

ISLAMIC BANKING



“The ‘Islamic Inspired’ theme across the House of Maybank has proven effective, resulting in positive outcomes in terms of financials, services, environment and culture. It enables us to deliver our capabilities on how, when, where and what in response to our customers’ wants and needs. We will stay connected with them and will always strive to be their preferred financial partner in the region.”

MUZAFFAR HISHAM

Group Head, Islamic Banking
Chief Executive Officer (CEO), Maybank Islamic Berhad

OUTLOOK

The global growth of the Islamic finance industry is expected to continue on a strong momentum and Malaysia is well positioned to be at the forefront of the industry’s development. On the back of the industry’s growth, Maybank’s Group Islamic Banking is on track to enter a new growth phase through its regionalisation plans while solidifying its business in the home market. We are confident that this is achievable with continuous commitment and collaboration across the Group in line with our aspiration of becoming ‘the Global Leader in Islamic Finance by 2015’.

In 2014, we will focus on strengthening our regional footing to increase contributions from other entities within Group Islamic Banking whilst sustaining our leadership position domestically. With recent major deals on cross-border transactions, we are poised to be the leading provider of Shariah-compliant financial solutions and the preferred financial partner to bridge world economies to our region.

OUR PRIORITIES IN 2014

- Sustain No.1 market share in Malaysia and to continue to leverage on Maybank Group’s infrastructures.
- Strengthen regional presence in our key markets - to be the preferred Islamic bank in ASEAN that will bridge world economies to our region.
- Reinforce Group Islamic Banking’s Centre of Excellence - to be the established industry leader in Islamic banking and finance, and solidify sound risk management practices.

2013 PERFORMANCE HIGHLIGHTS

MAYBANK GROUP ISLAMIC BANKING

- For the financial year ended 31 December 2013, Group Islamic Banking business grew robustly by 28%, with total income increasing to RM2.8 billion against RM2.2 billion in the preceding year.
- Group Islamic Banking business in the home market strengthened whilst internationalisation initiatives progressed well particularly in the two key markets of Indonesia and Singapore.

MAYBANK ISLAMIC BERHAD

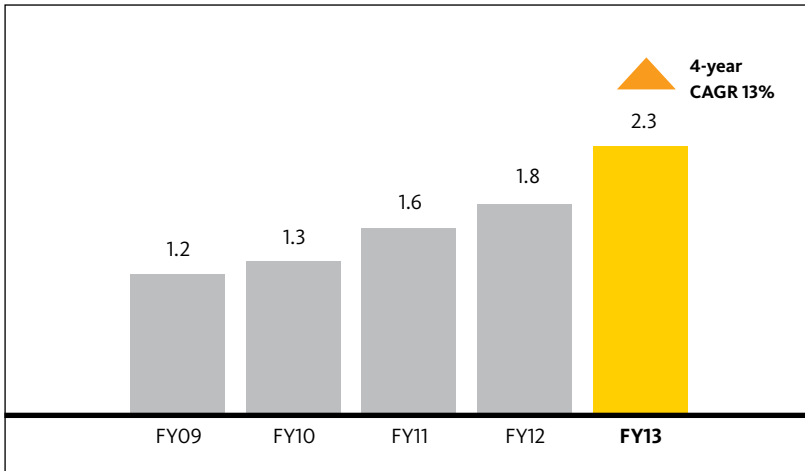
- Maybank Islamic sustained its leadership position with a record Profit Before Tax (PBT) of RM1.4 billion, reflecting a growth of 17% year-on-year (y-o-y). Total gross financing grew by 40% to RM86.9 billion, contributing 38.9% to Maybank Group’s total domestic financing.
- Maybank Islamic sustained its No.1 market share in Malaysia’s Islamic banking industry in total assets, financing and deposits with 28.8%, 30.6% and 23.8% respectively. (Source: BNM Monthly Statistical Bulletin December 2013)

ISLAMIC BANKING

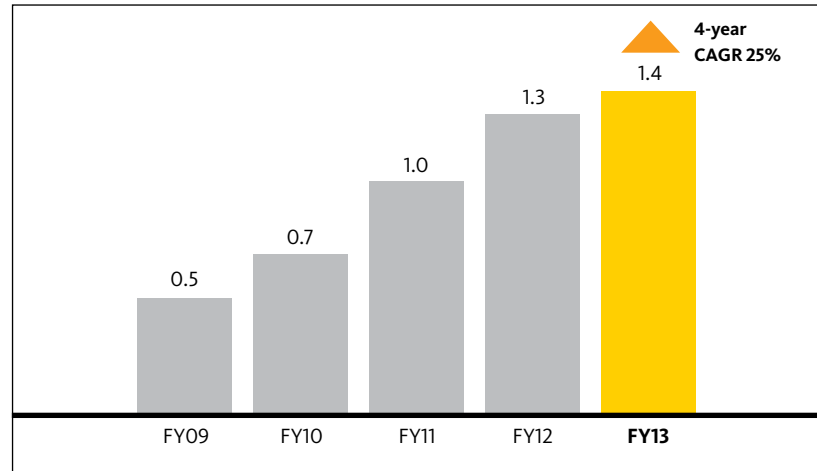
HOME MARKET

Business Performance

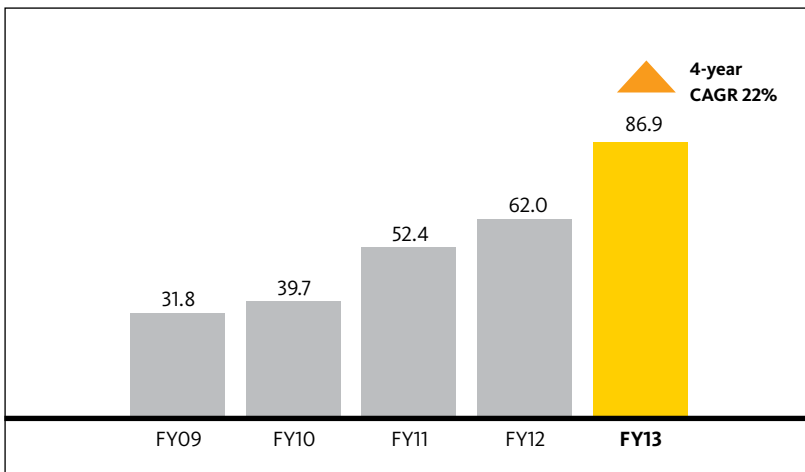
Maybank Islamic's Total Income (RM' billion)



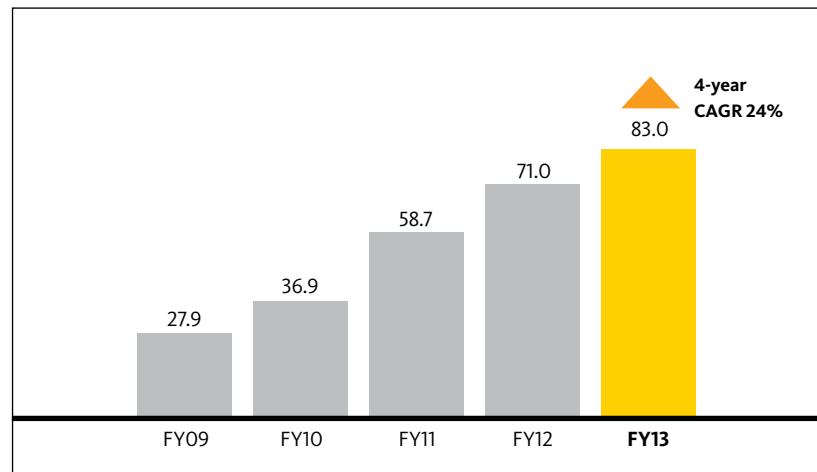
Maybank Islamic's Profit Before Tax (RM' billion)



Maybank Islamic's Financing (RM' billion)



Maybank Islamic's Deposits (RM' billion)



Business Segment Results

For FY2013, financing grew by 40% y-o-y amounting to an increase of RM24.9 billion, backed by a healthy capital position of RM6.7 billion. The financing growth was fuelled by the Group's Community Financial Services (CFS) and Global Banking divisions. Financing growth by CFS, comprising consumer, small medium enterprise and business banking segments, grew 39% y-o-y or RM18.4 billion while financing distributed by Global Banking (GB) rose 45% y-o-y or RM6.5 billion. Deposits from customers increased RM12.0 billion or 17% y-o-y as both the CFS and GB portfolios expanded at 28% and 7% totalling RM43.2 billion and RM39.9 billion respectively.

Innovative Financial Solutions

Penetration of Maybank Islamic's Shariah compliant products and services has expanded considerably over the years reflecting healthy acceptance amongst retail and wholesale customers, as our offerings meet their needs, provides additional value and match their financial goals and lifestyles.

Several consumer banking products were launched in 2013 that complement and leverage on two key strengths of Maybank Group i.e. in the online space via Maybank2u and electronic banking via ATMs, to further provide fast, easy and convenient banking to our customers. Maybank Islamic also introduced Maybank

One-i, an innovative financial kiosk with fast and hassle-free banking services. Together with the Maybank Group, Maybank ASPIRE was launched to offer affluent customers a differentiated banking experience and a comprehensive suite of financial products. In addition, a wide range of foreign currency solutions have been developed to better manage the international exposure and requirements of our private banking customers. In the SME and Business Banking space, we have further strengthened and expanded our financing products to better service our customers by reducing turnaround time and to meet customers' needs and demands with the introduction of Shariah Clean Financing-i and SME Property and Business Financing-i.

Maybank Islamic also continues to work alongside GB to deliver superior Islamic financial solutions to companies and institutional investors. We aim to be the primary financial services partner for corporate investors as we expand our leadership beyond borders by securing key deals in local and foreign currencies, further contributing to the growth of the economies that we operate in. On the sukuk front, Maybank Investment Banking continues to be one of the top three underwriters according to the Bloomberg Global Islamic Bonds League Table and is ranked second on the Bloomberg Malaysia Ringgit League Table with a market share of 7.8% and 19% respectively.

INTERNATIONAL MARKETS

On the international front, 2013 marked another milestone in Group Islamic Banking's expansion globally. Our cross-border deals saw commendable growth, highlighted by the launch of Maybank Islamic's first Islamic mortgage in pound sterling, in conjunction with the 9th World Islamic Economic Forum held in the UK. Group Islamic Banking also made a major breakthrough when it secured its first pound sterling financing deal with Lembaga Tabung Haji, the first deal of its kind by a Malaysian Islamic bank. This will elevate Maybank Islamic's capability to compete with global players in London, one of the world's leading financial centres.

In Singapore, our Islamic arm has introduced more industry "firsts" to the market, with the launch of home financing and commercial and industrial property financing for Malaysian properties and auto financing. Our Maybank Investment Banking team also acted as the sole lead arranger, global coordinator and the Shariah adviser of Singapore's Swiber Capital Pte Ltd's inaugural sukuk, the first wakala sukuk structure and the largest Singapore dollar sukuk issuance by a Singaporean corporate in the lion city. Total assets and deposits recorded a significant y-o-y growth of 89% and 28% respectively, due to significant expansion of customer base.

In Indonesia, Bank Internasional Indonesia's Unit Usaha Syariah (BII UUS) saw significant y-o-y growth in total assets and deposits of 91% and 402% respectively. By being customer-focused, BII UUS has launched its innovative mortgage solution based on the Shariah contract of musyarakah mutanaqisah, providing customers with the unique value proposition of lower down-payment requirement. In 2013, we also focused on expanding BII UUS's distribution by increasing our leverage on BII's delivery networks. This resulted in an increase to 269 registered Office Channelling (OC) branches from 105 registered OC branches in 2012.

Moving forward, we will continue to leverage on our position as the leading bank in ASEAN to further intensify cross-border linkages within the region (specifically between Malaysia, Indonesia, Singapore and Brunei) as well as between ASEAN, the Middle East and key financial centres across the world.

Centre of Excellence (COE) for Shariah and Risk Management

The continuous execution of initiatives by Maybank Islamic under the COE has once again made us the industry reference point on Islamic banking and finance matters. Among these initiatives include the launch of Shariah scholarship for undergraduates and post graduates, strategic collaborations with International Centre for Education in Islamic Finance (INCEIF) and International Islamic University Malaysia (IIUM), development of thought leadership in Islamic finance publications and the mainstream newspapers as well as market engagement via interactive Shariah risk management series.

On the risk management front, Maybank Islamic currently adopts the integrated risk management approach established by the Maybank Group. Our risks are systematically managed with proper risk governance, infrastructure and tools embedded throughout the Group Islamic banking businesses. This approach ensures effective management of enterprise-wide risks posed by the rapidly changing business environment. In accordance with Bank Negara Malaysia's regulatory requirements, Maybank Islamic has also put in place a comprehensive Shariah Governance Framework to ensure effective and efficient oversight by the Board of Directors, the Shariah Committee, the Management and Business Units on business activities and operations carried out by its business pillars.

Giving Back to the Community

Maybank Islamic always believes in being at the heart of the community, in line with the Group's mission of 'Humanising Financial Services across Asia'. In addition to creating opportunities and growth through our business, we aim to fulfil our social responsibility by fostering unique and sustainable values that have a positive impact on society. Our focus in 2013 centred around three key areas, namely improving communities' welfare through zakat contribution and qurban, talent development within the industry and promoting children's health. From our FY2012 profits, our major focus of improving the communities' welfare was through zakat contribution totalling RM15.2 million to States' Pusat Zakat and Asnaf community groups. As part of the zakat project, we collaborated with Islamic Relief Malaysia in providing food aid during Ramadhan to ease the burden of about 8,800 poor and needy families at 35 selected mosques nationwide. Maybank Islamic continued with Qurban Perdana Maybank this year as a tribute to communities that extended support to Maybank and the launch took place simultaneously in several locations across Malaysia as well as Singapore, Indonesia and Brunei. Maybank Islamic in partnership with the National Heart Institute (IJN) sponsored pediatric heart patients to undergo specialist medical treatment at IJN. In partnership with INCEIF and the International Shariah Research Academy for Islamic Finance (ISRA), Maybank Islamic took part in the initiative to focus on talent development within the industry offering sponsorship for students to undertake the Chartered Islamic Finance Professional (CIFP) programme. These initiatives embody our commitment to embark on a long term Corporate Responsibility programme in support of social welfare in Malaysia and across ASEAN.

Our full list of awards can be found on page 63.