Sheet Exposures	44,866,003	44,582,837	25,502,073	2,040,166
Off-Balance Sheet Exposures				
Credit-related Exposures	1,590,551	1,590,551	1,375,137	110,011
Derivative Financial Instruments	105,264	105,264	56,781	4,542
Defaulted Exposures	7,717	7,717	11,523	922
Total for Off-Balance Sheet Exposures	1,703,532	1,703,532	1,443,441	115,475
Total On and Off-Balance Sheet				
Exposures	46,569,535	46,286,369	26,945,514	2,155,641
Less: Credit Risk absorbed by PSIA			_	_

as at 31 December 2015 (cont'd)

2. CAPITAL ADEQUACY (cont'd)

- 2.4 Capital Adequacy Ratios (cont'd)
 - (c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)
 - (ii) Bank (cont'd)

					MINIMUM
				RISK-	CAPITAL
		GROSS	NET	WEIGHTED	REQUIREMENT
31 DECEMBER 2014		EXPOSURE	EXPOSURE	ASSET	AT 8%
EXPOSURE CLASS		RM'000	RM'000	RM'000	RM'000
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	994,991	(4,532,410)	(3,537,419)	153,889	12,311
Foreign Exchange Risk	25,896	(386,305)	(360,409)	386,305	30,904
Inventory Risk	-	_	2,716	2,716	217
Total Market Risk	1,020,887	(4,918,715)	(3,895,112)	542,910	43,432
Operational Risk				2,705,152	216,412
Total RWA and Capital Requirements				30,193,576	2,415,485

Note: As at 31 December 2014, the Bank did not have any credit risk weighted assets absorbed by Profit Sharing Investment Account ("PSIA"), nor exposures under securitisation.

	BEFORE EFFECT OF PSIA	AFTER EFFECT OF PSIA
CET1 Capital Ratio	12.20%	12.20%
Tier 1 Capital Ratio	12.20%	12.20%
Total Capital Ratio	13.32%	13.32%

RISK MANAGEMENT 3.

3.1 Overview

The Group's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- · Establish a standard approach and methodology in managing credit, market, liquidity, operational and business risks across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- · Implement and use a risk management information system that meets international standards on confidentiality, integrity and its availability;
- · Develop and use tools, such as economic capital, value at risk, scoring models and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- · Ensure that the Group's capital can support current and planned business needs in terms of risk exposures.

3.2 **Risk Management Functional and Governance Structure**

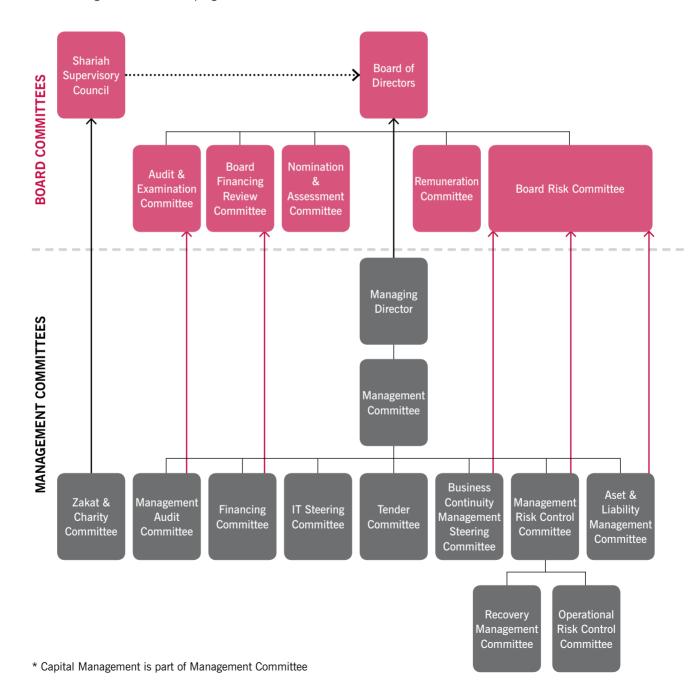
The Group has realigned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of good business practice and prudence, the Group's core risk management functions, which report to the Board Risk Committee ("BRC"), are independent and clearly segregated from the business divisions and centralized at head office.

as at 31 December 2015 (cont'd)

3. RISK MANAGEMENT (cont'd)

3.2 Risk Management Functional and Governance Structure (cont'd)

The following illustrates the Group's governance structure:



RISK MANAGEMENT (cont'd) 3.

3.2 Risk Management Functional and Governance Structure (cont'd)

The Group recognises the fact that the essence of banking and financial services is centered on risk taking. The Group therefore:

- · Recognises that it has to manage risks effectively to achieve its business targets;
- · Reach an optimum level of risk-return in order to maximise stakeholders' value; and
- · Ensure effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

The Group has established a Risk Appetite Framework that forms an integral part of the Group's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Group is prepared to accept in support of a stated strategy, impacting all businesses from a credit, market and operational risk viewpoint.

CREDIT RISK 4.

4.1 Overview

Credit risk arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Group considers to be material include: Default Risk/Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.

Credit Risk Governance 4.2

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the Board Risk Committee ("BRC"), guided by the Board of Directors' approved Risk Appetite Statement.

The Management Risk Control Committee ("MRCC") is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Group's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's credit risk management governance includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

4.3 Management of Credit Risk

The management of credit risk is being performed mainly by the Credit Management Division ("CMD") and Risk Management Division ("RMD") and two other units outside CMD and RMD domain, namely, Credit Administration and Credit Recovery. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Group's overall strategy and risk appetite;
- To ensure that the Group is compensated for the risk taken, balancing/optimizing the risk/return relationship;
- · To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.3 Management of Credit Risk (cont'd)

The Group monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (a certain part of) the portfolio. The affected portfolio or financing is placed on a watch list to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A comprehensive limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk contagion to a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counter parties limits and permissible acquisition of private entities' instruments, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

4.4 Capital Treatment for Credit Risk

The Group adopts the Standardized Approach to compute the credit risk capital requirement under BNM's CAFIB.

4.5 Credit Quality of Gross Financing and Advances

The table below present the Group's and the Bank's gross financing and advances analysed by credit quality:

	GROUF	AND BANK
	31.12.2015	31.12.2014
	RM'000	RM'000
Neither past due nor impaired	33,797,333	29,346,053
Past due but not impaired	781,623	421,120
Impaired	381,270	344,539
	34,960,226	30,111,712
Gross impaired financing as a percentage of gross Financing and advances	1.09%	1.14%
		<u> </u>

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CREDIT RISK (cont'd)

Credit Quality of Gross Financing and Advances (cont'd)

(a) Neither Past Due Nor Impaired

Financings classified as neither Past Due nor Impaired are financings of which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired as there is no objective evidence of impairment of the financing. In other words these financings are performing.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	33,797,333	29,346,053
Fair	406,236	407,727
Satisfactory	5,968,683	5,741,808
Excellent to Good	27,422,414	23,196,518
	GROUF 31.12.2015 RM'000	P AND BANK 31.12.2014 RM'000

Internal rating definition:-

- Excellent to Good: Sound financial position of the obligor with no difficulty in meeting its obligations.
- · Satisfactory: Adequate safety of the obligor meeting its current obligations but more time is required to meet the entire obligations in full.
- Fair: High risks on payment obligations. Financial performance may continue to deteriorate.

(b) Past Due But Not Impaired

Financings classified as Past Due but Not Impaired are financings of which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by aging analysis:

	GROUP AND BANK		
	31.12.2015	31.12.2014	
	RM'000	RM'000	
By ageing			
Month-in-arrears 1	596,525	274,624	
Month-in-arrears 2	185,098	146,496	
	781,623	421,120	

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.5 Credit Quality of Gross Financing and Advances (cont'd)

(b) Past Due But Not Impaired (cont'd)

Analysis of the past due but not impaired financing and advances by sector:

	divoor	AND DANK
	31.12.2015 RM'000	31.12.2014 RM'000
Primary agriculture	12,118	-
Mining and quarrying	5,062	_
Manufacturing (including agro-based)	300	2,753
Electricity, gas and water	40	_
Wholesale & retail trade, and hotels & restaurants	16,848	5,393
Construction	101,747	23,002
Real estate	27,120	12,864
Transport, storage and communications	90	7,420
Finance, insurance and business activities	645	1,163
Education, health and others	11,363	430
Household sectors	606,290	368,095
Other sectors	_	_
	781,623	421,120

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(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristic and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

CREDIT RISK (cont'd)

4.5 Credit Quality of Gross Financing and Advances (cont'd)

(c) Impaired Financing and Advances (cont'd)

Impaired financing by assessment type:

	GROUP	AND BANK
	31.12.2015 RM'000	31.12.2014 RM'000
Individually Assessed	211,198	215,552
of which:		
Month-in-Arrears 0	38 <i>,4</i> 90	95,853
Month-in-Arrears 1	28,259	1,705
Month-in-Arrears 2	13,235	6,847
Month-in-Arrears 3 and above	131,214	111,147
Collectively Assessed	170,072	128,987
	381,270	344,539

		·IND	IVIDUAL ASSESS	MENT ALLOWA	NCE ——		
							TOTAL
						0011507115	IMPAIRMENT
	IMPAIRED	INDIVIDUAL	NET CHARGE	AMOUNTS	INDIVIDUAL	COLLECTIVE ASSESSMENT	ALLOWANCES FOR
	FINANCING	ASSESSMENT	FOR THE	WRITTEN	ASSESSMENT	ALLOWANCE	FINANCING
31 DECEMBER 2015	AT	AS AT	FINANCIAL	OFF/OTHER	AS AT	ALLOWANGE	AT
RM'000	31.12.2015	1.01.2015	YEAR	MOVEMENTS	31.12.2015	31.12.2015	31.12.2015
Primary Agriculture	1,307	954	4,740	(4,731)	963	6,773	7,736
Mining and Quarrying	_	_	_	_	_	660	660
Manufacturing							
(including Agrobased)	6,650	1,594	2,163	(2,090)	1,667	11,849	13,516
Electricity, Gas and Water	_	_	_	_	_	10,677	10,677
Wholesale & Retail Trade							
and Restaurants & Hotels	24,986	6,177	5,464	_	11,641	40,860	52,501
Construction	56,344	39,899	(12,918)	(8,604)	18,377	33,901	52,278
Real Estate	-	-	-	-	_	17,264	17,264
Transport, Storage and							
Communication	29,332	33,610	9,443	26,360	16,693	9,363	26,056
Finance, Insurance and							
Business Services	69,533	54,270	525	11,709	66,504	20,599	87,103
Education, Health and Others	7,502	_	2,092	_	2,092	18,246	20,338
Household Sectors	185,616	6,249	2,639	(2,354)	6,534	370,873	377,407
Other Sectors	-	-	-	-	-	-	-
Total	381,270	142,753	14,148	(32,430)	124,471	541,065	665,536

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

- 4.5 Credit Quality of Gross Financing and Advances (cont'd)
 - (c) Impaired Financing and Advances (cont'd)

		⊢IND					
							TOTAL
						COLLECTIVE	IMPAIRMENT ALLOWANCES
	IMPAIRED	INDIVIDUAL	NET CHARGE	AMOUNTS	INDIVIDUAL	ASSESSMENT	FOR
	FINANCING	ASSESSMENT	FOR THE	WRITTEN	ASSESSMENT	ALLOWANCE	FINANCING
31 DECEMBER 2014	AT	AS AT	FINANCIAL	OFF/OTHER	AS AT	AT	AT
RM'000	31.12.2014	1.01.2014	YEAR	MOVEMENTS	31.12.2014	31.12.2014	31.12.2014
Primary Agriculture	1,854	_	954	_	954	5,869	6,823
Mining and Quarrying	-	_	_	-	_	274	274
Manufacturing							
(including Agro-based)	7,669	29,180	987	(28,573)	1,594	22,605	24,199
Electricity, Gas and Water	54	_	_	_	_	9,495	9,495
Wholesale & Retail Trade							
and Restaurants & Hotels	14,732	6,212	(35)	_	6,177	27,171	33,348
Construction	72,192	18,681	21,218	_	39,899	24,626	64,525
Real Estate	-	_	_	-	_	7,932	7,932
Transport, Storage and							
Communication	42,689	30,725	2,885	-	33,610	16,172	49,782
Finance, Insurance and							
Business Services	60,258	50,597	2,599	1,074	54,270	24,431	78,701
Education, Health and							
Others	590	_	_	_	_	12,973	12,973
Household Sectors	144,501	802	5,447	-	6,249	292,840	299,089
Other Sectors	-	-	-	-	-	-	-
Total	344,539	136,197	34,055	(27,499)	142,753	444,388	587,141

CREDIT RISK (cont'd)

- 4.5 Credit Quality of Gross Financing and Advances (cont'd)
 - (d) Gross Financing and Advances Exposures by Geographical Areas

		OF WHI	ICH: ——		
31 DECEMBER 2015	GROSS	PAST DUE BUT NOT IMPAIRED	IMPAIRED	INDIVIDUAL	COLLECTIVE
RM '000	FINANCING	FINANCING	FINANCING	ALLOWANCES	ALLOWANCES
Central Region	16,254,666	412,831	184,568	48,876	271,581
Eastern Region	5,856,505	129,369	47,369	8,561	71,077
Northern Region	5,297,531	105,613	35,880	1,472	82,595
Southern Region	4,725,173	89,310	29,892	1,348	62,999
East Malaysia Region	2,826,351	44,500	83,561	64,214	52,813
Grand Total	34,960,226	781,623	381,270	124,471	541,065
		. 05 14/11/	ICH .		
		PAST DUE BUT	ICH:		
31 DECEMBER 2014	GROSS	PAST DUE BUT	ICH: ——	INDIVIDUAL	COLLECTIVE
31 DECEMBER 2014 RM '000	GROSS FINANCING	PAST DUE BUT		INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
		PAST DUE BUT NOT IMPAIRED	IMPAIRED		
RM '000	FINANCING	PAST DUE BUT NOT IMPAIRED FINANCING	IMPAIRED FINANCING	ALLOWANCES	ALLOWANCES
RM '000 Central Region	FINANCING 13,567,565	PAST DUE BUT NOT IMPAIRED FINANCING 198,827	IMPAIRED FINANCING 148,240	ALLOWANCES 70,871	ALLOWANCES 223,471
RM '000 Central Region Eastern Region	FINANCING 13,567,565 5,037,536	PAST DUE BUT NOT IMPAIRED FINANCING 198,827 69,944	IMPAIRED FINANCING 148,240 44,509	ALLOWANCES 70,871	223,471 56,817
RM '000 Central Region Eastern Region Northern Region	FINANCING 13,567,565 5,037,536 4,722,950	PAST DUE BUT NOT IMPAIRED FINANCING 198,827 69,944 67,384	IMPAIRED FINANCING 148,240 44,509 30,618	ALLOWANCES 70,871	223,471 56,817 75,827

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures

- (a) Geographic Distribution of Credit Exposures
 - (i) Group

					EAST	
	CENTRAL	EASTERN	NORTHERN	SOUTHERN	MALAYSIA	
31 DECEMBER 2015	REGION	REGION	REGION	REGION	REGION	TOTAL
EXPOSURE CLASS	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,272,318	_	_	_	_	5,272,318
Public Sector Entities	1,182,049	194,489	21,738	120,142	38	1,518,456
Banks, Developments	, ,	,	,	ŕ		
Financial Institutions and						
Multilateral Development						
Banks	677,870	_	_	_	4,031	681,901
Corporate	11,185,859	716,326	761,980	395,446	511,774	13,571,385
Regulatory Retail	4,929,479	2,847,224	2,369,180	2,302,089	1,455,106	13,903,078
Residential Mortgages	4,668,587	2,091,745	2,138,329	1,909,412	783,619	11,591,692
Higher Risk Assets	63,206	3,193	5,608	575	2,036	74,618
Other Assets	2,690,794	_	-	-	322	2,691,116
Total for On-Balance Sheet						
Exposures	30,670,162	5,852,977	5,296,835	4,727,664	2,756,926	49,304,564
Off-Balance Sheet						
Exposures						
Credit-related Exposures	1,545,735	_	_	_	4,407	1,550,142
Derivative Financial	, ,				,,,,,,	, ,
Instruments	184,323	_	_	_	_	184,323
T. I. I. O. D. I. O. I.	,					·
Total for Off-Balance Sheet	1 720 050				4 407	1 724 465
Exposures	1,730,058			_	4,407	1,734,465
Total On and Off-Balance						
Sheet Exposures	32,400,220	5,852,977	5,296,835	4,727,664	2,761,333	51,039,029

- 4.6 Gross Credit Exposures (cont'd)
 - (a) Geographic Distribution of Credit Exposures (cont'd)
 - (i) Group (cont'd)

31 DECEMBER 2014 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM'000	TOTAL RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	3,888,002	-	_	_	-	3,888,002
Public Sector Entities	692,883	138,817	26,184	134,132	81	992,097
Banks, Developments						
Financial Institutions and						
Multilateral Development	1 017 000				0.051	1 000 100
Banks	1,217,088	-	702.050	-	3,351	1,220,439
Corporate	11,638,007	532,749	703,059	651,976	383,483	13,909,274
Regulatory Retail	4,777,135	2,707,908	2,230,151	2,118,692	1,323,281	13,157,167
Residential Mortgages	3,664,498	1,652,072	1,756,258	1,508,466	602,355	9,183,649
Higher Risk Assets Other Assets	5,741	3,238	5,874	2,187	3,921	20,961
Other Assets	2,495,953	_			291	2,496,244
Total for On-Balance Sheet						
Exposures	28,379,307	5,034,784	4,721,526	4,415,453	2,316,763	44,867,833
Off-Balance Sheet						
Exposures						
Credit-related Exposures	1,594,154	_	_	_	4,114	1,598,268
Derivative Financial						
Instruments	105,264	-	-	-	-	105,264
Total for Off-Balance Sheet						
Exposures	1,699,418	-	-	-	4,114	1,703,532
Total On and Off-Balance						
Sheet Exposures	30,078,725	5,034,784	4,721,526	4,415,453	2,320,877	46,571,365

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures

- (a) Geographic Distribution of Credit Exposures
 - (ii) Bank

					EAST	
	CENTRAL	EASTERN	NORTHERN	SOUTHERN	MALAYSIA	
31 DECEMBER 2015	REGION	REGION	REGION	REGION	REGION	TOTAL
EXPOSURE CLASS	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,272,318	_	_	_	_	5,272,318
Public Sector Entities	1,182,049	194,489	21,738	120,142	38	1,518,456
Banks, Developments						
Financial Institutions and						
Multilateral Development						
Banks	673,944	_	_	_	4,031	677,975
Corporate	11,185,859	716,326	761,980	395,446	511,774	13,571,385
Regulatory Retail	4,929,479	2,847,224	2,369,180	2,302,089	1,455,106	13,903,078
Residential Mortgages	4,668,587	2,091,745	2,138,329	1,909,412	783,619	11,591,692
Higher Risk Assets	63,206	3,193	5,608	575	2,036	74,618
Other Assets	2,687,797	_	-	-	322	2,688,119
Total for On-Balance Sheet						
Exposures	30,663,239	5,852,977	5,296,835	4,727,664	2,756,926	49,297,641
Off-Balance Sheet						
Exposures						
Credit-related Exposures	1,545,735	_	_	_	4,407	1,550,142
Derivative Financial	_,,,,				1,101	_,,
Instruments	184,323	_	_	_	_	184,323
T. 17. 0% D. 1	,-					,-
Total for Off-Balance Sheet	1 700 050				4 407	1 704 465
Exposures	1,730,058	_	_	_	4,407	1,734,465
Total On and Off-Balance						
Sheet Exposures	32,393,297	5,852,977	5,296,835	4,727,664	2,761,333	51,032,106

- 4.6 Gross Credit Exposures (cont'd)
 - (a) Geographic Distribution of Credit Exposures (cont'd)
 - (ii) Bank (cont'd)

31 DECEMBER 2014 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM'000	TOTAL RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	3,888,002	_	_	_	_	3,888,002
Public Sector Entities	692,883	138,817	26,184	134,132	81	992,097
Banks, Developments						
Financial Institutions and						
Multilateral Development						
Banks	1,216,862	-	_	_	3,351	1,220,213
Corporate	11,638,007	532,749	703,059	651,976	383,483	13,909,274
Regulatory Retail	4,777,135	2,707,908	2,230,151	2,118,692	1,323,281	13,157,167
Residential Mortgages	3,664,498	1,652,072	1,756,258	1,508,466	602,355	9,183,649
Higher Risk Assets	5,741	3,238	5,874	2,187	3,921	20,961
Other Assets	2,494,349	_	_	_	291	2,494,640
Total for On-Balance Sheet						
Exposures	28,377,477	5,034,784	4,721,526	4,415,453	2,316,763	44,866,003
Off-Balance Sheet						
Exposures						
Credit-related Exposures	1,594,154	_	_	_	4,114	1,598,268
Derivative Financial						
Instruments	105,264	-	_	-	-	105,264
Total for Off-Balance Sheet						
Exposures	1,699,418	-	_	-	4,114	1,703,532
Total On and Off-Balance						
Sheet Exposures	30,076,895	5,034,784	4,721,526	4,415,453	2,320,877	46,569,535

as at 31 December 2015 (cont'd)

R :S TOTAL :0 RM'000	- 5,272,318 - 1,518,456	701 681,901 354 13,571,385 129 13,903,078 - 11,591,692 - 74,618 116 2,691,116	0 49,304,564	5 1,550,142 9 184,323	4 1,734,465
OTHER SECTORS RM'000		151,	2,843,300	4,505	4,834
HOUSE- HOLD SECTOR RM'000	' &	- 86,986 34,950 13,595,194 - 11,591,692 - 15,208	8,993,009 842,504 25,289,118	556,363	556,363
EDU- CATION, HEALTH, AND OTHERS RM'000	138,684	v	842,504	152,948 108,359 168,423 –	321,371 108,359
FINANCE, INSURANCE AND BUSINESS SERVICES RM'000	5,272,318 914,861	530,200 2,227,086 48,544 -			
TRANSPORT, STORAGE & COMMUNI- CATION RM'000	284,372	1,305,058 19,358 -	1,608,788	70,807	71,046
REAL ESTATE RM'000	180,501	- 2,731,889 1,364,457 72,258 16,929 59,410	2,863,557 1,561,887	12,204	23,301
CON- STRUCTION RM'000	1 1	2,731,889 72,258 - 59,410	2,863,557	212,599	214,032
WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS RM'000	1 1	976,686 74,987 -	1,051,673	127,748	128,619
ELEC- TRICITY, GAS AND WATER RM'000	1 1	26,417 2,752,785 26,417 41	1,075,440 2,752,826	167,109	167,109
MANU- FACTURING RM'000	1 1	1,049,023 26,417 -	1,075,440	109,119	111,050
MINING AND QUARRYING RM'000	1 1	13,494	13,494	13,710	13,710
PRIMARY AGRI- CULTURE RM'000	1 1	394,697 14,271 -	408,968	14,671	14,671
31 DECEMBER 2015 EXPOSURE CLASS	Credit Risk On-Balance Sheet Exposures Sovereign/Central Banks Public Sector Entities Banks, Developments Financial Institutions and Multilateral	Development Banks Corporate Regulatory Retail Residential Mortgages Higher Risk Assets Other Assets	Total for On-Balance Sheet Exposures	Off-Balance Sheet Exposures Credit-related Exposures Derivative Financial Instruments	Total for Off-Balance Sheet Exposures Total On and Off-Balance

1,180,292 3,077,589 1,585,188 1,679,834 9,314,380 950,863 25,845,481 2,848,134 51,039,029

27,204 1,186,490 2,919,935

423,639

Sheet Exposures

CREDIT RISK (cont'd)

(b) Distribution of Credit Exposures by Sector

(i) Group

Gross Credit Exposures (cont'd)

4.6

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CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(b) Distribution of Credit Exposures by Sector (cont'd)

(i) Group (cont'd)

ø	MINING AND QUARRYING FAC RM'000	MANU- FACTURING RM'000	ELEC- TRICITY, GAS AND F WATER RM'000	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS RM'000	CON- STRUCTION RM'000	REAL ESTATE RM'000	FRANSPORT, STORAGE & COMMUNI- CATION RM'000	FINANCE, INSURANCE AND BUSINESS SERVICES RM'000	EDU- CATION, HEALTH, AND OTHERS RM'000	HOUSE- HOLD SECTOR RM'000	OTHER SECTORS RM'000	TOTAL RM'000
1 1		1 1	1 1	1 1	1 1	1 1	354,487	3,888,002	324,089	. 18	1 1	3,888,002
- 18,177 1,0 2,294 - -		- 45,912 36,987	1,045,912 3,499,186 36,987 1,836 	800,515 80,568	2,966,028 80,147	892,936 21,458 -	1,616,369 23,271 -	1,171,816 2,512,571 60,157 -	- 127,455 31,809 - -	- 64,134 12,809,401 9,183,649 20,961	48,623 672 88 8 - 2,496,244	1,220,439 13,909,274 13,157,167 9,183,649 20,961 2,496,244
20,471 1,08	8	2,899	1,082,899 3,501,022	881,083	3,046,175	914,394	1,994,127	7,945,986	483,353	7,945,986 483,353 22,078,226	2,545,627	44,867,833
38,867		76,055	133,776	140,356	215,154	55,777	57,843	200,557	77,138	552,867	4,267	1,598,268
38,867	1	79,713	133,776	142,918	215,154	68,774	57,843	236,819	77,139	552,867	54,051	1,703,532
59,338 1,16	16,	2,612	1,162,612 3,634,798	1,024,001	1,024,001 3,261,329	983,168	2,051,970	8,182,805	560,492	8,182,805 560,492 22,631,093 2,599,678 46,571,365	2,599,678	46,571,365

as at 31 December 2015 (cont'd)

(b) Distribution of Credit Exposures by Sector (cont'd)(ii) Bank

13,571,385 13,903,078 11,591,692 5,272,318 1,518,456 184,323 1,734,465 1,679,834 9,314,380 950,863 25,845,481 2,841,211 51,032,106 1,550,142 49,297,641 354 2,836,377 339 4,834 2,227,086 668,870 86,986 48,544 34,950 13,595,194 - 11,591,692 8,993,009 842,504 25,289,118 HOUSE-HOLD SECTOR RM'000 1 88 556,363 556,363 CATION, HEALTH, AND OTHERS RM'000 914,861 138,684 321,371 108,359 152,948 108,359 AND H BUSINESS SERVICES RM'000 5,272,318 168,423 INSURANCE STORAGE & COMMUNI-CATION RM'000 284,372 1,305,058 19,358 1,608,788 71,046 70,807 239 3,077,589 1,585,188 180,501 2,731,889 1,364,457 72,258 16,929 2,863,557 1,561,887 12,204 11,097 CON-STRUCTION RM'000 59,410 1,433 212,599 ELEC. & RETAIL
TRICITY, TRADE AND
GAS AND RESTAURANT
WATER & HOTELS S'
RWYOOO RWYOOO 976,686 74,987 128,619 1,180,292 1,051,673 127,748 871 WHOLESALE 1,049,023 2,752,785 26,417 41 167,109 1,075,440 2,752,826 167,109 1,186,490 2,919,935 MANU-FACTURING RM'000 109,119 111,050 1,931 AND QUARRYING RM'000 13,494 27,204 13,494 13,710 13,710 PRIMARY AGRI-CULTURE RM'000 394,697 14,271 408,968 14,671 14,671 423,639 Total On and Off-Balance Credit-related Exposures Sovereign/Central Banks Financial Institutions 31 DECEMBER 2015 EXPOSURE CLASS Public Sector Entities Banks, Developments Residential Mortgages Total for On-Balance Total for Off-Balance Sheet Exposures Sheet Exposures Sheet Exposures and Multilateral Derivative Financial Higher Risk Assets On-Balance Sheet Off-Balance Sheet Development Regulatory Retail Instruments Exposures Other Assets **Credit Risk** Corporate

CREDIT RISK (cont'd)

Gross Credit Exposures (cont'd)

4.6

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CREDIT RISK (cont'd)

Gross Credit Exposures (cont'd) 4.6

(b) Distribution of Credit Exposures by Sector (cont'd)

(ii) Bank (cont'd)

표 공약	PRIMARY AGRI- CULTURE (RM'000	MINING AND QUARRYING RM'000	MANU- FACTURING RM'000	ELEC- TRICITY, GAS AND WATER RM'000	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS RM'000	CON- STRUCTION RM'000	REAL ESTATE RM'000	ITRANSPORT, STORAGE & COMMUNI- CATION RM'000	FINANCE, INSURANCE AND BUSINESS SERVICES RM'000	EDU- CATION, HEALTH, AND OTHERS RM'000	HOUSE- HOLD SECTOR RM'000	OTHER SECTORS RM'000	TOTAL RM'000
	1	ı	1	1	ī	ı	1	ı	3,888,002		I	I	3,888,002
	I	I	I	1	I	I	I	354,487	313,440	324,089	81	I	992,097
	1	I	I	ı	I	I	1	I	1,171,816	I	I	48,397	1,220,213
365,319	119	18,177	1,045,912 3,499,186	3,499,186	800,515	2,966,028	892,936	1,616,369	2,512,571	127,455		672	13,909,274
ත	9,151	2,294	36,987	1,836	80,568	80,147	21,458	23,271	60,157	31,809		88	13,157,167
	ı	I	ı	I	I	ı	ı	I	I	I	9,183,649	I	9,183,649
	ı	1	ı	1	I	1	I	1	1	ı	20,961	1	20,961
	1	1	1	ı	ı	ı	I	1	1	1	1	2,494,640	2,494,640
74	374,470	20,471	1,082,899 3,501,022	3,501,022	881,083	3,046,175	914,394	1,994,127	7,945,986	483,353	7,945,986 483,353 22,078,226	2,543,797	44,866,003
4	45,611	38,867	76,055	133,776	140,356	215,154	55,777	57,843	200,557	77,138	552,867	4,267	1,598,268
	1	I	3,658	I	2,562	I	12,997	I	36,262	1	I	49,784	105,264
4	45,611	38,867	79,713	133,776	142,918	215,154	68,774	57,843	236,819	77,139	552,867	54,051	1,703,532
2	420,081	59,338	59,338 1,162,612 3,634,798	3,634,798	1,024,001	1,024,001 3,261,329	983,168	2,051,970		560,492	8,182,805 560,492 22,631,093 2,597,848 46,569,535	2,597,848	46,569,535

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

- 4.6 Gross Credit Exposures (cont'd)
 - (c) Residual Contractual Maturity Breakdown
 - (i) Group

	UP TO		OVER	
31 DECEMBER 2015	1 YEAR	> 1 – 5 YEARS	5 YEARS	TOTAL
EXPOSURE CLASS	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,088,946	2,716,655	466,717	5,272,318
Public Sector Entities	723,575	271,589	523,292	1,518,456
Banks, Developments Financial Institutions				
and Multilateral Development Banks	282,783	399,118	_	681,901
Corporate	3,620,866	3,307,432	6,643,087	13,571,385
Regulatory Retail	215,715	2,057,918	11,629,445	13,903,078
Residential Mortgages	5,199	85,981	11,500,512	11,591,692
Higher Risk Assets	_	239	74,379	74,618
Other Assets	2,335,453	-	355,663	2,691,116
Total for On-Balance Sheet Exposures	9,272,537	8,838,932	31,193,095	49,304,564
Off-Balance Sheet Exposures				
Credit-related Exposures	610,669	540,044	399,429	1,550,142
Derivative Financial Instruments	139,772	20,502	24,049	184,323
Total for Off-Balance Sheet Exposures	750,441	560,546	423,478	1,734,465
Total On and Off-Balance Sheet Exposures	10,022,978	9,399,478	31,616,573	51,039,029

4.6 Gross Credit Exposures (cont'd)

(c) Residual Contractual Maturity Breakdown (cont'd)

(i) Group (cont'd)

	UP TO		OVER	
31 DECEMBER 2014	1 YEAR	> 1 – 5 YEARS	5 YEARS	TOTAL
EXPOSURE CLASS	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,421,391	586,758	879,853	3,888,002
Public Sector Entities	158,295	458,501	375,301	992,097
Banks, Developments Financial Institutions				
and Multilateral Development Banks	608,391	581,279	30,769	1,220,439
Corporate	3,520,258	4,637,767	5,751,249	13,909,274
Regulatory Retail	60,245	1,821,352	11,275,570	13,157,167
Residential Mortgages	3,998	89,478	9,090,173	9,183,649
Higher Risk Assets	_	403	20,558	20,961
Other Assets	2,100,897	_	395,347	2,496,244
Total for On-Balance Sheet Exposures	8,873,475	8,175,538	27,818,820	44,867,833
Off-Balance Sheet Exposures				
Credit-related Exposures	642,812	483,320	472,136	1,598,268
Derivative Financial Instruments	72,114	20,153	12,997	105,264
Total for Off-Balance Sheet Exposures	714,926	503,473	485,133	1,703,532
Total On and Off-Balance Sheet Exposures	9,588,401	8,679,011	28,303,953	46,571,365

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

- 4.6 Gross Credit Exposures (cont'd)
 - (c) Residual Contractual Maturity Breakdown
 - (ii) Bank

	UP TO		OVER	
31 DECEMBER 2015	1 YEAR	> 1 – 5 YEARS	5 YEARS	TOTAL
EXPOSURE CLASS	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,088,946	2,716,655	466,717	5,272,318
Public Sector Entities	723,575	271,589	523,292	1,518,456
Banks, Developments Financial Institutions				
and Multilateral Development Banks	278,857	399,118	_	677,975
Corporate	3,620,866	3,307,432	6,643,087	13,571,385
Regulatory Retail	215,715	2,057,918	11,629,445	13,903,078
Residential Mortgages	5,199	85,981	11,500,512	11,591,692
Higher Risk Assets	_	239	74,379	74,618
Other Assets	2,332,456	_	355,663	2,688,119
Total for On-Balance Sheet Exposures	9,265,614	8,838,932	31,193,095	49,297,641
Off-Balance Sheet Exposures				
Credit-related Exposures	610,669	540,044	399,429	1,550,142
Derivative Financial Instruments	39,772	20,502	24,049	184,323
Total for Off-Balance Sheet Exposures	750,441	560,546	423,478	1,734,465
Total On and Off-Balance Sheet Exposures	10,016,055	9,399,478	31,616,573	51,032,106

4.6 Gross Credit Exposures (cont'd)

(c) Residual Contractual Maturity Breakdown (cont'd)

(ii) Bank (cont'd)

	UP TO		OVER	
31 DECEMBER 2014	1 YEAR	> 1 – 5 YEARS	5 YEARS	TOTAL
EXPOSURE CLASS	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,421,391	586,758	879,853	3,888,002
Public Sector Entities	158,295	458,501	375,301	992,097
Banks, Developments Financial Institutions				
and Multilateral Development Banks	608,165	581,279	30,769	1,220,213
Corporate	3,520,258	4,637,767	5,751,249	13,909,274
Regulatory Retail	60,245	1,821,352	11,275,570	13,157,167
Residential Mortgages	3,998	89,478	9,090,173	9,183,649
Higher Risk Assets	_	403	20,558	20,961
Other Assets	2,099,293	_	395,347	2,494,640
Total for On-Balance Sheet Exposures	8,871,645	8,175,538	27,818,820	44,866,003
Off-Balance Sheet Exposures				
Credit-related Exposures	642,812	483,320	472,136	1,598,268
Derivative Financial Instruments	72,114	20,153	12,997	105,264
Total for Off-Balance Sheet Exposures	714,926	503,473	485,133	1,703,532
Total On and Off-Balance Sheet Exposures	9,586,571	8,679,011	28,303,953	46,569,535

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

- (a) Standard & Poor's ("S&P")
- (b) Moody's Investors Services ("MOODY'S")
- (c) Fitch Ratings ("FITCH")
- (d) Rating Agency Malaysia Berhad ("RAM")
- (e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- (a) Sovereigns and central banks
- (b) Banking institutions
- (c) Corporates

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

RATING CATEGORY	S & P	MOODY'S	FITCH	RAM	MARC
1	AAA TO AA-	Aaa to Aa3	AAA to AA-	AAA TO AA3	AAA to AA-
2	A+ TO A-	A1 to A3	A+ to A-	A1 TO A3	A+ to A-
3	BBB+ TO BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ TO BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ TO B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The below table summarises risk weight mapping matrix for each credit quality rating category:

	<u> </u>	OF THE COUNT			
			·BA	NKING INSTITUT	IONS
RATING CATEGORY	SOVEREIGN AND CENTRAL BANKS	CORPORATE	MATURITY > 6 MONTH	MATURITY <= 6 MONTH	MATURITY <= 3MONTH
1	0%	20%	20%	20%	
2	20%	50%	50%	20%	
3	50%	100%	50%	20%	
4	100%	100%	100%	50%	20%
5	100%	150%	100%	50%	
6	150%	150%	150%	150%	
Unrated	100%	100%	50%	20%	

Under CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIS & MDBS RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	TOTAL EXPOSURES AFTER NETTING & CRM RM'000	TOTAL RISK WEIGHTED ASSET RM'000
0%	5,272,824	1,126,333	323,288	1,984,374	_	_	_	2,231,699	10,938,518	_
20%	· · -	35,266	413,197	3,635,170	14,018	14,707	_		4,112,358	822,471
35%	_	· -	_	_	-	3,614,111	-	_	3,614,111	1,264,939
50%	_	222,409	131,111	2,790,164	386,789	2,069,134	_	_	5,599,607	2,799,804
75%	_	_	_	433,273	2,321,367	3,830,935	_	-	6,585,575	4,939,181
100%	_	121,876	748	5,549,943	11,283,798	2,297,819	_	459,425	19,713,609	19,713,609
150%	-	-	-	30,421	40,585	44,721	85,030	-	200,757	301,136
Total										
Exposures	5,272,824	1,505,884	868,344	14,423,345	14,046,557	11,871,427	85,030	2,691,123	50,764,535	29,841,140
RWA by										
Exposures	-	240,134	148,943	8,042,644	13,281,899	7,540,549	127,546	459,425	29,841,140	
Average Risk										
Weight	0.0%	15.9%	17.2%	55.8%	94.6%	63.5%	150.0%	17.1%	58.8%	
Deduction from Capital Bas	•									

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group: (cont'd)

	-	EXPC	SURES AFT	ER NETTING &	CREDIT RISK M	ITIGATION (CRM) ———			
RISK WEIGHTS	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIS & MDBS RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	TOTAL EXPOSURES AFTER NETTING & CRM RM'000	TOTAL RISK WEIGHTED ASSET RM'000
0%	3,888,002	423,546	505,108	2,715,712	10,336	_	_	2,059,044	9,601,748	_
20%		244,381	745,942	4,596,127	9,228	15,563	_	_,,,,,,,,,	5,611,241	1,122,248
35%	_		, 10,512	- 1,050,127	-	2,691,836	_	_	2,691,836	942,143
50%	_	64,868	44,957	1,051,030	272,025	1,367,512	_	_	2.800.392	1,400,196
75%	_		_	499,542	4,790,750	3,997,751	_	_	9,288,043	6,966,032
100%	_	267,852	6,647	5,932,949	8,006,315	1,199,097	_	437,207	15,850,067	15,850,067
150%	-	-	-	11,525	173,037	227,462	32,848	-	444,872	667,308
Total										
Exposures	3,888,002	1,000,647	1,302,654	14,806,885	13,261,691	9,499,221	32,848	2,496,251	46,288,199	26,947,994
RWA by Exposures	-	349,162	178,314	7,769,633	11,996,791	6,167,615	49,272	437,207	26,947,994	
Average Risk Weight	0.0%	34.9%	13.7%	52.5%	90.5%	64.9%	150.0%	17.5%	58.2%	
Deduction from Capital Bas										

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

	-	EXPO	SURES AFT	ER NETTING &	CREDIT RISK M	ITIGATION (CRM) —			
RISK WEIGHTS	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIS & MDBS RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	TOTAL EXPOSURES AFTER NETTING & CRM RM'000	TOTAL RISK WEIGHTED ASSET RM'000
0%	5,272,824	1,126,333	323,288	1,984,374	_	_	_	2,232,468	10,939,287	_
20%	_	35,266	409,271	3,635,170	14,018	14,707	_	_	4,108,432	821,686
35%	_	_	_	_	_	3,614,111	_	_	3,614,111	1,264,939
50%	_	222,409	131,111	2,790,164	386,789	2,069,134	_	_	5,599,607	2,799,804
75%	_	_	_	433,273	2,321,367	3,830,935	_	_	6,585,575	4,939,1811
100%	_	121,876	748	5,549,943	11,283,798	2,297,819	_	455,659	19,709,843	19,709,842
150%	_	-	-	30,421	40,585	44,721	85,030	-	200,757	301,136
Total										
Exposures	5,272,824	1,505,884	864,418	14,423,345	14,046,557	11,871,427	85,030	2,688,127	50,757,612	29,836,588
RWA by										
Exposures	_	240,134	148,158	8,042,644	13,281,899	7,540,549	127,546	455,658	29,836,588	
Average Risk Weight	0.0%	15.9%	17.1%	55.8%	94.6%	63.5%	150.0%	17.0%	58.8%	
Deduction from										

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank: (cont'd)

	-	EXPC	SURES AFT	ER NETTING &	CREDIT RISK M	ITIGATION (CRM)			
RISK WEIGHTS	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIS & MDBS RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	TOTAL EXPOSURES AFTER NETTING & CRM RM'000	TOTAL RISK WEIGHTED ASSET RM'000
0%	3,888,002	423,546	505,108	2,715,712	10,336	_	_	2,059,875	9,602,579	_
20%	_	244,381	745,716	4,596,127	9,228	15,563	_	_	5,611,015	1,122,203
35%	_	_	_	_	_	2,691,836	_	_	2,691,836	942,143
50%	_	64,868	44,957	1,051,030	272,025	1,367,512	-	-	2,800,392	1,400,196
75%	-	-	-	499,542	4,790,750	3,997,751	-	-	9,288,043	6,966,032
100%	-	267,852	6,647	5,932,949	8,006,315	1,199,097	-	434,772	15,847,632	15,847,632
150%	-	-	-	11,525	173,037	227,462	32,848	-	444,872	667,308
Total										
Exposures	3,888,002	1,000,647	1,302,428	14,806,885	13,261,691	9,499,221	32,848	2,494,647	46,286,369	26,945,514
RWA by										
Exposures	-	349,162	178,269	7,769,633	11,996,791	6,167,615	49,272	434,772	26,945,514	
Average Risk Weight	0.0%	34.9%	13.7%	52.5%	90.5%	64.9%	150.0%	17.4%	58.2%	
Deduction from Capital Bas										

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

(a) Ratings of Sovereigns and Central Banks by Approved ECAIs

		RATINGS OF	SOVEREIGNS	AND CENTRAL BA	ANKS BY APPI	ROVED ECAIS	
31 DECEMBER 2015	MOODYS S&P	Aaa to Aa3 AAA to AA-	A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB-	Ba1 to B3 BB+ to B-	Caa1 to C CCC+ to D	UNRATED UNRATED
EXPOSURE CLASS	FITCH	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		_	5,272,824	-	-	_	
Total		-	5,272,824	-	_	_	_
		RATINGS OF	SOVEREIGNS	AND CENTRAL BA	ANKS BY APPI	ROVED ECAIS	
	MOODYS	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	UNRATED
31 DECEMBER 2014	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
EXPOSURE CLASS	FITCH	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
On and Off Balance-Sheet							
Credit Exposures							

^{*} These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

3,888,002

(b) Ratings of Corporate by Approved ECAIs

Total

Total		3,559,650	92,636	83,534	-	12,192,863
Corporate		3,524,384	94,636	83,534	_	10,722,245
Firms & Fund Manager		=	-	_	-	-
Insurance Cos, Securities						
Public Sector Entities		35,266	-	_	-	1,470,618
Exposures						
On and Off Balance-Sheet Credit						
EXPOSURE CLASS	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
31 DECEMBER 2015	RAMS	AAA to AA3	A to A3	BBB to BB	B to D	UNRATED
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
	MOODYS	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	UNRATED
		RATIN	GS OF CORPO	DRATE BY APPRO	/ED ECAIS	

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

- 4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI (cont'd)
 - (b) Ratings of Corporate by Approved ECAIs (cont'd)

		RATIN	GS OF CORPO	DRATE BY APPROV	/ED ECAIS	
	MOODYS	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	UNRATED
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
31 DECEMBER 2014	RAMS	AAA to AA3	A to A3	BBB to BB	B to D	UNRATED
EXPOSURE CLASS	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
On and Off Balance-Sheet Credit						
Exposures						
Public Sector Entities		35,244	_	_	-	965,404
Insurance Cos, Securities						
Firms & Fund Manager		_	-	_	-	_
Corporate		4,195,965	94,353	57,757	-	10,458,810
Total		4,231,209	94,353	57,757	-	11,424,214

(c) Ratings of Banking Institutions by Approved ECAIs

	RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIS						
31 DECEMBER 2015 EXPOSURE CLASS	MOODYS S&P FITCH RAMS MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B3 BB+ to B-	Caal to C CCC+ to D CCC+ to D C1 to D C+ to D	UNRATED UNRATED UNRATED UNRATED UNRATED
On and Off Balance-Sheet Credit Exposures Banks, MDBs, and DFIs		144,613	1,631	_	_	_	698,862
Total		144,613	1,631	-	-	-	698,862
		RATING	S OF BANKII	NG INSTITUTIONS	BY APPROVE	D ECAIS	
31 DECEMBER 2014 EXPOSURE CLASS	MOODYS S&P FITCH RAMS MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B-	Caal to C CCC+ to D CCC+ to D C1 to D C+ to D	UNRATED UNRATED UNRATED UNRATED UNRATED
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs Total		648,415	60,385	332	_	_	593,294 593,294

Note: There are no exposures under Short-term ratings for the period under review

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer's cash flows as the main source of payment and not on the collateral offered. However the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The type of collaterals accepted by the Group has an impact on the calculation of the Group's capital adequacy as the quality and type of collateral determine whether the Group is able to obtain capital relief and the extent of such relief.

The main types of collateral obtained by the Group to mitigate credit risks are as follows:

- (a) Cash on lien
- (b) Landed property
- (c) Shariah compliant quoted shares and unit trusts
- (d) Malaysian Federal Government Securities
- (e) Rate / Unrated Islamic Securities / Sukuk
- (f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.9 Credit Risk Mitigation (CRM) (cont'd)

Disclosure of Credit Risk Mitigation (CRM):

EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES	ELIGIBLE FINANCIAL AND NON-FINANCIAL
BEFORE CRM	COVERED BY	NON-FINANCIAL
	GUARANTEES	
RM'000		COLLATERAL
	RM'000	RM'000
5,272,318	_	_
1,518,456	_	65,078
677,975	_	_
13,479,088	486,838	576,926
13,842,759	13,289	115,588
11,544,602	13,996	32,386
74,616	_	_
2,688,119	_	_
199,708	2,627	11,691
49,297,641	516,750	801,669
1,541,568	6,925	16,046
184,323	=	_
8,574	_	_
1,734,465	6,925	16,046
51,032,106	523,675	817,715
	1,518,456 677,975 13,479,088 13,842,759 11,544,602 74,616 2,688,119 199,708 49,297,641 1,541,568 184,323 8,574 1,734,465	1,518,456 — 677,975 — 13,479,088 486,838 13,842,759 13,289 11,544,602 13,996 74,616 — 2,688,119 — 199,708 2,627 49,297,641 516,750 1,541,568 6,925 184,323 — 8,574 — 1,734,465 6,925

EXPOSURES

EXPOSURES

CREDIT RISK (cont'd)

4.9 Credit Risk Mitigation (CRM) (cont'd)

Disclosure of Credit Risk Mitigation (CRM): (cont'd)

			COVERED BY
		EXPOSURES	ELIGIBLE FINANCIAL AND
	EXPOSURES	COVERED BY	NON-FINANCIAL
31 DECEMBER 2014	BEFORE CRM	GUARANTEES	COLLATERAL
EXPOSURE CLASS	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	3,888,002	_	_
Public Sector Entities	992,097	_	27,432
Banks, DFIs and MDBs	1,220,213	_	_
Corporates	13,867,576	519,677	774,357
Regulatory Retail	12,942,334	17,579	124,428
Residential Mortgages	8,945,396	12,575	27,723
Higher Risk Assets	19,951	_	_
Other Assets	2,494,640	_	_
Defaulted Exposures	495,794	15,977	23,112
Total for On-Balance Sheet Exposures	44,866,003	565,808	977,052
Off-Balance Sheet Exposures			
Credit-related Exposures	1,590,551	2,914	2,283
Derivative Financial Instruments	105,264	_	_
Defaulted Exposures	7,717	_	_
Total for Off-Balance Sheet Exposures	1,703,532	2,914	2,283
Total On and Off-Balance Sheet Exposures	46,569,535	568,722	979,335

as at 31 December 2015 (cont'd)

4. CREDIT RISK (cont'd)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

Total	12,692,303	119,259	1,734,465	1,383,071
	3,185,854	119,259	184,323	85,061
- less than one year		_	_	_
Equity related contracts				
- five years and above	262,568	3,657	24,048	13,688
- one year to less than five years	600,000	9,200	20,504	4,101
- less than one year	_	-	_	-
Profit rate related contracts				
- less than one year	2,323,286	106,402	139,771	67,272
Derivative Financial Instruments Foreign exchange related contracts				
	9,506,449		1,550,142	1,298,010
creditworthiness	5,822,088		_	_
notice or that effectively provide for automatic cancellation due to deterioration in a customer's				
cancelled at any time by the bank without prior				
Any commitments that are unconditionally				
Unutilised credit card lines	1,169,445		233,889	176,494
- exceeding one year	837,455		418,728	333,700
- not exceeding one year	2,014		403	403
maturity of:				
facilities and credit lines, with an original				
contingencies Other commitments, such as formal standby	374,892		74,978	72,446
Short term self-liquidating trade related	274 000		74.070	70.446
Transaction related contingent items	956,822		478,411	413,964
Assets sold with recourse	2		2	2
Credit related Exposures Direct credit substitutes	343,731		343,731	301,001
NATURE OF ITEM	RM'000	RM'000	RM'000	RM'000
NATURE OF ITEM	AMOUNT	CONTRACTS	AMOUNT	ASSET
	PRINCIPAL	DERIVATIVE	EQUIVALENT	WEIGHTED
		VALUE OF	CREDIT	RISK

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (cont'd)

		POSITIVE FAIR		
	DDINGIDAL	VALUE OF	CREDIT	RISK
	PRINCIPAL AMOUNT	DERIVATIVE CONTRACTS	EQUIVALENT AMOUNT	WEIGHTED ASSET
NATURE OF ITEM	RM'000	RM'000	RM'000	RM'000
Credit related Exposures				
Direct credit substitutes	360,433		360,433	355,715
Assets sold with recourse	2		2	2
Transaction related contingent items	1,026,265		513,132	451,601
Short term self-liquidating trade related				
contingencies	236,874		47,375	45,832
Other commitments, such as formal standby				
facilities and credit lines, with an original				
maturity of:				
- not exceeding one year	6,165		1,233	1,215
- exceeding one year	942,851		471,425	378,793
Unutilised credit card lines	1,023,337		204,668	153,502
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 customer's				
creditworthiness	5,404,888		-	_
	9,000,815		1,598,268	1,386,660
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	1,840,778	45,508	65,406	36,492
Profit rate related contracts				
- less than one year	300,000	348	308	62
- one year to less than five years	600,000	12,278	20,153	4,031
- five years and above	287,694	4,392	12,996	12,996
Equity related contracts				
- less than one year	106,680	15	6,401	3,200
	3,135,152	62,541	105,264	56,781
Total	12,135,967	62,541	1,703,532	1,443,441

as at 31 December 2015 (cont'd)

5. MARKET RISK

5.1 Overview

All the Group's businesses are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. Furthermore, significant or sudden movements in rates could affect the Group's liquidity / funding position. The Group is exposed to the following main market / liquidity risk factors:

- Rate of Return or Profit Rate Risk: the potential impact on the Group's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer / customer specific reasons;
- Foreign Exchange Risk: the impact of exchange rate movements on the Group's currency positions;
- Equity Investment Risk: the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;
- Commodity Inventory Risk: the risk of loss due to movements in commodity prices;
- Liquidity Risk: the potential inability of the Group to meet its funding requirements at a reasonable cost (funding liquidity risk) or its inability to liquidate positions quickly at a reasonable price (market liquidity risk).

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

The Group separates exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions so designated as per the approved Trading Book Policy Statements. Non-trading portfolios primarily arise from the re-pricing mismatches of the Group's customer driven assets and liabilities and from the Group's investment of its surplus funds.

5.2 Market Risk Governance

The management of market risk is principally carried out by using risk limits approved by the BRC, guided by the Risk Appetite Statement approved by the Board of Directors. The Asset and Liability Management Committee ("ALCO") is responsible under the authority delegated by the BRC for managing market risk at strategic level.

5.3 Management of Market Risk

All market risk exposures are managed by Treasury. The aim is to ensure that all market risks are consolidated at Treasury level, which has the necessary skills, tools, management and governance to manage such risks professionally. Limits are set for portfolios, products and risk types, with market liquidity and credit quality being the principal factors in determining the level of limits set.

Market Risk Management Department ("MRMD") is an independent risk control function and is responsible for ensuring efficient implementation of market risk management policies. MRMD is also responsible for developing the Group's market risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits are reported immediately to the Senior Management. Strict escalation procedures are well documented and approved by the BRC. In addition, the market risk exposures and limits are regularly reported to the ALCO and BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and a list of permissible instruments than can be traded. Stress test results are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group.

5. MARKET RISK (cont'd)

5.3 Management of Market Risk (cont'd)

(a) Profit Rate Risk in the Non-Trading Portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as economic value of equity ("EVE") and earnings-at-risk ("EaR"). EVE and EaR limits are approved by the BRC and independently monitored by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and BRC.

The Group manages market risk in non-trading portfolios by monitoring the sensitivity of projected EaR and EVE under varying profit rate scenarios (simulation modeling). For simulation modeling, a combination of standard scenarios and nonstandard scenarios relevant to the local market are used. The standard scenarios monitored monthly include a 100 basis points parallel fall or rise in profit rate and historical simulation of past events. The scenario assumes no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimise net revenues. The nature of the hedging and risk mitigation strategies corresponds to the market instruments available.

These strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the projected sensitivity to a 100 basis points parallel shift to profit rates across all maturities applied on the Bank's profit rate sensitivity gap as at reporting date.

	2015		2014	
	-100bps	+100bps	-100bps	+100bps
	increase/ (decrease)			•
	RM	RM	RM	RM
	MILLION	MILLION	MILLION	MILLION
Bank				
Impact on EaR	(10.38)	10.38	22.45	(22.45)
Impact on EVE	326.12	(326.12)	397.43	(397.43)

Other controls to contain profit rate risk in the non-trading portfolio include stress testing and applying sensitivity limits to the available for sale financial assets. Sensitivity is measured by the present value of a 1 basis point change ("PV01") and is independently monitored by MRMD on daily basis against limits approved by the BRC. PV01 exposures and limits are regularly discussed and reported to the ALCO and BRC.

(b) Market Risk in the Trading Portfolio

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk ("VaR"). The VaR limit is approved by the BRC and independently monitored daily by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by the Group are based on historical simulation. These models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as profit rates and foreign exchange rates.

as at 31 December 2015 (cont'd)

5. MARKET RISK (cont'd)

5.3 Management of Market Risk (cont'd)

(b) Market Risk in the Trading Portfolio (cont'd)

The historical simulation models used by the Group incorporate the following features:

- Potential market movements are calculated with reference to data from the past four years;
- · Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates;
- VaR is calculated to a 99 per cent confidence level and for a one-day holding period. The nature of the VaR model means
 that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying
 positions; and
- The dataset is updated on daily basis.

Statistically, the Group would expect to see losses in excess of VaR only 1 per cent of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the models are performing.

A summary of the VaR position of the Bank's trading portfolios as at the reporting date is as follows:

	AS AT	1.1.	2015 TO 31.12.20	015
	31.12.2015	AVERAGE	HIGH	LOW
	RM MILLION	RM MILLION	RM MILLION	RM MILLION
Profit Rate Risk	1.81	1.69	4.61	0.40
Foreign Exchange Risk	0.17	0.14	0.94	0.01
Overall	1.98	1.83	4.77	0.48
	AS AT	1.1.	2014 TO 31.12.20	014
	31.12.2014	AVERAGE	HIGH	LOW
	RM MILLION	RM MILLION	RM MILLION	RM MILLION
Profit Rate Risk	0.67	1.62	2.83	0.63
Foreign Exchange Risk	0.11	0.22	2.08	0.01
Overall	0.78	1.84	4.71	0.68

MARKET RISK (cont'd) 5.

5.3 Management of Market Risk (cont'd)

(b) Market Risk in the Trading Portfolio (cont'd)

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- · The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- · The use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- · VaR is calculated on the basis of exposures outstanding at the close of business day and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect the loss potential on exposures that might arise under significant market movements.

The Group recognises these limitations by augmenting the VaR limits with other limits such as maximum loss limits, position limits and PV01 limits. These limits are approved by the BRC and independently monitored daily by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

(c) Foreign Exchange Risk

Trading Positions

In addition to VaR and stress testing, the Group controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

Overall (Trading and Non-Trading Positions)

The Group controls the overall foreign exchange risk by limiting the open exposure to non-Ringgit positions on an aggregate basis.

Foreign exchange limits are approved by the BRC and independently monitored daily by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

as at 31 December 2015 (cont'd)

5. MARKET RISK (cont'd)

5.3 Management of Market Risk (cont'd)

(c) Foreign Exchange Risk (cont'd)

Sensitivity Analysis

Assuming that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and Bank as at reporting date is summarised as follows (only exposures in currencies that account for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2015		2014	
	-1%	+1%	-1%	+1%
	DEPRECIATION	APPRECIATION	DEPRECIATION	APPRECIATION
	RM '000	RM '000	RM '000	RM '000
Group & Bank				
US Dollar	(5,414)	5,414	(4,855)	4,855
Euro	4,916	(4,916)	5,268	(5,268)
Others	224	(224)	861	(861)

(d) Liquidity and Funding Risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms when required.

The Group maintains a diversified and stable funding base comprising core retail, commercial, corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Group's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Group's funding, and the Group places considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositor confidence in the Group and the Group's capital strength and liquidity, and on competitive and transparent pricing.

The management of liquidity and funding is primarily carried out in accordance with the BNM's requirements and practices and limits and triggers approved by the ALCO and BRC. These limits and triggers vary to take account of the depth and liquidity of the local market in which the Group operates. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

5. MARKET RISK (cont'd)

5.3 Management of Market Risk (cont'd)

(d) Liquidity and Funding Risk (cont'd)

The Group's liquidity and funding management process includes:

- Daily projection of cash flows and ensuring that the Group has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- · Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

(i) Liquidity and Funding Risk Governance

The management of liquidity and funding risk is principally undertaken using risk limit mandates approved by the BRC and management action triggers assigned by the ALCO.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity and funding risk at strategic level.

(ii) Management of Liquidity and Funding Risk

All liquidity risk exposures are managed by Treasury. The aim is to ensure that liquidity and funding risk are consolidated at Treasury level, which has the necessary skills, tools, management and governance to manage such risks professionally. Limits and triggers are set to meet the following objectives:

- · Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

Another control to ensure that liquidity and funding risk exposures remain within tolerable level is stress testing. Stress testing and scenario analysis are important tools in the Group's liquidity management framework. Stress test results are produced monthly to determine the impact of a sudden liquidity shock. The stresstesting provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group.

A final key control feature of the Group's liquidity and funding risk management are the approved and documented liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications to the Group.

5.4 **Capital Treatment for Market Risk**

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM's CAFIB.

as at 31 December 2015 (cont'd)

6. OPERATIONAL RISK ("OPRISK")

6.1 Overview

Operational Risk ("OpRisk") is defined as the "risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk".

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank's risk management programme.

6.2 OpRisk Governance

The Group's operational risk management ("ORM") is guided by its ORM Framework and Risk Management Policy as well as its Risk Appetite Framework which are designed to provide a sound and well-controlled operational environment within the Group.

The MRCC, under the authority delegated by the BRC is responsible to perform the oversight functions and to ensure effective management of issues relating to OpRisk at strategic level. The ORCC which is a sub-committee of MRCC is primarily responsible in ensuring the effective implementation and maintenance of policies, processes and systems for managing OpRisk for the Group.

Notwithstanding the above, the various Business & Support Units ("BU/SU") are responsible for managing OpRisk within their respective domains on a day to day basis and ensuring that their business & operational activities are carried out within the established ORM guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/SU level, a Risk Controller for each BU/SU is appointed to assist in driving the risk & control programme for the Group.

Ultimately all staff of the Group are to ensure they properly discharge their day to day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline i.e. "Managing Risk is Everyone's Business".

6.3 Management of OpRisk

The Group recognises and emphasises the importance of ORM and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established OpRisk guidelines, procedures and limits.

The Group's overall governance approach in managing OpRisk is premised on the Three Lines of Defence Approach:

- (a) **1st Line of Defence** the risk owner or risk taking unit i.e. BU/SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of OpRisk.
- (b) **2nd Line of Defence** the Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM framework, developing various ORM tools to facilitate the management of OpRisk, monitoring the effectiveness of ORM, assessing OpRisk issues from the risk owner and escalating OpRisk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group.

Both Shariah Risk Management ("SRM") and Compliance Division complement the role of ORMD as the 2nd Line of Defence. SRM is responsible for managing the Shariah compliance risk ("SCR") by establishing and maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

Compliance Division is responsible for ensuring effective oversight on compliance risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programmes as well as conducting trainings that promote awareness creation.

(c) **3rd Line of Defence** – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

OPERATIONAL RISK ("OPRISK") (cont'd)

6.4 **Operational Risk Management Framework**

The Group's ORM is guided by the ORM framework designed to provide a sound and well-controlled operational environment within the Group. The framework sets out the Group's approach to identifying, assessing, monitoring and mitigating OpRisk and focuses on the four causal factors of OpRisk i.e. internal processes, people, system and external events. It consists of the following components:

COMPONENTS OF ORM FRAMEWORK **RISK IDENTIFICATION RISK ENVIRONMENT RISK ENVIRONMENT** Culture & Appetite **RISK RISK** MONITORING Foundation **ASSESSMENT** & REPORTING & Governance Structure Risk Mitigation **ORM Tools** & Quantification Standards & Regulatory Requirements **RISK ENVIRONMENT RISK ENVIRONMENT RISK CONTROL & MITIGATION**

as at 31 December 2015 (cont'd)

6. OPERATIONAL RISK ("OPRISK") (cont'd)

6.5 ORM Tools & Mitigation Strategies

The Group employs various tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating its, namely:

OVERVIEW OF ORM TOOLS			
PROACTIVE TOOLS			REACTIVE TOOL
KEY RISK INDICATOR	RISK CONTROL SELF ASSESSMENT	PROCESS RISK MAPPING	RISK LOSS EVENT MANAGEMENT & REPORTING
 A forward looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system); To assist management to focus on high-risk issues. 	To identify and assess operational risks by Risk Owners; The tool creates ownership and increases operational risk awareness.	End to end review of critical banking activities to identify potential risks and ensure appropriate controls are in place and are effective.	Centralised groupwide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.
RISK ANALYSIS & REPORTING			
Analysis and reporting of qualitative and quantitative results from various ORM tools			

In addition, a comprehensive Business Continuity Management ("BCM") function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group's risk management process by providing a controlled response to potential OpRisk that could have a significant impact on the Group's critical processes and revenue streams.

As part of the risk transfer strategy, the Group obtains 3rd party Takaful coverage to cover for the Group's high impact loss events.

The Group also ensures that the Groupwide OpRisk awareness programme is conducted on an ongoing basis. This training programme includes emphasis on inculcating an OpRisk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

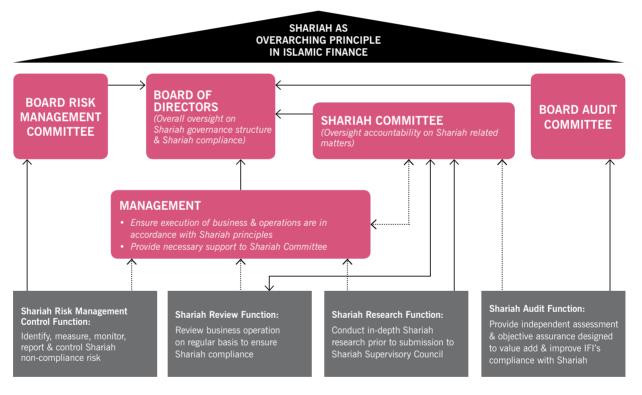
6.6 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the BIA as per BNM's CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

SHARIAH GOVERNANCE

7.1 Overview

By virtue of BNM's Shariah Governance Framework for Islamic Financial Institution ("SGF"), the Group has established a sound and robust Shariah governance framework with emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council ("SSC") that is supported by strong and competent internal Shariah functions. Below diagram depicts the Group's Shariah governance structure:



To date, the Group has in place the Shariah Compliance Policy to communicate its comprehensive Shariah governance framework to ensure the Group's business activities and behaviors are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act ("IFSA") 2013, BNM's SGF and its other rules and regulations, and the resolutions of BNM and Securities Commission ("SC")'s Shariah Advisory Council and the Group's SSC.

7.2 **Shariah Risk Management**

The Group's Shariah risk management is guided by its Shariah Compliance Risk Management ("SCRM") Guideline which sets out the high-level framework supporting the Shariah Compliance Policy and details out the Shariah risk management processes and tools. The guideline serves to provide a consistent groupwide framework for managing SCR across the Group.

as at 31 December 2015 (cont'd)

7. SHARIAH GOVERNANCE (cont'd)

7.2 Shariah Risk Management (cont'd)

In addition to this, the Shariah Non-Compliance Management and Reporting Guideline provides sound mechanism on Shariah non-compliance ("SNC") management and reporting in order to ensure the Group strictly complies with Shariah rules and principles as well as the regulatory requirements. The guideline was established in line with the mechanism set out by BNM's Operational Risk Reporting Requirement – Operational Risk Integrated Online Network ("ORION") and to ensure compliance to section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Moreover, pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

In order to ensure that the planning, development, and implementation of the Group's products are in accordance with the Shariah rules and principles, the Group has issued Shariah contract guidelines to serve as a standard guide for the Group's personnel in dealing with products e.g. product development, product marketing, etc. Nevertheless, in view that BNM has issued its own policy documents for respective Shariah contracts, the Group shall adopt the documents as its main reference and therefore repeal the existing internal Shariah contract guidelines to ensure the Group has a standard set of Shariah references.

In line with the definition of OpRisk which includes SCR as part of OpRisk, the SCR is managed using the established ORM processes and tools, including the establishment of Risk Control Self Assessment (RCSA). In view of the fact that the Shariah RCSA is still relatively new, the Shariah Risk Management Department conducts a comprehensive independent assessment on the RCSA submitted by Risk Controller to ensure accuracy and comprehensiveness of the SNC risk registered in the Shariah RCSA.

7.3 Shariah Non-Compliance ("SNC") Events

An SNC event is a result of the Group's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils.

Throughout the year 2015, four (4) incidences were confirmed by the Shariah Supervisory Council as SNC events as follows:

- (a) TDT-i Special Overnight (withdrawal of placement before trading);
- (b) Incomplete Tawarruq transaction performed by Bank Islam Card Centre telemarketing agents;
- (c) Absence of Tawarrug transaction in Bank Islam Card renewal;
- (d) Wrong calculation of safekeeping fees for Ar-Rahnu legacy accounts.

The SNC events were due to operational failure in executing the contract and trading, gaps and system failure. The recognized profit coming from these events will be refunded to the rightful owner or channeled to charity upon completion of its computation by respective business owners.

The Group, from time to time, makes efforts to prevent similar Shariah breaches from recurring by issuing reminders, conducting awareness initiatives as well as putting additional controls to ensure compliance with Shariah requirements.

7.4 Shariah Non-Compliant Income

31 December 2015	31 December 2014
RM7,768.02	RM3,360.01

The above amount consists of commissions from Shariah non-compliant merchants of card business, interest received as well as rental purification from the Group's land that is being used to facilitate bai' inah based transaction. The income was channeled to charitable causes upon approval by the Shariah Supervisory Council.

Managing Director Attestation

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosures report for the financial year ended 31 December 2015 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

Dato' Sri Zukri Samat Managing Director

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Northern Region

(cont'd)



BANDAR BARU PERDA

Tel: (6) 04 540 3150 / 3151 / 3153

Fax: (6) 04 540 3152

BAYAN BARU

Tel: (6) 04 642 5094 / 5095

(6) 04 642 5096 / 5097

Fax: (6) 04 642 5098

BUTTERWORTH

Tel : (6) 04 331 2357 / 2358

(6) 04 332 1301 / 1317

Fax: (6) 04 331 2360

GEORGETOWN

Tel: (6) 04 262 4724 / 4933

(6) 04 262 5019 / 0626

Fax: (6) 04 262 2594

KEPALA BATAS

Tel: (6) 04 575 5517 / 5579 / 3376

Fax: (6) 04 575 3986

DIRECTORY

Eastern Region



REGIONAL OFFICE

No. 8033, 2nd Floor Bandar Satelit Pasir Tumboh 16150 Kota Bharu Kelantan

Tel: (6) 09 764 3840 / 3850 / 3854

Fax: (6) 09 764 3870



BANDAR BARU TUNJUNG

Tel: (6) 09 743 0190 / 0192 / 0193

Fax: (6) 09 743 0194

GUA MUSANG

Tel: (6) 09 912 2003 Fax: (6) 09 912 1772

JALAN SULTAN IBRAHIM

Tel: (6) 09 743 4020 / 4030 / 4060

Fax: (6) 09 743 3020

KOTA BHARU

Tel: (6) 09 741 9222 / 9333 / 9555

(6) 09 743 8825 Fax: (6) 09 743 8826

KUALA KRAI

Tel: (6) 09 966 4627 / 3002 / 3008

Fax: (6) 09 966 4651

KUBANG KERIAN

Tel: (6) 09 764 0058 / 0070 / 0071

Fax: (6) 09 764 0057

MACHANG

Tel: (6) 09 975 2800 / 1490

Fax: (6) 09 975 2900

PASIR MAS

Tel: (6) 09 790 0750 / 0751

Fax: (6) 09 790 0752

PASIR PUTEH

Tel: (6) 09 786 0061 / 0062 / 0063

Fax: (6) 09 786 0068

Eastern Region

(cont'd)



PASIR TUMBOH

Tel: (6) 09 764 4077 Fax: (6) 09 764 6077

RANTAU PANJANG

Tel: (6) 09 795 0077 / 2768 Fax: (6) 09 795 0088

TANAH MERAH

Tel: (6) 09 955 8341 / 2341 Fax: (6) 09 955 8342

PADANG GARONG

Tel: (6) 09 747 1867 / 9313 / 9317

Fax: (6) 09 747 1902

WAKAF BHARU

Tel: (6) 09 719 8444 / 8445 / 8446

Fax: (6) 09 719 8447



REGIONAL OFFICE

2nd Floor, Putra Square Branch 25200 Kuantan **Pahang**

Tel: (6) 09 517 3452 / 3491 / 3584

Fax: (6) 09 517 3605



BANDAR MUADZAM SHAH

Tel: (6) 09 452 3175 / 5175 / 5176

Fax: (6) 09 452 3177

BANDAR PUSAT JENGKA

Tel: (6) 09 466 2890 / 4837 / 4153

Fax: (6) 09 466 2891

JERANTUT

Tel: (6) 09 266 6120 / 6121 / 9096

(6) 09 226 9380 / 9381

Fax: (6) 09 266 6380

KUALA ROMPIN

Tel: (6) 09 414 6064 / 6065 / 6068

Fax: (6) 09 414 6074

KUANTAN

Tel: (6) 09 513 3366 / 3367 / 3368

Fax: (6) 09 513 3369

PEKAN

Tel: (6) 09 422 8622 / 8922

Fax: (6) 09 422 8818

PUTRA SQUARE

Tel: (6) 09 517 3225 / 3229 / 3231

Fax: (6) 09 517 3235

RAUB

Tel: (6) 09 355 8300 / 8301

Fax: (6) 09 355 8302

TEMERLOH

Tel: (6) 09 296 5301 / 3222 / 1416

Fax: (6) 09 296 5300

Eastern Region

(cont'd)



REGIONAL OFFICE

3rd & 4th Floor, Lot 35308 Dataran Austin, Gong Badak Mukim Kuala Nerus 20200 Kuala Terengganu Terengganu

Tel: (6) 09 667 2426 / 2427 / 2428

Fax: (6) 09 667 2429



CHUKAI

Tel: (6) 09 859 9999 / 9977 Fax: (6) 09 858 1675

DUNGUN

Tel: (6) 09 848 5498 (6) 845 3302 / 3055 Fax: (6) 09 848 5502

JALAN PADANG HILIRAN

Tel: (6) 09 631 3533 / 8354 / 8355

Fax: (6) 09 631 3633

JERTEH

Tel: (6) 09 697 3388 / 1672 / 1673

Fax: (6) 09 697 1592

KUALA TERENGGANU

Tel: (6) 09 622 4730 / 4744 / 4754 (6) 09 622 4780 / 623 4537

Fax: (6) 09 623 3944

KUALA NERUS

Tel: (6) 09 667 1700 / 1702 / 1703

Fax: (6) 09 667 1705

DIRECTORY

Southern Region



REGIONAL OFFICE

15th Floor, Menara TH Jalan Ayer Molek 80000 Johor Bahru **Johor**

Tel: (6) 07 225 8800 Fax: (6) 07 225 8901



AERO MALL

Tel: (6) 07 598 5975 / 5977 Fax: (6) 07 598 5978

AUSTIN HEIGHT

Tel: (6) 07 364 3070 / 3081 / 3293

Fax: (6) 07 364 3839

BANDAR PENAWAR

Tel: (6) 07 822 2802 / 2803 / 2804

Fax: (6) 07 822 2806

BATU PAHAT

Tel: (6) 07 431 9350 / 9352 / 8927

Fax: (6) 07 431 9351

IFSC JOHOR BAHRU

Tel: (6) 07 223 7030 / 7031

Fax: (6) 07 223 7032

JOHOR BAHRU

Tel: (6) 07 224 0242 / 0244 / 0272

Fax: (6) 07 224 0243

KLUANG

Tel: (6) 07 772 6423 / 6417 / 6878

Fax: (6) 07 773 2702

KOTA TINGGI

Tel: (6) 07 883 8800 / 5582

(6) 07 882 6205

Fax: (6) 07 882 4485

KULAIJAYA

Tel: (6) 07 663 5204 / 5205 / 5206

Fax: (6) 07 663 3208

MERSING

Tel: (6) 07 799 5076 / 6606

(6) 07 799 6607 / 6608

Fax: (6) 07 799 5077

DIRECTORY Southern Region

(cont'd)



MUAR

Tel: (6) 06 952 8301 / 8302 / 8303

Fax: (6) 06 952 8304

PASIR GUDANG

Tel: (6) 07 252 6671 / 6672 / 6673

Fax: (6) 07 252 6676

PONTIAN

Tel: (6) 07 688 1909 / 2259

(6) 07 686 5666

Fax: (6) 07 688 3660

SEGAMAT

Tel: (6) 07 932 4257 / 2901

(6) 07 932 2862 / 2873

Fax: (6) 07 932 4273

TAMAN BUKIT INDAH

Tel: (6) 07 239 5977 / 5978 / 5979

Fax: (6) 07 239 5980

TAMPOI

Tel: (6) 07 234 5228 / 5229 / 8785

Fax: (6) 07 234 5230



REGIONAL OFFICE

JC 526 & 527, Tingkat 1 Jalan Bestari 5 77200 Jasin Melaka

Tel: (6) 06 529 4402 / 4403

Fax: (6) 06 529 4370



AYER KEROH

Tel: (6) 06 232 0986 / 1273 / 6559

Fax: (6) 06 232 6561

BANDAR MELAKA

Tel: (6) 06 284 1366 / 1367 / 1368

Fax: (6) 06 284 7257

IFIC BANDA KABA

Tel: (6) 06 288 0425 / 0426 / 0427

Fax: (6) 06 288 0428

JASIN

Tel: (6) 06 529 5301 / 5302 / 5303

Fax: (6) 06 529 5312

MASJID TANAH

Tel: (6) 06 384 5108 / 8340 / 8332

Fax: (6) 06 384 5109

DIRECTORY Southern Region

(cont'd)



KUALA PILAH

Tel: (6) 06 481 4600 / 8482 Fax: (6) 06 481 1431

NILAI

Tel : (6) 06 799 0549 / 0277 / 6124

Fax: (6) 06 799 6217

PORT DICKSON

Tel: (6) 06 647 4330 (6) 06 646 3281 Fax: (6) 06 647 5657

SENAWANG

Tel: (6) 06 678 2731 / 2732 / 2733

Fax: (6) 06 678 2734

SEREMBAN

Tel: (6) 06 762 9814 / 9815 (6) 06 762 9816 / 9817 Fax: (6) 06 763 8391

TAMPIN

Tel: (6) 06 441 4131 / 4132 / 4133

Fax: (6) 06 441 7479

BANDAR ENSTEK

Tel: (6) 06 799 6484 / 6485 / 6486

Fax: (6) 06 799 6487

DIRECTORY

East Malaysia Region



REGIONAL OFFICE

1st Floor, UMNO Building Jalan Kemajuan 88500 Kota Kinabalu Sabah

Tel: (6) 088-447 114 / 160 / 260

Fax: (6) 088-447 256



ALAMESRA

Tel: (6) 088 487 978 / 975 / 976

Fax: (6) 088 487 980

KOTA KINABALU

Tel: (6) 088 447 285 / 306 / 312 / 314

Fax: (6) 088-447 315

LAHAD DATU

Tel: (6) 089 863 255 / 244 / 577

Fax: (6) 089 863 433

SANDAKAN

Tel: (6) 089 214 885 / 942 / 964

Fax: (6) 089 214 977

TAWAU

Tel: (6) 089 778 966 / 758

Fax: (6) 089 779 666

KENINGAU

Tel: (6) 087 342 201 / 202 / 203

Fax: (6) 087 342 204



LABUAN

Tel: (6) 087 419 205 / 424 667

Fax: (6) 087 419 206

East Malaysia Region

(cont'd)



REGIONAL OFFICE

Lot 423 – 426, Bangunan Aiman Jalan Kulas Barat Section 5 93400 Kuching Sarawak

Tel: (6) 082 425 118 / 235 419

(6) 082 416 215

Fax: (6) 082 233 172 / 234 108

(6) 082 235 521



BINTULU

Tel: (6) 086 337 413 / 418 / 493 / 781

Fax: (6) 086 337 401

KOTA SAMARAHAN

Tel: (6) 082 662 616 / 617 / 284 / 285

Fax: (6) 082 662 618

KUCHING

Tel: (6) 082 412 259 / 413 229

(6) 082 414 159 / 417 289

Fax: (6) 082 410 446

MIRI

Tel : (6) 085 415 422 / 424 / 425

Fax: (6) 085 415 421

SIBU

Tel: (6) 084 327 140 / 141 / 142

Fax: (6) 084 327 144

SIMPANG TIGA

Tel: (6) 082 453 716 / 726 / 736

Fax: (6) 082 453 711

Ar-Rahnu Branches

ALOR SETAR

Lot 2024, Jalan Langgar 05000 Alor Setar Kedah

Tel: (6) 04 731 9090 Fax: (6) 04 730 5050

SUNGAI PETANI

21-B, Jalan Ibrahim 08000 Sungai Petani Kedah

Tel: (6) 04 421 9090 Fax: (6) 04 421 5050

KOTA BHARU

No. 1154 & 1155, Seksyen 11 Lorong Medan MARA 15000 Kota Bharu Kelantan

Tel: (6) 09 748 9090 Fax: (6) 09 748 9050

KUBANG KERIAN

PT816, Ground Floor Jalan Raja Perempuan Zainab II Bandar Baru Kubang Kerian 16150 Kota Bharu Kelantan

Tel: (6) 09 767 8090 Fax: (6) 09 764 5090

PASIR MAS

Lot 319, Seksyen 1 Jalan Pasir Pekan 17000 Pasir Mas Kelantan

Tel: (6) 09 790 8090 Fax: (6) 09 790 3090

PASIR PUTEH

No. PT546, Seksyen 2 Jalan Nara 16800 Pasir Puteh Kelantan

Tel: (6) 09 786 9090 Fax: (6) 09 786 5050

TANAH MERAH

Lot PT175 Jalan Hospital 17500 Tanah Merah Kelantan

Tel: (6) 09 955 7090 Fax: (6) 09 955 5090

KUALA TERENGGANU

MBKT-No. 19 Pusat Niaga Paya Keladi Kampung Paya Keladi 20200 Kuala Terengganu Terengganu

Tel: (6) 09 626 7090 Fax: (6) 09 623 5050

KUANTAN

No. G-11, Ground Floor Mahkota Square Jalan Mahkota 25000 Kuantan Pahang

Tel: (6) 09 517 9090 Fax: (6) 09 514 5050

Subsidiaries of Bank Islam Malaysia Berhad

BIMB INVESTMENT MANAGEMENT BERHAD

19th Floor, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur

Tel : (6) 03 2161 2524 / 2924 Toll Free : 1800 88 1196 Fax : (6) 03 2161 2464

BANK ISLAM TRUST COMPANY (LABUAN) LTD

Level 5(I), Main Office Tower Financial Park Complex Jalan Merdeka 87000 F.T Labuan

Tel: (6) 087 451 806 Fax: (6) 087 451 808

FARIHAN CORPORATION SDN BHD

19th Floor, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur Tel: (6) 03 2782 1333 Fax: (6) 03 2782 1355

AL-WAKALAH NOMINEES (TEMPATAN) SDN BHD

21st Floor, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur Tel: (6) 03 2726 7724 Fax: (6) 03 2726 7733 All information detailed in this Annual Report is correct at the time of printing.

Bank Islam Malaysia Berhad (98127-X)

Level 32, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur

Tel (6)03 2088 8000 Fax (6)03 2088 8028

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