

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

	Note	3rd Quarter Ended		Cumulative 9 Months Ended	
		30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Income derived from investment of depositors' funds	A22	1,409,337	1,144,305	3,964,389	3,256,092
Income derived from investment of shareholder's funds	A23	62,870	42,500	183,525	128,093
Allowance for impairment on financing and advances	A24	(37,122)	(37,909)	(90,608)	(50,532)
Total distributable income		1,435,085	1,148,896	4,057,306	3,333,653
Income attributable to depositors	A25	(766,588)	(618,997)	(2,175,673)	(1,656,203)
Total net income		668,497	529,899	1,881,633	1,677,450
Overhead expenses	A26	(232,555)	(226,441)	(768,053)	(645,312)
Finance cost	A27	(28,935)	(10,608)	(66,086)	(31,534)
Profit before taxation and zakat		407,007	292,850	1,047,494	1,000,604
Taxation	A28	(118,559)	(61,216)	(273,362)	(230,372)
Zakat	A28	(3,238)	(5,370)	(13,822)	(12,509)
Profit for the period		285,210	226,264	760,310	757,723
Profit attributable to :					
Equity holders of the parent		285,210	226,264	760,310	757,723
Earnings per share attributable to equity holder of the Bank - Basic/diluted (sen)		116.21	170.29	319.67	570.29

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Profit for the period	285,210	226,264	760,310	757,723
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net gain/(loss) on financial investments available-for-sale	37,623	(59,849)	57,971	(129,255)
Income tax relating to components of other comprehensive income	(9,406)	14,963	(14,493)	32,314
Other comprehensive income for the period, net of tax	28,217	(44,886)	43,478	(96,941)
Total comprehensive income for the period, net of tax	313,427	181,378	803,788	660,782
Total comprehensive income attributable to :				
Equity holders of the parent	313,427	181,378	803,788	660,782

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds		16,555,972	17,680,040
Deposits and placements with banks and other financial institutions	A12	-	50,025
Financial assets at fair value through profit or loss	A13(i)	1,041,047	492,119
Financial investments available-for-sale	A13(ii)	7,493,113	8,443,090
Financing and advances	A14	99,154,444	86,135,734
Derivative assets	A15	141,604	134,141
Other assets	A16	7,557,175	8,770,145
Statutory deposits with Bank Negara Malaysia		3,587,000	3,084,000
Deferred tax assets		36,895	267,403
TOTAL ASSETS		135,567,250	125,056,697
LIABILITIES			
Deposits from customers	A17	93,760,835	83,017,613
Deposits and placements of banks and other financial institutions	A18	31,866,574	33,371,301
Bills and acceptances payable		36,027	62,124
Derivative liabilities	A15	223,996	247,952
Other liabilities	A19	217,886	97,915
Provision for taxation and zakat		45,145	192,479
Subordinated Sukuk	A21	2,534,668	1,010,782
Recourse obligation on financing sold to Cagamas		-	620,976
TOTAL LIABILITIES		128,685,131	118,621,142

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 RM'000	31 December 2013 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Share capital		246,362	218,988
Share premium		4,099,343	3,725,969
Retained profits		2,174,990	2,172,652
Other reserves		361,424	317,946
TOTAL SHAREHOLDER'S EQUITY		6,882,119	6,435,555
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		135,567,250	125,056,697
COMMITMENTS AND CONTINGENCIES	A30	33,194,504	33,984,669
<u>CAPITAL ADEQUACY</u>	A31		
Based on credit, market and operational risk:			
CET1 capital ratio		11.076%	11.761%
Tier 1 capital ratio		11.076%	11.761%
Total capital ratio		15.271%	13.711%

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

<=====Non Distributable=====>

	Share capital RM'000	Share premium RM'000	Equity contribution from the holding company RM'000	Statutory reserve RM'000	Unrealised holding reserve/ (deficit) RM'000	Profit equalisation reserve RM'000	Distributable retained profits RM'000	Total equity RM'000
At 1 January 2014	218,988	3,725,969	1,697	409,672	(127,879)	34,456	2,172,652	6,435,555
Net profit for the period	-	-	-	-	-	-	760,310	760,310
Other comprehensive income	-	-	-	-	43,478	-	-	43,478
Total comprehensive income for the period	-	-	-	-	43,478	-	760,310	803,788
Dividend paid	-	-	-	-	-	-	(757,972)	(757,972)
Issue of ordinary shares (Notes A8)	27,374	373,374	-	-	-	-	-	400,748
Total transactions with shareholders	27,374	373,374	-	-	-	-	(757,972)	(357,224)
At 30 September 2014	246,362	4,099,343	1,697	409,672	(84,401)	34,456	2,174,990	6,882,119

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

<=====Non Distributable=====>

	Share capital RM'000	Share premium RM'000	Equity contribution from the holding company RM'000	Statutory reserve RM'000	Unrealised holding reserve/ (deficit) RM'000	Profit equalisation reserve RM'000	Distributable retained profits RM'000	Total equity RM'000
At 1 January 2013	132,720	2,687,480	1,697	147,338	31,274	34,456	1,510,406	4,545,371
Net profit for the period	-	-	-	-	-	-	757,723	757,723
Other comprehensive income	-	-	-	-	(96,941)	-	-	(96,941)
Total comprehensive income for the period	-	-	-	-	(96,941)	-	757,723	660,782
Dividend paid	-	-	-	-	-	-	(124,757)	(124,757)
Issue of ordinary shares (Notes A8)	13,272	111,485	-	-	-	-	-	124,757
Total transactions with shareholders	13,272	111,485	-	-	-	-	(124,757)	-
At 30 September 2013	145,992	2,798,965	1,697	147,338	(65,667)	34,456	2,143,372	5,206,153

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

	30 September 2014 RM'000	30 September 2013 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	1,047,494	1,000,604
Adjustments for non-operating and non-cash items:		
Allowances for losses on financing and advances	150,264	162,640
Amortisation of premium less accretion of discount	(31,798)	(43,516)
Gain on revaluation of derivatives	(27,067)	(8,499)
Unrealised (gain)/loss on revaluation of financial assets at fair value through profit or loss	(300)	10,341
Gain on disposal of financial investments available-for-sale	(2,513)	(19,872)
Gain on disposal of financial assets at fair value through profit or loss	(3,369)	(63,246)
Gain on foreign exchange translations	(15,657)	(53,551)
Share options granted under ESS	1,272	1,181
Operating profit before working capital changes	1,118,326	986,082
Change in deposits and placements with banks and other financial institutions	50,025	122,013
Change in financial investments portfolio	497,000	(1,281,870)
Change in financing and advances	(13,168,974)	(16,068,227)
Change in derivative assets and liabilities	(4,352)	28,598
Change in other assets	1,101,208	(2,563,812)
Change in statutory deposits with Bank Negara Malaysia	(503,000)	(455,000)
Change in deposits from customers	10,854,982	3,875,754
Change in deposits and placements of banks and other financial institutions	(1,489,069)	18,197,037
Change in bills and acceptances payable	(26,098)	(210,296)
Change in other liabilities	184,786	2,084
Cash generated from operations	(1,385,166)	2,632,363
Taxes and zakat paid	(218,502)	(298,934)
Net cash (used in)/generated from operating activities	(1,603,668)	2,333,429
Cash flows from financing activities		
Proceeds from issuance of Tier 2 Capital Subordinated Sukuk	1,500,000	-
Profit paid for subordinated sukuk	(42,200)	(42,200)
Financing sold to Cagamas, net	(620,976)	(239,796)
Proceeds from issuance of shares	400,748	124,757
Dividend paid	(757,972)	(124,757)
Net cash generated from/(used in) investing activities	479,600	(281,996)
Net decrease in cash and cash equivalents	(1,124,068)	2,051,433
Cash and cash equivalents at beginning of year	17,680,040	13,017,323
Cash and cash equivalents at end of year	16,555,972	15,068,756

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2014

Cash and cash equivalents included in the cash flow statements comprise the following amounts in Statements of Financial Position:

	30 September 2014 RM'000	30 September 2013 RM'000
Cash and short-term funds	<u>16,555,972</u>	<u>15,068,756</u>

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

Explanatory Notes

Part A: Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

A1. Basis of preparation

The unaudited condensed interim financial statements for Maybank Islamic Berhad (“MIB” or “the Bank”) have been prepared under the historical cost convention except for the following assets and liabilities that are stated at fair values: financial investments available-for-sale, financial assets at fair value through profit or loss and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”), and the principles of Shariah.

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2013.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2013 except for adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and Interpretation of the Issues Committee (“IC Interpretations”) with effective date of 1 January 2014:

- MFRS 132 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
- MFRS 136 *Impairment of Assets* - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
- MFRS 139 *Financial Instruments: Recognition and Measurement* - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
- IC Interpretation 21 Levies

The adoption of the above amendments to MFRSs and IC Interpretation would not have any material impact to the Bank’s financial performance.

Guidance issued by Bank Negara Malaysia on Maintenance of Regulatory Reserve

On 4 February 2014, Bank Negara Malaysia (“BNM”) issued a letter requiring banking institutions to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.20% of total outstanding financing, net of individual impairment allowance, pursuant to paragraph 13 of the BNM’s Policy Document on Classification and Impairment Provisions for Loans/Financing. The regulatory reserve is maintained in addition to the collective impairment allowance required under MFRS, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this new regulatory requirement by 31 December 2015. Upon adoption of this new regulatory requirement, there will be no impact to the income statements of the Bank and any resulted impact will be recorded in the statement of changes in equity of the Bank.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A2. Significant accounting policies

The audited financial statements of the Bank for the financial year ended 31 December 2013 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS"). The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for financial year ended 31 December 2013.

A3. Significant accounting estimates and judgments

The preparation of unaudited condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may differ.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 2013.

A4. Auditors' report on proceeding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2013 was not qualified.

A5. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors during the third quarter and 9 months financial period ended 30 September 2014.

A6. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the third quarter and 9 months financial period ended 30 September 2014.

A7. Changes in estimates

There were no material changes in estimates during the third quarter and 9 months financial period ended 30 September 2014.

A8. Issue Of Ordinary Share Capital

On 26 March 2014, the issued and paid-up share capital of the Bank was increased from RM218,988,000 to RM246,361,500 via a rights issue of 27,373,500 new ordinary shares of RM1.00 each at a premium of RM13.64 per shares on the basis of one new share for every eight existing ordinary shares held, to Maybank.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A9. Issuance and Repayment of Debt and Securities

On 7 April 2014, the Bank issued RM1.5 billion nominal value Islamic Subordinated Sukuk ("the Sukuk") under the Shariah principle of Murabahah (via Tawaruq arrangement). The Sukuk carries a tenure of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.75% per annum payable semi-annually in arrears in April and October each year and are due in April 2024. Under the 10-non-callable 5 basis feature, the Bank has the option to redeem the Sukuk on any semi annual distribution date on or after the 5th anniversary from the issue date. Should the Bank decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

The Subordinated Sukuk Murabahah will qualify as Tier 2 capital of the Bank for the BNM's Capital Adequacy Framework for Islamic Bank.

A10. Dividends

In respect of financial year ended 31 December 2013, a final tax-exempt (single-tier) dividend of RM1.83 per share on 218,988,000 ordinary shares, amounting to a dividend payable of RM400,748,040 was approved and declared on 23 March 2014, the dividend has been paid on 26 March 2014.

An interim tax-exempt (single tier) dividend in respect of the financial half year ended 30 June 2014 of RM1.45 per share on 246,361,500 ordinary shares, amounting to a dividend payable of RM357,224,175 has been paid on 29 August 2014.

The Directors do not recommend the payment of any dividend in respect of the third quarter ended 30 September 2014.

A11. Related party transaction

All related party transactions within the Maybank Group had been entered into in the normal course of business and were carried out on normal commercial terms.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A12. Deposits and Placements with banks and other financial institutions

	30 September 2014 RM'000	31 December 2013 RM'000
Licensed Islamic banks	-	50,025
	<u>-</u>	<u>50,025</u>

A13. Financial investments portfolio

	Note	30 September 2014 RM'000	31 December 2013 RM'000
Financial assets at fair value through profit or loss	(i)	1,041,047	492,119
Financial investments available-for-sale	(ii)	7,493,113	8,443,090
		<u>8,534,160</u>	<u>8,935,209</u>

(i) Financial assets at fair value through profit or loss

Financial assets held-for-trading are as follows:

	30 September 2014 RM'000	31 December 2013 RM'000
At fair value		
Money market instruments:-		
Malaysian Government Investment Issues	206,214	145,679
Bank Negara Malaysia Monetary Notes	697,369	323,452
	<u>903,583</u>	<u>469,131</u>
Unquoted securities :		
Islamic private debt securities in Malaysia	-	22,988
Foreign private debt securities	137,464	-
	<u>137,464</u>	<u>22,988</u>
Total financial assets held-for-trading	<u>1,041,047</u>	<u>492,119</u>

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A13. Financial investments portfolio (cont'd.)

(ii) Financial investments available-for-sale

	30 September 2014 RM'000	31 December 2013 RM'000
At fair value		
Money market instruments:-		
Malaysian Government Investment Issues	4,216,064	4,898,485
Negotiable Islamic instruments of deposits	1,549,547	1,666,487
Bankers' acceptances and Islamic accepted bills	-	26,240
Khazanah bonds	64,553	62,930
	5,830,164	6,654,142
Unquoted securities :		
Islamic private debt securities in Malaysia	1,566,580	1,693,482
Foreign private debt securities	26,039	25,763
Malaysian Government bond	70,330	69,703
	1,662,949	1,788,948
Total financial investments available-for-sale	7,493,113	8,443,090

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A14. Financing and advances

(i) By type and Shariah concepts

30.09.2014	Bai'^	Murabahah	Musharakah	Al-Ijarah Thumma Al- Bai (AITAB)	Ijarah	Istisna'	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	2,752,953	-	-	-	-	-	2,752,953
Term financing								
- House financing	22,863,164	36,648,272	2,814,325	-	-	-	-	62,325,761
- Syndicated financing	-	-	7,731	-	-	-	-	7,731
- Hire purchase receivables	-	-	-	30,880,515	-	-	-	30,880,515
- Other term financing	44,166,653	34,370,861	1,843,343	-	173,882	179,923	113	80,734,775
Bills receivable	-	323	-	-	-	-	-	323
Trust receipts	-	159,363	-	-	-	-	-	159,363
Claims on customers under acceptance credits	-	4,027,700	-	-	-	-	-	4,027,700
Staff financing	994,259	446,625	9,462	123,947	-	-	35,702	1,609,995
Credit card receivables	-	-	-	-	-	-	416,867	416,867
Revolving credit	-	6,233,747	-	-	-	-	-	6,233,747
	68,024,076	84,639,844	4,674,861	31,004,462	173,882	179,923	452,682	189,149,730
Unearned income								(89,173,693)
Gross financing and advances ^{^^}								99,976,037
Allowances for impaired financing and advances:								
- individual								(195,961)
- collective								(625,632)
Net financing and advances								99,154,444

[^] Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

^{^^} Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA"), an arrangement between the Bank and its parents, where the risks and rewards of the RPSIA are accounted by the parent, including allowances for impairment arising thereon, if any and the profit is shared based on pre-agreed ratios.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A14. Financing and advances (cont'd.)

(i) By type and Shariah concepts (cont'd.)

31.12.2013	Bai'^	Murabahah	Musharakah	Al-Ijarah Thumma Al- Bai (AITAB)	Ijarah	Istisna'	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	2,762,317	-	-	-	630	-	2,762,947
Term financing								
- House financing	22,881,526	18,521,856	2,726,672	-	-	-	-	44,130,054
- Syndicated financing	-	-	24,071	-	-	-	-	24,071
- Hire purchase receivables	-	-	-	26,432,037	-	-	-	26,432,037
- Other term financing	45,398,966	24,733,658	1,953,048	-	214,442	180,206	932	72,481,252
Bills receivable	-	3,241	-	-	-	-	474	3,715
Trust receipts	-	198,607	-	-	-	-	-	198,607
Claims on customers under acceptance credits	-	3,978,452	-	-	-	-	-	3,978,452
Staff financing	1,070,419	188,580	9,646	100,524	-	-	34,767	1,403,936
Credit card receivables	-	-	-	-	-	-	424,425	424,425
Revolving credit	-	6,095,659	-	-	-	-	-	6,095,659
	<u>69,350,911</u>	<u>56,482,370</u>	<u>4,713,437</u>	<u>26,532,561</u>	<u>214,442</u>	<u>180,836</u>	<u>460,598</u>	<u>157,935,155</u>
Unearned income								<u>(71,055,879)</u>
Gross financing and advances ^{^^}								86,879,276
Allowances for impaired financing and advances:								
- individual								(162,046)
- collective								(581,496)
Net financing and advances								<u>86,135,734</u>

[^] Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

^{^^} Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA"), an arrangement between the Bank and its parents, where the risks and rewards of the RPSIA are accounted by the parent, including allowances for impairment arising thereon, if any and the profit is shared based on pre-agreed ratios.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A14. Financing and advances (cont'd.)

(ii) By type of customers

	30 September 2014 RM'000	31 December 2013 RM'000
Domestic non-banking institutions	2,782,519	2,546,840
Domestic business enterprises		
- Small and medium enterprises	10,275,660	8,723,084
- Others	14,889,699	13,172,914
Government and statutory bodies	6,714,836	6,288,125
Individuals	64,686,462	55,492,469
Other domestic entities	20,789	18,006
Foreign entities in Malaysia	606,072	637,838
Gross financing and advances	99,976,037	86,879,276

(iii) By profit rate sensitivity

	30 September 2014 RM'000	31 December 2013 RM'000
Fixed rate		
- House financing	1,624,448	2,278,641
- Hire purchase receivables	26,514,257	22,595,645
- Other financing	20,822,173	18,304,819
Floating rate		
- House financing	16,816,153	12,252,243
- Other financing	34,199,006	31,447,928
Gross financing and advances	99,976,037	86,879,276

(iv) By economic purpose

	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of securities	16,786,033	16,325,909
Purchase of transport vehicles	26,519,442	22,635,114
Purchase of landed properties		
- residential	17,917,355	14,072,688
- non-residential	6,313,653	4,471,266
Purchase of fixed assets (exclude landed properties)	17,513	8,813
Personal use	1,722,081	1,419,655
Consumer durables	670	723
Construction	3,046,193	2,660,675
Working capital	27,236,230	24,859,957
Credit cards	416,867	424,476
Gross financing and advances	99,976,037	86,879,276

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A14. Financing and advances (cont'd.)

(v) Maturity structure of financing and advances are as follows:

	30 September 2014 RM'000	31 December 2013 RM'000
Maturity within one year	14,428,452	12,436,008
One year to three years	9,301,885	6,020,825
Three years to five years	7,621,682	10,448,909
After five years	<u>68,624,018</u>	<u>57,973,534</u>
Gross financing and advances	<u>99,976,037</u>	<u>86,879,276</u>

(vi) Impaired financing and advances by economic purpose

	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of securities	10,074	8,575
Purchase of transport vehicles	99,241	67,597
Purchase of landed properties		
- residential	81,359	86,109
- non-residential	35,043	22,363
Personal use	12,795	9,318
Credit cards	3,122	3,500
Consumer durables	3	3
Construction	133,286	31,059
Working capital	<u>327,242</u>	<u>292,269</u>
Gross impaired financing and advances	<u>702,165</u>	<u>520,793</u>

(vii) Movement in impaired financing and advances

	30 September 2014 RM'000	31 December 2013 RM'000
Gross impaired financing and advances at 1 January 2014/2013	520,793	519,979
Newly impaired	573,775	533,271
Reclassified as non-impaired	(211,829)	(218,605)
Recovered	(122,047)	(245,481)
Amount written off	(62,442)	(73,313)
Expenses debited to customers' accounts	<u>3,915</u>	<u>4,942</u>
Gross impaired financing and advances at 30 September 2014/ 31 December 2013	<u>702,165</u>	<u>520,793</u>
Less: Individual allowance	<u>(195,961)</u>	<u>(162,046)</u>
Net impaired financing and advances	<u>506,204</u>	<u>358,747</u>

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A14. Financing and advances (cont'd.)

(vii) Movement in impaired financing and advances (cont'd.)

	30 September 2014 RM'000	31 December 2013 RM'000
Gross financing and advances (excluding RPSIA financing)	94,304,317	78,550,433
Less: Individual allowance	<u>(195,961)</u>	<u>(162,046)</u>
Net financing and advances	<u>94,108,356</u>	<u>78,388,387</u>
Net impaired financing and advances as a percentage of net financing and advances	<u>0.54%</u>	<u>0.46%</u>

(viii) Movement in the allowance for impaired financing and advances are as follows:

	30 September 2014 RM'000	31 December 2013 RM'000
<u>Individual Allowance</u>		
At 1 January 2014/2013	162,046	94,176
Allowance made	74,046	87,363
Amount written back in respect of recoveries	(9,718)	(19,419)
Amount written off	(28,057)	-
Transferred to collective allowance	<u>(2,356)</u>	<u>(74)</u>
At 30 September 2014/31 December 2013	<u>195,961</u>	<u>162,046</u>
	30 September 2014 RM'000	31 December 2013 RM'000
<u>Collective Allowance</u>		
At 1 January 2014/2013	581,496	595,517
Net allowance made during the year*	76,165	59,218
Amount written off	(34,385)	(73,313)
Transferred from individual allowance	<u>2,356</u>	<u>74</u>
At 30 September 2014/31 December 2013	<u>625,632</u>	<u>581,496</u>
As a % of gross financing and advances (excluding RPSIA financing) less individual assessment allowance	<u>0.66%</u>	<u>0.74%</u>

* As at 30 September 2014, the gross exposure of the assets under the RPSIA is RM5,671.7 million (31 December 2013 : RM8,328.8 million) and the collective allowance relating to this RPSIA amounting RM23.4 million (31 December 2013 : RM27.8 million) is accounted for by the parent. There was no individual allowance made on the RPSIA financing by the Bank.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A15. Derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of derivatives financial instruments held at fair value through income statement and hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at reporting date, and do not represent amounts of risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

	30 September 2014			31 December 2013		
	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Trading derivatives						
<u>Foreign exchange related contracts:</u>						
Currency forwards						
- Less than one year	2,058,057	11,646	(18,030)	1,619,825	55,054	(1,565)
Currency swaps						
- Less than one year	3,077,477	36,864	(15,062)	3,025,375	2,900	(59,007)
Currency spot						
- Less than one year	91,220	43	(4)	28,757	33	(52)
Cross currency profit rate swaps						
- One year to three years	313,775	16,726	(16,726)	314,425	19,421	(19,421)
<u>Profit rate related contracts:</u>						
Profit rate options						
- One year to three years	200,000	-	(20,694)	-	-	-
- More than 3 years	630,000	1,441	(68,893)	575,000	-	(89,348)
	6,370,529	66,720	(139,409)	5,563,382	77,408	(169,393)
Hedging derivatives						
<u>Foreign exchange related contracts:</u>						
Cross currency profit rate swaps						
- Less than one year	248,458	29,146	(28,941)	-	-	-
- One year to three years	-	-	-	249,530	36,115	(35,588)
- More than 3 years	1,774,260	27,152	(43,563)	383,100	-	(26,958)
<u>Profit rate related contracts:</u>						
Profit rate swaps						
- Less than one year	-	-	-	850,000	-	(1,798)
- One year to three years	2,617,388	15,920	(9,940)	718,000	1,729	(2,562)
- More than 3 years	490,575	2,666	(2,143)	1,902,963	18,889	(11,653)
	5,130,681	74,884	(84,587)	4,103,593	56,733	(78,559)
Total derivative assets/(liabilities)	11,501,210	141,604	(223,996)	9,666,975	134,141	(247,952)

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A16. Other assets

	30 September 2014 RM'000	31 December 2013 RM'000
Amount due from holding company	6,800,400	8,412,776
Handling fees	170,944	149,932
Prepayments and deposits	184,279	124,963
Others	401,552	82,474
	7,557,175	8,770,145

A17. Deposits from customers

i) By type of deposit

	30 September 2014 RM'000	31 December 2013 RM'000
<u>Savings deposits</u>		
Wadiah	9,628,590	8,878,413
Mudharabah	858,969	741,950
<u>Demand deposits</u>		
Wadiah	7,809,605	8,064,681
Mudharabah	11,210,803	9,213,225
<u>Term deposits</u>		
Murabahah	37,138,108	40,593,458
General investment account		
Mudharabah	26,206,299	14,877,283
Negotiable Islamic Debt Certificate (NIDC)		
Mudharabah	149,377	143,345
Hybrid (Bai' Bithaman Ajil and Murabahah)*	759,084	505,258
	93,760,835	83,017,613

* Structured deposits represent Ringgit Malaysia time deposits with embedded foreign currency exchange option, commodity-linked time deposits and profit rate options.

ii) By type of customer

	30 September 2014 RM'000	31 December 2013 RM'000
Business enterprises	37,471,489	35,478,959
Individuals	22,520,359	19,615,685
Government and statutory bodies	13,825,629	11,880,189
Others	19,943,358	16,042,780
	93,760,835	83,017,613

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A18. Deposits and placements of banks and other financial institutions

	30 September 2014 RM'000	31 December 2013 RM'000
<u>Mudharabah Fund</u>		
Licensed banks	17,887,603	23,511,701
Licensed islamic banks	1,073,755	1,351,903
Licensed investment banks	1,207,668	526,048
Other financial institutions	499,984	399,303
	20,669,010	25,788,955
<u>Non-Mudharabah Fund</u>		
Licensed banks	-	3,640
Licensed islamic banks	388,616	551,256
Other financial institutions	10,808,948	7,027,450
	11,197,564	7,582,346
	31,866,574	33,371,301

Included in the deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the parent amounting to RM5,700m (31 December 2013: RM8,336million). These deposits are used to fund certain specific financing. The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the investor solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne by the depositors.

A19. Other liabilities

	Note	30 September 2014 RM'000	31 December 2013 RM'000
Profit equalisation reserve ("PER")	(i)	-	11,820
Sundry creditors		171,050	41,459
Deposit on trade financing		19,818	22,585
Provisions and accruals		11,444	17,698
Others		15,574	4,353
		217,886	97,915

(i) PER

	30 September 2014 RM'000	31 December 2013 RM'000
At 1 January 2014/2013	11,820	54,695
Distribution to Investment Account Holder	(11,820)	(42,875)
At 30 September 2014/31 December 2013	-	11,820

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A20. Sources and uses of charity funds

	30 September 2014 RM'000	31 December 2013 RM'000
Sources of charity funds		
Non-Islamic/prohibited income	25	52
Total sources of charity funds during the year	25	52
Uses of charity funds		
Contribution to Baitulmal		
Contribution to non-profit organisation	-	52
Total uses of charity funds during the year	-	52
Undistributed charity funds as at 30 September 2014/ 31 December 2013	25	-

A21. Subordinated Sukuk

	Note	30 September 2014 RM'000	31 December 2013 RM'000
RM1,000 million Islamic Subordinated Sukuk due in 2021	(i)	1,000,117	1,010,782
RM1,500 million Islamic Subordinated Sukuk due in 2024	(ii)	1,534,551	-
		2,534,668	1,010,782

- (i) On 31 March 2011, the Bank issued RM1.0 billion nominal value Islamic Subordinated Sukuk ("the Sukuk") under the Shariah principle of Musyarakah. The Sukuk carries a tenure of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.22% per annum payable semi-annually in arrears in March and September each year, and are due in March 2021. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the Bank decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

The Sukuk is unsecured and it is subordinated in rights and priority of payment, to all deposit liabilities and other liabilities of the Bank except liabilities of the Bank which by their terms rank pari-passu in right and priority of payment with the Sukuk.

- (ii) On 7 April 2014, the Bank issued RM1.5 billion nominal value Islamic Subordinated Sukuk ("the Sukuk") under the Shariah principle of Murabahah (via Tawaruq arrangement). The Sukuk carries a tenure of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.75% per annum payable semi-annually in arrears in April and October each year and are due in April 2024. Under the 10-non-callable 5 basis feature, the Bank has the option to redeem the Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the Bank decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

The Sukuk is unsecured and it is subordinated in rights and priority of payment, to all deposit liabilities and other liabilities of the Bank except liabilities of the Bank which by their terms rank pari-passu in right and priority of payment with the Sukuk.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A22. Income derived from investment of depositors' funds

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Income derived from investment of:				
i) General investment deposits	957,480	768,234	2,675,135	2,151,277
ii) Other deposits	451,857	376,071	1,289,254	1,104,815
	1,409,337	1,144,305	3,964,389	3,256,092

i) Income derived from investment of general investment deposits

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Financing and advances	788,740	608,880	2,196,643	1,640,183
Money at call and deposit with financial institutions	63,245	46,787	184,028	140,118
Financial investments available-for-sale	36,285	43,632	111,177	106,742
Financial assets at fair value through profit or loss	1,168	929	4,330	2,682
	889,438	700,228	2,496,178	1,889,725
Amortisation of premium less accretion of discounts	6,599	13,882	20,508	27,663
Total finance income and hibah	896,037	714,110	2,516,686	1,917,388
Other operating income :				
Fee income				
- Processing fees	1,303	244	1,769	700
- Commissions	20,606	20,964	65,541	63,012
- Service charges and other fees	17,769	15,056	49,393	82,836
Gains on disposal of financial investments available-for-sale	912	1,270	1,621	12,633
Gains on disposal of financial assets at fair value through profit or loss	194	15,116	2,173	40,204
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	256	(6,072)	194	(6,573)
- Derivatives	13,399	2,892	17,456	5,403
Gains/(losses) on foreign exchange:				
- Realised	308	16,729	(6,019)	31,582
- Unrealised	515	(12,887)	16,117	2,460
Net dividend on derivatives	6,181	812	10,204	1,632
	957,480	768,234	2,675,135	2,151,277

Included in finance income were income on impaired assets amounting to RM11.6 million (30.9.2013: RM6.8 million).

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A22. Income derived from investment of depositors' funds (cont'd)

ii) Income derived from investment of other deposits

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Financing and advances	372,267	298,928	1,058,650	842,337
Money at call and deposit with financial institutions	29,806	22,783	88,690	71,960
Financial investments available-for-sale	17,069	21,565	53,581	54,819
Financial assets at fair value through profit or loss	545	453	2,087	1,377
	419,687	343,729	1,203,008	970,493
Amortisation of premium less accretion of discounts	3,103	6,946	9,884	14,207
Total finance income and hibah	422,790	350,675	1,212,892	984,700
Other operating income :				
Fee income				
- Processing fees	626	119	853	359
- Commissions	9,680	10,204	31,587	32,360
- Service charges and other fees	8,386	6,828	23,804	42,542
Gains on disposal of financial investments available-for-sale	435	501	781	6,488
Gains on disposal of financial assets at fair value through profit or loss	82	7,428	1,047	20,647
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	123	(3,112)	93	(3,376)
- Derivatives	6,435	1,452	8,413	2,775
Gains/(losses) on foreign exchange:				
- Realised	183	8,393	(2,901)	16,219
- Unrealised	160	(6,823)	7,767	1,263
Net dividend on derivatives	2,957	406	4,918	838
	451,857	376,071	1,289,254	1,104,815

Included in finance income were income on impaired assets amounting to RM5.6 million (30.9.2013: RM3.5 million).

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A23. Income derived from investment of shareholder's funds

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Financing and advances	51,802	33,836	150,699	97,661
Money at call and deposit with financial institutions	4,141	2,567	12,625	8,343
Financial investments available-for-sale	2,366	2,450	7,627	6,356
Financial assets at fair value through profit or loss	75	52	297	160
	58,384	38,905	171,248	112,520
Amortisation of premium less accretion of discounts	430	794	1,407	1,647
Total finance income and hibah	58,814	39,699	172,655	114,167
Other operating income :				
Fee income				
- Processing fees	88	14	121	42
- Commissions	1,340	1,150	4,496	3,752
- Service charges and other fees	1,168	737	3,389	4,932
Gains on disposal of financial investments available-for-sale	61	49	111	752
Gains on disposal of financial assets at fair value through profit or loss	10	841	149	2,394
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	17	(360)	13	(391)
- Derivatives	915	167	1,198	322
Gains/(losses) on foreign exchange:				
- Realised	31	961	(413)	1,880
- Unrealised	10	(804)	1,106	146
Net dividend on derivatives	416	46	700	97
	62,870	42,500	183,525	128,093

Included in finance income were income on impaired assets amounting to RM0.8 million (30.9.2013: RM0.4 million).

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A24. Allowance for losses on financing and advances

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Allowances for impaired financing and advances:				
- collective allowance made	35,711	62,977	76,165	86,785
- individual allowance made	21,249	7,108	74,046	81,926
- individual allowance written back	(3,063)	(4,747)	(9,718)	(15,121)
Impaired financing and advances written off	3,526	3,301	9,771	9,050
Impaired financing and advances recovered	(20,301)	(30,730)	(59,656)	(112,108)
	<u>37,122</u>	<u>37,909</u>	<u>90,608</u>	<u>50,532</u>

A25. Income attributable to depositors

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Deposits from customers				
- Mudharabah	259,134	148,650	596,232	481,236
- Non-Mudharabah	334,307	290,749	1,022,353	774,341
	<u>593,441</u>	<u>439,399</u>	<u>1,618,585</u>	<u>1,255,577</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah	170,603	172,297	541,757	376,544
- Non-Mudharabah	2,544	7,301	15,331	24,082
	<u>173,147</u>	<u>179,598</u>	<u>557,088</u>	<u>400,626</u>
	<u>766,588</u>	<u>618,997</u>	<u>2,175,673</u>	<u>1,656,203</u>

MAYBANK ISLAMIC BERHAD
(787435-K)
(Incorporated in Malaysia)

A26. Overhead expenses

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	8,312	7,895	26,358	22,985
- Salaries, allowances and bonuses	5,946	5,707	18,871	16,420
- Pension costs	902	856	2,895	2,504
- Shares/Options granted under Employee's Shares Scheme	508	350	1,272	1,181
- Others	956	982	3,320	2,880
Establishment costs	313	537	1,534	1,730
- Rental of premises	429	285	1,286	857
- Repairs, servicing and maintenance	18	21	75	51
- Information technology expenses	(134)	231	173	822
Marketing costs	4,410	5,352	7,065	7,184
- Advertisement and publicity	3,291	5,070	4,842	6,532
- Others	1,119	282	2,223	652
Administration and general expenses	219,520	212,657	733,096	613,413
- Fees and brokerage	1,565	2,061	6,678	5,724
- Administrative expenses	1,211	1,946	3,325	5,486
- General expenses	3,703	2,536	10,596	8,017
- Shared service cost paid/payable to Maybank	213,041	206,114	712,497	594,186
	232,555	226,441	768,053	645,312

A27. Finance cost

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Islamic subordinated sukuk	28,935	10,608	66,086	31,534

A28. Taxation and zakat

The analysis of the taxation and zakat expense for the financial half year ended 30 September 2014 are as follows:

	3rd Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	104,765	75,816	259,010	251,323
Over provision in prior period: Malaysian income tax	-	-	(201,664)	-
Deferred tax expense in relation to origination and reversal of temporary differences	13,794	(14,600)	216,016	(20,951)
Tax expense for the period	118,559	61,216	273,362	230,372
Zakat expense	3,238	5,370	13,822	12,509
	121,797	66,586	287,184	242,881

MAYBANK ISLAMIC BERHAD
(787435-K)
(Incorporated in Malaysia)

A29. Subsequent events to the Balance Sheet

There were no material events subsequent to the balance sheet date that requires disclosure or adjustment to the unaudited condensed interim financial statements.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A30. Commitments and Contingencies and Off-Balance Sheet Financial Instruments

In the normal course of business, the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank as at dates are as follows:

	As at 30 September 2014			As at 31 December 2013		
	Full commitment RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Full commitment RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
<u>Credit-related</u>						
Direct credit substitutes	650,668	598,780	304,977	633,689	633,689	396,118
Certain transaction-related contingent items	1,135,781	510,605	425,574	1,165,665	591,715	480,061
Short-term self-liquidating trade-related contingencies	249,418	26,015	15,832	276,377	137,786	23,044
Irrevocable commitments to extend credit:						
- maturity within one year	12,394,343	1,872,374	1,045,117	16,049,084	1,685,439	986,277
- maturity more than one year	7,078,654	3,605,826	1,387,189	6,170,815	2,874,564	1,096,736
Miscellaneous	184,430	-	-	22,064	-	-
Total credit-related commitments and contingencies	21,693,294	6,613,600	3,178,689	24,317,694	5,923,193	2,982,236
<u>Derivative financial instruments</u>						
Foreign exchange related contracts:						
- less than one year	5,475,212	189,090	85,018	4,673,957	11,898	7,298
- one year to less than five years	2,088,035	266,821	57,316	947,055	58,846	28,317
Profit rate related contracts:						
- less than one year	-	-	-	850,000	1,000	200
- one year to less than five years	3,862,963	87,057	35,222	3,120,963	7,180	2,908
- five years and above	75,000	-	-	75,000	72,500	22,100
Total treasury-related commitments and contingencies	11,501,210	542,968	177,556	9,666,975	151,424	60,823
	33,194,504	7,156,568	3,356,245	33,984,669	6,074,617	3,043,059

* The credit equivalent amount and the risk-weighted amount are arrived at using the credit conversion factors and risk weights respectively, as specified by Bank Negara Malaysia.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A31. Capital Adequacy

(a) Capital Adequacy Framework

- (i) Bank Negara Malaysia ("BNM") had on 28 November 2012 released the updated guidelines for Capital Adequacy Framework for Islamic Banks (Capital Components) on the computation of capital and capital adequacy ratios for Islamic banks commencing from 1 January 2013 and subjected to transitional arrangements as set out in paragraphs 36.1 to 36.17 of the said framework.
- (ii) The minimum regulatory capital adequacy ratios are set out as follows:

Calendar Year	Common Equity Tier I (CET1) Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015 onwards	4.5%	6.0%	8.0%

- (iii) Total risk-weighted assets ("RWA") shall be calculated as the sum of credit RWA, market RWA, operational RWA, and large exposure risk requirements as determined in accordance with the Capital Adequacy Framework for Islamic Banks (Basel II – Risk-Weighted Assets) issued by BNM on 28 November 2012.

The sum of the above shall be further adjusted to take into account any profit-sharing investment accounts ("PSIA") recognised as risk absorbent for capital adequacy purposes, in the manner stipulated under the Guidelines on Recognition and Measurement of PSIA as Risk Absorbent as updated by BNM on 26 July 2011.

Any exposures which are deducted in the calculation of CET1 Capital, Tier 1 Capital, and Total Capital shall not be subjected to any further capital charges in the computation of RWA.

(b) Compliance and Application of Capital Adequacy Ratios

The capital adequacy ratio of the Bank are computed in accordance with BNM's updated guidelines for Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Basel II - Risk Weighted Assets) issued on 28 November 2012. The total RWA are computed based on the following approaches:

- (i) Credit risk under Internal Ratings-Based Approach
- (ii) Market risk under Standardised Approach
- (iii) Operational risk under Basic Indicator Approach

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.0%, 5.5% and 8% of total RWA for the current financial year ending 31 December 2014.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A31. Capital Adequacy (cont'd.)

(c) The capital adequacy ratios of the Bank as at the following dates:

	30 September 2014	31 December 2013
Capital ratios		
CET1 capital ratio	11.076%	11.761%
Tier 1 capital ratio	11.076%	11.761%
Total capital ratio	15.271%	13.711%

(d) Components of capital:

	30 September 2014 RM '000	31 December 2013 RM'000
CET1/Tier 1 capital		
Paid-up share capital	246,362	218,988
Share premium	4,099,343	3,725,969
Retained profits	1,889,780	2,172,652
Other reserves	361,424	317,946
CET1 capital before regulatory adjustments	6,596,909	6,435,555
Less: Regulatory adjustment applied in CET1 capital	(438,994)	(662,524)
Total CET1/Tier 1 capital	6,157,915	5,773,031
Tier 2 capital		
Tier 2 capital instruments	2,300,000	900,000
Collective allowance ¹	32,058	56,845
Total Tier 2 capital	2,332,058	956,845
Total Capital	8,489,973	6,729,876

¹ Excludes collective allowance for impaired financing and advances restricted from Tier 2 Capital of the Bank.

(e) The breakdown of RWA by each major risk categories are as follows:

	30 September 2014 RM'000	31 December 2013 RM'000
Standardised Approach exposure	4,493,206	3,902,334
Internal Ratings-Based Approach exposure after scaling factor	47,955,192	42,043,918
Total risk-weighted asset for credit risk	52,448,398	45,946,252
Total risk-weighted asset for credit risk absorbed by parent [^]	(1,390,057)	(1,210,230)
Total risk-weighted asset for market risk	569,254	729,512
Total risk-weighted asset for operational risk	3,969,375	3,619,234
Total risk-weighted assets	55,596,970	49,084,768

[^] In accordance with BNM's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") as Risk Absorbent, the credit risk on the assets funded by the RPSIA are excluded from the risk weighted capital ratio ("RWCR") calculation.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A32. Fair value of financial instruments

Fair value hierarchy

The Bank classifies its financial instruments measured at fair value according to the following hierarchy, reflecting the significance of the inputs in making the fair value measurements:

(a) Level 1: Quoted prices

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

(b) Level 2: Valuation techniques using observable inputs

Refers to inputs other than quoted prices included those within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds and less liquid equities.

(c) Level 3: Valuation techniques using significant unobservable inputs

Refers to financial instruments where fair value is measured using significant unobservable market inputs. The valuation technique is consistent with the Level 2. The chosen valuation technique incorporates the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A32. Fair value of financial instruments (cont'd.)

The following table shows the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 September 2014 and 31 December 2013.

	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
At 30 September 2014				
Financial assets measured at fair value:				
Financial assets held-for-trading	-	1,041,047	-	1,041,047
<i>Money market instruments</i>	-	903,583	-	903,583
<i>Non-money market instruments</i>	-	137,464	-	137,464
Financial investments available-for-sale	-	7,493,113	-	7,493,113
<i>Money market instruments</i>	-	5,830,164	-	5,830,164
<i>Non-money market instruments</i>	-	1,662,949	-	1,662,949
Derivative assets	-	140,163	1,441	141,604
<i>Foreign exchange related contracts</i>	-	48,553	-	48,553
<i>Profit rate related contracts</i>	-	91,610	1,441	93,051
	-	8,674,323	1,441	8,675,764
Financial liabilities measured at fair value:				
Derivative liabilities	-	134,409	89,587	223,996
<i>Foreign exchange related contracts</i>	-	33,096	-	33,096
<i>Profit rate related contracts</i>	-	101,313	89,587	190,900

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A32. Fair value of financial instruments (cont'd.)

At 31 December 2013	Quoted Market Price (Level 1) RM'000	<u>Valuation technique using</u>		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
Financial assets measured at fair value:				
Financial assets held-for-trading	-	492,119	-	492,119
<i>Money market instruments</i>	-	469,131	-	469,131
<i>Non-money market instruments</i>	-	22,988	-	22,988
Financial investments available-for-sale	-	8,443,090	-	8,443,090
<i>Money market instruments</i>	-	6,654,142	-	6,654,142
<i>Non-money market instruments</i>	-	1,788,948	-	1,788,948
Derivative assets	-	134,141	-	134,141
<i>Foreign exchange related contracts</i>	-	57,987	-	57,987
<i>Profit rate related contracts</i>	-	76,154	-	76,154
	-	9,069,350	-	9,069,350
Financial liabilities measured at fair value:				
Derivative liabilities	-	158,604	89,348	247,952
<i>Foreign exchange related contracts</i>	-	60,624	-	60,624
<i>Profit rate related contracts</i>	-	97,980	89,348	187,328

Valuation techniques

The valuation techniques used for the financial instruments that are not determined by reference to quoted prices (Level 1), are described below:

Derivatives

The fair values of the Bank's derivative instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

Financial assets designated at fair value through profit or loss, financial assets held-for-trading and financial investments available-for-sale

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent broker quotations.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

A32. Fair value of financial instruments (cont'd.)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	At 1 January 2014 RM'000	Total unrealised gains/(losses) recognised in income statements* RM'000	Issues RM'000	Settlements RM'000	At 30 September 2014 RM'000
At 30 September 2014					
Derivative assets					
<i>Profit rate related contracts</i>	-	1,441	-	-	1,441
Total Level 3 financial assets	<u>-</u>	<u>1,441</u>	<u>-</u>	<u>-</u>	<u>1,441</u>
Derivative liabilities					
<i>Profit rate related contracts</i>	89,348	(13,647)	13,886	-	89,587
Total Level 3 financial liabilities	<u>89,348</u>	<u>(13,647)</u>	<u>13,886</u>	<u>-</u>	<u>89,587</u>
Total net Level 3 financial assets/ (liabilities)	<u>89,348</u>	<u>(12,206)</u>	<u>13,886</u>	<u>-</u>	<u>91,028</u>

* Included within 'Non-profit income'.

	At 1 January 2013 RM'000	Total unrealised gains/(losses) recognised in income statements* RM'000	Issues RM'000	Settlements RM'000	At 31 December 2013 RM'000
At 31 December 2013					
Derivative assets					
<i>Profit rate related contracts</i>	722	(722)	-	-	-
Total Level 3 financial assets	<u>722</u>	<u>(722)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Derivative liabilities					
<i>Profit rate related contracts</i>	62,394	(4,003)	30,957	-	89,348
Total Level 3 financial liabilities	<u>62,394</u>	<u>(4,003)</u>	<u>30,957</u>	<u>-</u>	<u>89,348</u>
Total net Level 3 financial assets/ (liabilities)	<u>63,116</u>	<u>(4,725)</u>	<u>30,957</u>	<u>-</u>	<u>89,348</u>

* Included within 'Non-profit income'.

The Bank's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the end of the reporting period.

There were no transfers between Level 1 and Level 2 for the Bank during the financial period ended 30 September 2014.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

PART B – Review of Performance & Current Year Prospects

B1. Performance Review

The Bank recorded a profit before tax and zakat of RM1,047.5 million for the 9 months financial period ended 30 September 2014, higher by RM46.9 million or 5% from previous year's corresponding period.

Total income grew by RM763.9 million or 23% to RM4,147.9 million from last year's corresponding period, comprising RM3,964.4 million income derived from investment of depositors' funds and RM183.5 million income derived from investment of shareholder's funds on the back of robust financing growth. Income attributable to depositors (including inter-bank) rose by RM519.5 million to RM2,175.7 million or 32% as compared to previous year's corresponding period.

Overhead expenses increased by RM122.7 million or 19% to RM768.1 million over the amount reported in the prior year resulting from a higher shared services cost which accounted 93% of total overhead expenses.

Allowance for losses on financing and advances is RM90.6 million for the 9 months financial period ended 30 September 2014 as compared to RM50.5 million in last year's corresponding period. Net impaired financing stood at 0.54% as at 30 September 2014.

The Bank's total asset increased by RM10.5 billion driven by substantial growth in financing asset. Gross financing grew to RM99.9 billion, a growth of RM13.0 billion or 15% from 31 December 2013. Total customer deposits closed at RM93.8 billion, higher by RM10.8 billion from RM83.0 billion recorded in last financial year ended 31 December 2013.

The Bank's total capital ratio under Basel III is 15.271% (December 2013 : 13.711%), well above the minimum regulatory requirement.

MAYBANK ISLAMIC BERHAD
(787435-M)
(Incorporated in Malaysia)

B2. Prospects

The global economy is expected to grow by 3.3% in 2014, similar to the growth in 2013. Although the US economy is having steady expansion, China is at sub-8% growth, while Euro Zone and Japan remains stagnation. Closer to home, the economic growth trend in ASEAN is mixed, reflecting domestic-specific factors that include structural challenges, macroeconomic policy adjustments and political uncertainty.

Malaysia's macro performance improved (GDP 2014E: 5.9%; 2013: 4.7%) on the back of investment-driven domestic demand and supported by recovery in external demand which offset by the impact of budget deficit control and fuel and energy subsidy reforms. However, government cash assistance for the lower income group in the form of BR1M is expected to mitigate the impact. At the same time, Bank Negara Malaysia's decision to keep the Overnight Policy Rate (OPR) at 3.25% in September and November 2014 after the 25bps hike in July 2014 is to sustain the growth momentum as the risk of financial imbalances is seen to be under control.

The enactment of the Islamic Financial Services Act 2013 is expected to facilitate Islamic banks to extend its role to also include the role as an investment intermediary, in which the different modes of risk sharing contract can be applied. In line with these developments, the recent national budget for 2015 (Budget 2015) has placed the implementation of the Investment Account Platform (IAP) high on its agenda. The IAP is expected to be launched in 2015 and will provide opportunities to investors to financing entrepreneurial activities and developing viable SMEs, in addition to investing in Islamic financial market. Under the proposed Budget 2015, investments in the IAP will carry a 3 years income tax exemption for individual investors on profits earned from qualifying investment in the IAP. The nature of structures unique to Islamic finance, backed by strong commitment from the government and relevant authorities, represents a unique opportunity for Islamic finance to innovate the banking industry as a whole in Malaysia in which Islamic finance can further strengthen the linkage of finance and real economic activity and also contribute towards a more inclusive and more balanced growth.

In Indonesia, full-year GDP growth is expected to be slower at 5.1% (2013: 5.8%). With both the Parliament and Presidential elections concluded, we expect the new administration to focus on rejuvenating growth in Indonesia through structural reforms and strategic policies as the newly elected President Jokowi has pledged to improve the country's infrastructure and boost the manufacturing sector. According to Ernst & Young World Islamic Banking Competitiveness Report, Indonesia is one of the promising rapid growth market for Islamic banking. Indonesia has demonstrated a five year compounded annual growth rate of 42% or 3.1x faster than conventional banking growth. Maybank will continue to drive Islamic banking in Indonesia by leveraging on PT Bank Internasional Indonesia's (Tbk) (BII) and Maybank Group's infrastructures and resources, as we endeavor to unlock the benefits of our ASEAN presence. The launching of the 'Syariah First Strategy' in BII further demonstrates the Group's commitment of developing Syariah banking in Indonesia and as a testament to this, BII's Unit Usaha Syariah recorded remarkable growth in total assets, deposits and financing with growth of 102%, 84% and 76% year-on-year respectively.

In Singapore, the economy expanded by 3.2% in January - September 2014, consistent with the forecast of 3.3% full-year GDP growth in 2014 (2013: 4.1%). The slower growth this year reflects challenges arising from structural and cyclical factors such as demography, costs, competitiveness and property downturn that affect domestic demand and exports. Specific to Islamic banking, the focus is to build Singapore as our regional centre to reach out to global investors with our wholesale business.

The past few years have been focused on targeting growth to achieve global scale as we set on our journey from aspiring to be a domestic leader in Islamic finance to a global leader in Islamic finance. Our improved ranking as the world's third largest Islamic bank and our connectivity through Maybank Group has set the stage in terms of having the scale, resources and network to further undertake international business, facilitate cross border financial flows and support the economic development of the countries we operate in. In doing so, we will continue to engage closely with regulators and industry players across the region to encourage further integration and synergy within our operating markets.