

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	Note	2nd Quarter Ended		Cumulative 6 Months Ended	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Income derived from investment of depositors' funds	A22	1,300,914	1,101,716	2,555,052	2,111,787
Income derived from investment of shareholder's funds	A23	56,160	45,673	120,655	85,593
Allowance for impairment on financing and advances	A24	(35,607)	(18,632)	(53,486)	(12,623)
Total distributable income		1,321,467	1,128,757	2,622,221	2,184,757
Income attributable to depositors	A25	(707,606)	(541,238)	(1,409,085)	(1,037,206)
Total net income		613,861	587,519	1,213,136	1,147,551
Overhead expenses	A26	(261,879)	(208,899)	(535,498)	(418,871)
Finance cost	A27	(26,602)	(10,377)	(37,151)	(20,926)
Profit before taxation and zakat		325,380	368,243	640,487	707,754
Taxation	A28	(76,790)	(85,436)	(154,803)	(169,156)
Zakat	A28	(5,388)	(4,007)	(10,584)	(7,139)
Profit for the period		243,202	278,800	475,100	531,459
Profit attributable to :					
Equity holders of the parent		243,202	278,800	475,100	531,459
Earnings per share attributable to equity holder of the Bank - Basic/diluted (sen)		98.30	210.07	203.46	400.44

(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
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	243,202	278,800	475,100	531,459
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net gain/(loss) on financial investments available-for-sale	15,552	(62,021)	20,348	(69,406)
Income tax relating to components of other comprehensive income	(3,888)	15,505	(5,087)	17,351
Other comprehensive income for the period, net of tax	11,664	(46,516)	15,261	(52,055)
Total comprehensive income for the period, net of tax	254,866	232,284	490,361	479,404
Total comprehensive income attributable to :				
Equity holders of the parent	254,866	232,284	490,361	479,404

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	30 June 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds		18,527,794	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)	147,638	492,119
Financial investments available-for-sale	A13(ii)	8,547,313	8,443,090
Financing and advances	A14	94,007,410	86,135,734
Derivative assets	A15	107,776	134,141
Other assets	A16	7,451,295	8,770,145
Statutory deposits with Bank Negara Malaysia		3,458,000	3,084,000
Deferred tax assets		60,094	267,403
TOTAL ASSETS		132,307,320	125,056,697
LIABILITIES			
Deposits from customers	A17	92,026,344	83,017,613
Deposits and placements of banks and other financial institutions	A18	29,754,723	33,371,301
Bills and acceptances payable		63,516	62,124
Derivative liabilities	A15	225,476	247,952
Other liabilities	A19	241,748	97,915
Provision for taxation and zakat		15,488	192,479
Subordinated Sukuk	A21	2,526,832	1,010,782
Recourse obligation on financing sold to Cagamas		527,277	620,976
TOTAL LIABILITIES		125,381,404	118,621,142

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

	Note	30 June 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		2,247,004	2,172,652
Other reserves		333,207	317,946
TOTAL SHAREHOLDER'S EQUITY		6,925,916	6,435,555
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		132,307,320	125,056,697
COMMITMENTS AND CONTINGENCIES	A31	33,215,716	33,984,669
<u>CAPITAL ADEQUACY</u>	A32		
Based on credit, market and operational risk:			
CET1 capital ratio		12.093%	11.761%
Tier 1 capital ratio		12.093%	11.761%
Total capital ratio		16.511%	13.711%

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 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	-	-	-	-	-	-	475,100	475,100
Other comprehensive income	-	-	-	-	15,261	-	-	15,261
Total comprehensive income for the period	-	-	-	-	15,261	-	475,100	490,361
Dividend paid	-	-	-	-	-	-	(400,748)	(400,748)
Issue of ordinary shares (Notes A8)	27,374	373,374	-	-	-	-	-	400,748
Total transactions with shareholders	27,374	373,374	-	-	-	-	(400,748)	-
At 30 June 2014	246,362	4,099,343	1,697	409,672	(112,618)	34,456	2,247,004	6,925,916

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	<=====Non Distributable=====>							Total equity RM'000
	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	
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	-	-	-	-	-	-	531,459	531,459
Other comprehensive income	-	-	-	-	(52,055)	-	-	(52,055)
Total comprehensive income for the period	-	-	-	-	(52,055)	-	531,459	479,404
At 30 June 2013	132,720	2,687,480	1,697	147,338	(20,781)	34,456	2,041,865	5,024,775

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	30 June 2014 RM'000	30 June 2013 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	640,487	707,754
Adjustments for non-operating and non-cash items:		
Allowances for losses on financing and advances	92,841	94,001
Amortisation of premium less accretion of discount	(21,667)	(21,895)
Gain on revaluation of derivatives	(6,321)	(3,989)
Unrealised loss on revaluation of financial assets at fair value through profit or loss	96	796
Gain on disposal of financial investments available-for-sale	(1,104)	(18,053)
Gain on disposal of financial assets at fair value through profit or loss	(3,082)	(39,859)
Gain on foreign exchange translations	(14,450)	(47,981)
Share options granted under ESS	764	831
Operating profit before working capital changes	687,564	671,605
Change in deposits and placements with banks and other financial institutions	50,025	200,962
Change in financial investments portfolio	286,362	(1,704,220)
Change in financing and advances	(7,964,517)	(10,006,573)
Change in derivative assets and liabilities	10,209	22,042
Change in other assets	1,318,849	(1,677,480)
Change in statutory deposits with Bank Negara Malaysia	(374,000)	(286,000)
Change in deposits from customers	9,008,731	(1,403,466)
Change in deposits and placements of banks and other financial institutions	(3,602,128)	14,876,079
Change in bills and acceptances payable	1,392	(262,011)
Change in other liabilities	180,222	(29,495)
Cash generated from operations	(397,291)	401,443
Taxes and zakat paid	(140,156)	(219,463)
Net cash (used in)/generated from operating activities	(537,447)	181,980
Cash flows from financing activities		
Proceeds from issuance of Tier 2 Capital Subordinated Sukuk	1,500,000	-
Profit paid for subordinated sukuk	(21,100)	(21,100)
Financing sold to Cagamas, net	(93,699)	(196,926)
Proceeds from issuance of shares	400,748	-
Dividend paid	(400,748)	-
Net cash generated from/(used in) investing activities	1,385,201	(218,026)
Net decrease in cash and cash equivalents	847,754	(36,046)
Cash and cash equivalents at beginning of year	17,680,040	13,017,323
Cash and cash equivalents at end of year	18,527,794	12,981,277

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

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

	30 June	30 June
	2014	2013
	RM'000	RM'000
Cash and short-term funds	18,527,794	12,981,277

(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)

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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 the financial half year ended 30 June 2014 of 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 (“BNM”)

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.

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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 period 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 financial half year ended 30 June 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 financial half year ended 30 June 2014.

A7. Changes in estimates

There were no material changes in estimates during the financial half year ended 30 June 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.

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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 will be proposed for the shareholder's approval.

The financial statements for the current financial half year ended 30 June 2014 do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 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.

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A12. Deposits and Placements with banks and other financial institutions

	30 June 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 June 2014 RM'000	31 December 2013 RM'000
Financial assets at fair value through profit or loss	(i)	147,638	492,119
Financial investments available-for-sale	(ii)	8,547,313	8,443,090
		<u>8,694,951</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 June 2014 RM'000	31 December 2013 RM'000
At fair value		
Money market instruments:-		
Malaysian Government Investment Issues	147,638	145,679
Bank Negara Malaysia Monetary Notes	-	323,452
	<u>147,638</u>	<u>469,131</u>
Unquoted securities :		
Islamic private debt securities in Malaysia	-	22,988
Total financial assets held-for-trading	<u>147,638</u>	<u>492,119</u>

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A13. Financial investments portfolio (cont'd.)

(ii) Financial investments available-for-sale

	30 June 2014 RM'000	31 December 2013 RM'000
At fair value		
Money market instruments:-		
Malaysian Government Investment Issues	4,370,009	4,898,485
Negotiable Islamic instruments of deposits	2,449,267	1,666,487
Bankers' acceptances and Islamic accepted bills	-	26,240
Khazanah bonds	63,889	62,930
	<u>6,883,165</u>	<u>6,654,142</u>
Unquoted securities :		
Islamic private debt securities in Malaysia	1,568,639	1,693,482
Foreign private debt securities	25,815	25,763
Malaysian Government bond	69,694	69,703
	<u>1,664,148</u>	<u>1,788,948</u>
Total financial investments available-for-sale	<u>8,547,313</u>	<u>8,443,090</u>

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A14. Financing and advances

(i) By type and Shariah concepts

30.06.2014	Bai'^ RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al- Bai (AITAB) RM'000	Ijarah RM'000	Istisna' RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	2,860,956	-	-	-	471	-	2,861,427
Term financing								
- House financing	23,256,598	30,577,809	2,800,353	-	-	-	-	56,634,760
- Syndicated financing	-	-	13,284	-	-	-	-	13,284
- Hire purchase receivables	-	-	-	29,576,130	-	-	-	29,576,130
- Other term financing	45,408,139	28,726,219	1,892,362	-	186,713	178,959	532	76,392,924
Bills receivable	-	205	-	-	-	-	-	205
Trust receipts	-	159,016	-	-	-	-	-	159,016
Claims on customers under acceptance credits	-	3,637,454	-	-	-	-	-	3,637,454
Staff financing	1,029,162	334,814	9,510	117,290	-	-	34,178	1,524,954
Credit card receivables	-	-	-	-	-	-	397,759	397,759
Revolving credit	-	6,506,431	-	-	-	-	-	6,506,431
	69,693,899	72,802,904	4,715,509	29,693,420	186,713	179,430	432,469	177,704,344
Unearned income								(82,908,960)
Gross financing and advances^^								94,795,384
Allowances for impaired financing and advances:								
- individual								(187,658)
- collective								(600,316)
Net financing and advances								94,007,410

^ 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.

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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								(71,055,879)
Gross financing and advances^^								<u>86,879,276</u>
Allowances for impaired financing and advances:								
- individual								(162,046)
- collective								(581,496)
Net financing and advances								<u><u>86,135,734</u></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.

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A14. Financing and advances (cont'd.)

(ii) By type of customers

	30 June 2014 RM'000	31 December 2013 RM'000
Domestic non-banking institutions	2,704,744	2,546,840
Domestic business enterprises		
- Small and medium enterprises	9,702,685	8,723,084
- Others	13,527,142	13,172,914
Government and statutory bodies	6,755,630	6,288,125
Individuals	61,599,008	55,492,469
Other domestic entities	22,000	18,006
Foreign entities in Malaysia	484,175	637,838
Gross financing and advances	<u>94,795,384</u>	<u>86,879,276</u>

(iii) By profit rate sensitivity

	30 June 2014 RM'000	31 December 2013 RM'000
Fixed rate		
- House financing	1,645,827	2,278,641
- Hire purchase receivables	25,388,425	22,595,645
- Other financing	18,993,987	18,304,819
Floating rate		
- House financing	15,400,975	12,252,243
- Other financing	33,366,170	31,447,928
Gross financing and advances	<u>94,795,384</u>	<u>86,879,276</u>

(iv) By economic purpose

	30 June 2014 RM'000	31 December 2013 RM'000
Purchase of securities	16,498,417	16,325,909
Purchase of transport vehicles	25,395,542	22,635,114
Purchase of landed properties		
- residential	16,562,565	14,072,688
- non-residential	5,541,137	4,471,266
Purchase of fixed assets (exclude landed properties)	18,153	8,813
Personal use	1,648,461	1,419,655
Consumer durables	570	723
Construction	2,838,156	2,660,675
Working capital	25,894,624	24,859,957
Credit cards	397,759	424,476
Gross financing and advances	<u>94,795,384</u>	<u>86,879,276</u>

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A14. Financing and advances (cont'd.)

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

	30 June 2014 RM'000	31 December 2013 RM'000
Maturity within one year	12,382,059	12,436,008
One year to three years	7,173,263	6,020,825
Three years to five years	10,366,120	10,448,909
After five years	64,873,942	57,973,534
Gross financing and advances	<u>94,795,384</u>	<u>86,879,276</u>

(vi) Impaired financing and advances by economic purpose

	30 June 2014 RM'000	31 December 2013 RM'000
Purchase of securities	19,662	8,575
Purchase of transport vehicles	90,336	67,597
Purchase of landed properties		
- residential	79,955	86,109
- non-residential	30,369	22,363
Personal use	15,051	9,318
Credit cards	3,485	3,500
Consumer durables	3	3
Construction	17,562	31,059
Working capital	322,527	292,269
Gross impaired financing and advances	<u>578,950</u>	<u>520,793</u>

(vii) Movement in impaired financing and advances

	30 June 2014 RM'000	31 December 2013 RM'000
Gross impaired financing and advances at 1 January 2014/2013	520,793	519,979
Newly impaired	321,195	533,271
Reclassified as non-impaired	(143,362)	(218,605)
Recovered	(80,097)	(245,481)
Amount written off	(42,164)	(73,313)
Expenses debited to customers' accounts	2,585	4,942
Gross impaired financing and advances at 30 June 2014/ 31 December 2013	<u>578,950</u>	<u>520,793</u>
Less: Individual allowance	(187,658)	(162,046)
Net impaired financing and advances	<u>391,292</u>	<u>358,747</u>

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A14. Financing and advances (cont'd.)

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

	30 June 2014 RM'000	31 December 2013 RM'000
Gross financing and advances (excluding RPSIA financing)	86,086,915	78,550,433
Less: Individual allowance	(187,658)	(162,046)
Net financing and advances	85,899,257	78,388,387
Net impaired financing and advances as a percentage of net financing and advances	0.46%	0.46%

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

	30 June 2014 RM'000	31 December 2013 RM'000
<u>Individual Allowance</u>		
At 1 January 2014/2013	162,046	94,176
Allowance made	52,797	87,363
Amount written back in respect of recoveries	(6,655)	(19,419)
Amount written off	(20,530)	-
Transferred to collective allowance	-	(74)
At 30 June 2014/31 December 2013	187,658	162,046
	30 June 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*	40,454	59,218
Amount written off	(21,634)	(73,313)
Transferred from individual allowance	-	74
At 30 June 2014/31 December 2013	600,316	581,496
As a % of gross financing and advances (excluding RPSIA financing) less individual assessment allowance	0.70%	0.74%

* As at 30 June 2014, the gross exposure of the assets under the RPSIA is RM8,708.5 million (31 December 2013 : RM8,328.8 million) and the collective allowance relating to this RPSIA amounting RM26.4 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.

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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 June 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
<u>Trading derivatives</u>						
<u>Foreign exchange contracts:</u>						
Currency forwards						
- Less than one year	1,609,728	112	(33,220)	1,619,825	55,054	(1,565)
Currency swaps						
- Less than one year	2,590,532	34,209	-	3,025,375	2,900	(59,007)
Currency spot						
- Less than one year	50,345	42	(7)	28,757	33	(52)
<u>Profit rate related contracts:</u>						
Profit rate options						
- Less than one year						
- One year to three years	50,000	-	(5,368)	-	-	-
- More than 3 years	630,000	361	(90,592)	575,000	-	(89,348)
Cross currency profit rate swaps						
- One year to three years	310,750	14,866	(14,866)	314,425	19,421	(19,421)
- More than 3 years						
	5,241,355	49,590	(144,053)	5,563,382	77,408	(169,393)
<u>Hedging derivatives</u>						
Profit rate swaps						
- Less than one year	100,000	-	(44)	850,000	-	(1,798)
- One year to three years	2,600,750	18,710	(12,275)	718,000	1,729	(2,562)
- More than 3 years	481,500	788	(218)	1,902,963	18,889	(11,653)
Cross currency profit rate swaps						
- Less than one year	246,762	28,156	(27,852)	-	-	-
- One year to three years	-	-	-	249,530	36,115	(35,588)
- More than 3 years	1,774,762	10,532	(41,034)	383,100	-	(26,958)
	5,203,774	58,186	(81,423)	4,103,593	56,733	(78,559)
Total derivative assets/(liabilities)	10,445,129	107,776	(225,476)	9,666,975	134,141	(247,952)

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A16. Other assets

	30 June 2014 RM'000	31 December 2013 RM'000
Amount due from holding company	6,894,056	8,412,776
Handling fees	167,050	149,932
Prepayments and deposits	146,589	124,963
Others	243,600	82,474
	<u>7,451,295</u>	<u>8,770,145</u>

A17. Deposits from customers

i) By type of deposit

	30 June 2014 RM'000	31 December 2013 RM'000
<u>Savings deposits</u>		
Wadiah	9,652,788	8,878,413
Mudharabah	840,358	741,950
<u>Demand deposits</u>		
Wadiah	8,909,552	8,064,681
Mudharabah	10,076,411	9,213,225
<u>Term deposits</u>		
Murabahah	38,421,048	40,593,458
General investment account		
Mudharabah	23,374,142	14,877,283
Negotiable Islamic Debt Certificate (NIDC)		
Mudharabah	147,351	143,345
Hybrid (Bai' Bithaman Ajil and Murabahah)*	604,694	505,258
	<u>92,026,344</u>	<u>83,017,613</u>

* 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 June 2014 RM'000	31 December 2013 RM'000
Business enterprises	38,598,834	35,478,959
Individuals	21,009,702	19,615,685
Government and statutory bodies	11,794,566	11,880,189
Others	20,623,242	16,042,780
	<u>92,026,344</u>	<u>83,017,613</u>

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A18. Deposits and placements of banks and other financial institutions

	30 June 2014 RM'000	31 December 2013 RM'000
<u>Mudharabah Fund</u>		
Licensed banks	18,168,743	23,511,701
Licensed islamic banks	986,552	1,351,903
Licensed investment banks	759,968	526,048
Other financial institutions	324,771	399,303
	20,240,034	25,788,955
<u>Non-Mudharabah Fund</u>		
Licensed banks	-	3,640
Licensed islamic banks	364,580	551,256
Other financial institutions	9,150,109	7,027,450
	9,514,689	7,582,346
	29,754,723	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 RM8,685m (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 June 2014 RM'000	31 December 2013 RM'000
Profit equalisation reserve ("PER")	(i)	-	11,820
Sundry creditors		40,235	41,459
Deposit on trade financing		187,843	22,585
Provisions and accruals		10,919	17,698
Others		2,751	4,353
		241,748	97,915
 (i) PER			
		30 June 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 June 2014/31 December 2012		-	11,820

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A20. Sources and uses of charity funds

	30 June 2014 RM'000	31 December 2013 RM'000
Sources of charity funds		
Non-Islamic/prohibited income	3	52
Total sources of charity funds during the year	3	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 June 2014/ 31 December 2013	3	-

A21. Subordinated Sukuk

	Note	30 June 2014 RM'000	31 December 2013 RM'000
RM1,000 million Islamic Subordinated Sukuk due in 2021	(i)	1,010,435	1,010,782
RM1,500 million Islamic Subordinated Sukuk due in 2024	(ii)	1,516,397	-
		2,526,832	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.

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A22. Income derived from investment of depositors' funds

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Income derived from investment of:				
i) General investment deposits	880,970	709,209	1,717,655	1,383,043
ii) Other deposits	419,944	392,507	837,397	728,744
	1,300,914	1,101,716	2,555,052	2,111,787

i) Income derived from investment of general investment deposits

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Financing and advances	723,481	525,975	1,407,903	1,031,303
Money at call and deposit with financial institutions	62,236	47,984	120,783	93,331
Financial investments available-for-sale	37,274	33,000	74,892	63,110
Financial assets at fair value through profit or loss	2,212	820	3,162	1,753
	825,203	607,779	1,606,740	1,189,497
Amortisation of premium less accretion of discounts	7,964	6,500	13,909	13,781
Total finance income and hibah	833,167	614,279	1,620,649	1,203,278
Other operating income :				
Fee income				
- Processing fees	268	282	466	456
- Commissions	23,294	23,619	44,935	42,048
- Service charges and other fees	16,417	24,879	31,624	67,780
Gains on disposal of financial investments available-for-sale	399	9,349	709	11,363
Gains on disposal of financial assets at fair value through profit or loss	449	11,602	1,979	25,088
Unrealised (losses)/gains on revaluation of:				
- Financial assets at fair value through profit or loss	(176)	759	(62)	(501)
- Derivatives	1,173	(97)	4,057	2,511
(Losses)/gains on foreign exchange:				
- Realised	(10,486)	10,120	(6,327)	14,853
- Unrealised	14,445	13,865	15,602	15,347
Net dividend on derivatives	2,020	552	4,023	820
	880,970	709,209	1,717,655	1,383,043

Included in finance income were income on impaired assets amounting to RM5.7 million (30.6.2013: RM4.6 million).

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

ii) Income derived from investment of other deposits

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Financing and advances	344,899	291,255	686,383	543,409
Money at call and deposit with financial institutions	29,673	26,549	58,884	49,177
Financial investments available-for-sale	17,743	18,230	36,512	33,254
Financial assets at fair value through profit or loss	1,068	458	1,542	924
	393,383	336,492	783,321	626,764
Amortisation of premium less accretion of discounts	3,815	3,628	6,781	7,261
Total finance income and hibah	397,198	340,120	790,102	634,025
Other operating income :				
Fee income				
- Processing fees	128	153	227	240
- Commissions	11,109	12,960	21,907	22,156
- Service charges and other fees	7,831	14,307	15,418	35,714
Gains on disposal of financial investments available-for-sale	191	4,982	346	5,987
Gains on disposal of financial assets at fair value through profit or loss	202	6,490	965	13,219
Unrealised (losses)/gains on revaluation of:				
- Financial assets at fair value through profit or loss	(87)	365	(30)	(264)
- Derivatives	539	21	1,978	1,323
(Losses)/gains on foreign exchange:				
- Realised	(5,159)	5,464	(3,084)	7,826
- Unrealised	7,030	7,347	7,607	8,086
Net dividend on derivatives	962	298	1,961	432
	419,944	392,507	837,397	728,744

Included in finance income were income on impaired assets amounting to RM2.8 million (30.6.2013: RM2.4 million).

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A23. Income derived from investment of shareholder's funds

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Financing and advances	46,138	33,887	98,897	63,825
Money at call and deposit with financial institutions	3,971	3,090	8,484	5,776
Financial investments available-for-sale	2,361	2,122	5,261	3,906
Financial assets at fair value through profit or loss	149	53	222	108
	<u>52,619</u>	39,152	<u>112,864</u>	73,615
Amortisation of premium less accretion of discounts	519	422	977	853
Total finance income and hibah	<u>53,138</u>	39,574	<u>113,841</u>	74,468
Other operating income :				
Fee income				
- Processing fees	18	18	33	28
- Commissions	1,488	1,510	3,156	2,602
- Service charges and other fees	1,049	1,653	2,221	4,195
Gains on disposal of financial investments available-for-sale	26	584	50	703
Gains on disposal of financial assets at fair value through profit or loss	21	754	139	1,553
Unrealised (losses)/gains on revaluation of:				
- Financial assets at fair value through profit or loss	(13)	44	(4)	(31)
- Derivatives	61	-	283	155
(Losses)/gains on foreign exchange:				
- Realised	(765)	639	(444)	919
- Unrealised	1,007	862	1,096	950
Net dividend on derivatives	130	35	284	51
	<u>56,160</u>	45,673	<u>120,655</u>	85,593

Included in finance income were income on impaired assets amounting to RM0.4 million (30.6.2013: RM0.3 million).

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A24. Allowance for losses on financing and advances

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Allowances for impaired financing and advances:				
- collective allowance made	24,261	20,253	40,454	23,808
- individual allowance made	28,844	47,096	52,797	74,818
- individual allowance written back	706	5,634	(6,655)	(10,374)
Impaired financing and advances written off	3,013	2,831	6,245	5,749
Impaired financing and advances recovered	(21,217)	(57,182)	(39,355)	(81,378)
	<u>35,607</u>	<u>18,632</u>	<u>53,486</u>	<u>12,623</u>

A25. Income attributable to depositors

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	185,223	177,288	337,098	332,586
- Non-Mudharabah	337,428	230,995	688,046	483,592
	<u>522,651</u>	<u>408,283</u>	<u>1,025,144</u>	<u>816,178</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah	178,776	125,095	371,154	204,247
- Non-Mudharabah	6,179	7,860	12,787	16,781
	<u>184,955</u>	<u>132,955</u>	<u>383,941</u>	<u>221,028</u>
	<u>707,606</u>	<u>541,238</u>	<u>1,409,085</u>	<u>1,037,206</u>

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A26. Overhead expenses

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Personnel expenses	9,387	6,808	18,046	15,090
- Salaries, allowances and bonuses	6,718	5,519	12,925	10,713
- Pension costs	1,032	(52)	1,993	1,648
- Shares/Options granted under Employee's Shares Scheme	585	541	764	831
- Others	1,052	800	2,364	1,898
Establishment costs	608	527	1,221	1,193
- Rental of premises	428	286	857	572
- Repairs, servicing and maintenance	34	16	57	30
- Information technology expenses	152	225	307	591
- Others	(6)	-	-	-
Marketing costs	1,632	1,148	2,655	1,832
- Advertisement and publicity	930	795	1,551	1,462
- Others	702	353	1,104	370
Administration and general expenses	250,252	200,416	513,576	400,756
- Fees and brokerage	3,727	1,766	5,113	3,663
- Administrative expenses	1,264	2,203	2,114	3,540
- General expenses	3,362	2,455	6,893	5,481
- Shared service cost paid/payable to Maybank	241,899	193,992	499,456	388,072
	261,879	208,899	535,498	418,871

A27. Finance cost

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Islamic subordinated sukuk	26,602	10,377	37,151	20,926

A28. Taxation and zakat

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

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Malaysian income tax	76,326	92,337	154,245	175,507
Over provision in prior period: Malaysian income tax	-	-	(201,664)	-
Deferred tax expense in relation to origination and reversal of temporary differences	464	(6,901)	202,222	(6,351)
Tax expense for the period	76,790	85,436	154,803	169,156
Zakat expense	5,388	4,007	10,584	7,139
	82,178	89,443	165,387	176,295

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A29. Credit exposure arising from credit transactions with connected parties

	30 June 2014	31 December 2013
Outstanding credit exposure with connected parties (RM'000)	<u>1,693,230</u>	<u>1,274,610</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>1.21%</u>	<u>1.02%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>-</u>	<u>-</u>

The credit exposure above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008, and applied prospectively.

A30. 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.

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A31. 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 June 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	669,153	666,137	359,168	633,689	633,689	396,118
Certain transaction-related contingent items	1,124,670	503,523	429,719	1,165,665	591,715	480,061
Short-term self-liquidating trade-related contingencies	312,497	28,010	16,396	276,377	137,786	23,044
Irrevocable commitments to extend credit:						
- maturity within one year	13,614,430	1,824,255	965,187	16,049,084	1,685,439	986,277
- maturity more than one year	6,809,634	3,302,298	1,294,276	6,170,815	2,874,564	1,096,736
Miscellaneous	240,203	-	-	22,064	-	-
Total credit-related commitments and contingencies	22,770,587	6,324,223	3,064,746	24,317,694	5,923,193	2,982,236
<u>Derivative financial instruments</u>						
Foreign exchange related contracts:						
- less than one year	4,497,367	136,182	48,710	4,673,957	11,898	7,298
- one year to less than five years	1,774,762	254,774	54,728	947,055	58,846	28,317
Profit rate related contracts:						
- less than one year	100,000	100	2,224	850,000	1,000	200
- one year to less than five years	3,998,000	117,583	64,615	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	10,445,129	508,639	170,277	9,666,975	151,424	60,823
	33,215,716	6,832,862	3,235,023	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.

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A32. 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.

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A32. Capital Adequacy (cont'd.)

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

	30 June 2014	31 December 2013
Capital ratios		
CET1 capital ratio	12.093%	11.761%
Tier 1 capital ratio	12.093%	11.761%
Total capital ratio	<u>16.511%</u>	<u>13.711%</u>

(d) Components of capital:

	30 June 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	2,247,004	2,172,652
Other reserves	<u>333,207</u>	<u>317,946</u>
CET1 capital before regulatory adjustments	6,925,916	6,435,555
Less: Regulatory adjustment applied in CET1 capital	<u>(479,628)</u>	<u>(662,524)</u>
Total CET1/Tier 1 capital	6,446,288	5,773,031
Tier 2 capital		
Tier 2 capital instruments	2,300,000	900,000
Collective allowance ¹	<u>54,654</u>	<u>56,845</u>
Total Tier 2 capital	2,354,654	956,845
Total Capital	8,800,942	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 June 2014 RM'000	31 December 2013 RM'000
Standardised Approach exposure	4,677,223	3,902,334
Internal Ratings-Based Approach exposure after scaling factor	<u>45,778,503</u>	<u>42,043,918</u>
Total risk-weighted asset for credit risk	50,455,726	45,946,252
Total risk-weighted asset for credit risk absorbed by parent [^]	(1,380,237)	(1,210,230)
Total risk-weighted asset for market risk	419,214	729,512
Total risk-weighted asset for operational risk	<u>3,810,146</u>	<u>3,619,234</u>
Total risk-weighted assets	53,304,849	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.

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A33. Fair value of financial instruments

Fair value hierarchy

The Bank classify 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 Banks' own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

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A33. 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 June 2014 and 31 December 2013.

At 30 June 2014	<u>Valuation technique using</u>			Total RM'000
	Quoted Market Price (Level 1) 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	-	147,638	-	147,638
<i>Money market instruments</i>	-	147,638	-	147,638
Financial investments available-for-sale	-	8,547,313	-	8,547,313
<i>Money market instruments</i>	-	6,883,165	-	6,883,165
<i>Non-money market instruments</i>	-	1,664,148	-	1,664,148
Derivative assets	-	107,415	361	107,776
<i>Foreign exchange related contracts</i>	-	34,364	-	34,364
<i>Profit rate related contracts</i>	-	73,051	361	73,412
	-	8,802,366	361	8,802,727

Financial liabilities measured at fair value:

Derivative liabilities	-	129,515	95,961	225,476
<i>Foreign exchange related contracts</i>	-	33,227	-	33,227
<i>Profit rate related contracts</i>	-	96,288	95,961	192,249

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A33. Fair value of financial instruments (cont'd.)

At 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	
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.

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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 June 2014 RM'000
As at 30.06.2014					
Derivative assets					
<i>Profit rate related contracts</i>	-	361	-	-	361
Total Level 3 financial assets	<u>-</u>	<u>361</u>	<u>-</u>	<u>-</u>	<u>361</u>
Derivative liabilities					
<i>Profit rate related contracts</i>	89,348	(7,273)	13,886	-	95,961
Total Level 3 financial liabilities	<u>89,348</u>	<u>(7,273)</u>	<u>13,886</u>	<u>-</u>	<u>95,961</u>
Total net Level 3 financial assets/ (liabilities)	<u>89,348</u>	<u>(6,912)</u>	<u>13,886</u>	<u>-</u>	<u>96,322</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
As at 31.12.2013					
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 half year ended 30 June 2013.

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PART B – Review of Performance & Current Year Prospects

B1. Performance Review

Total income grew by RM478.3 million or 22% to RM2,675.7 million from last year's corresponding period, comprising RM2,555.1 million income derived from investment of depositors' funds and RM120.7 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 RM371.9 million to RM1,409.1 million or 36% as compared to previous year's corresponding period.

The Bank recorded a profit before tax and zakat of RM640.5 million for the financial half year ended 30 June 2014, lower by RM67.3 million or 9% from previous year's corresponding period, mainly due to the increase in the overhead expenses by RM116.6 million or 28% to RM535.5 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 RM53.5 million for the financial half year ended 30 June 2014 as compared to RM12.6 million charged in last year's corresponding period. Net impaired financing stood healthy at 0.46% as at 30 June 2014.

The Bank's total asset increased by RM7.3 billion driven by substantial growth in financing asset. Gross financing grew to RM94.8 billion, a growth of RM7.9 billion or 9% from 31 December 2013. Total customer deposits closed at RM92.0 billion, higher by RM9.0 billion from RM83.0 billion recorded in last financial year ended 31 December 2013.

The Bank's total capital ratio under Basel III is 16.511% (December 2013 : 13.711%), well above the minimum regulatory requirement.

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B2. Prospects

The global economy is expected to grow by 3.4% in 2014 from 3.2% in 2013 as the major advanced economies – US, Europe and Japan – simultaneously expand for the first time since 2010 amid continued sub-8% expansion in China and the generally lackluster large emerging economies. The recovery in the major advanced economy is expected to subsequently result in the tapering of quantitative easing. During this period of transition, we expect to see heightened volatility in the international financial markets as there will be a rebalancing of portfolio flows from the emerging economies back to the advanced economies. We are however confident that Asia, more specifically ASEAN, will be better equipped to manage these externalities as a result of the post-ASEAN financial crisis reforms.

2013: 4.7%), clarity and credibility in tightened fiscal policy to address the budget deficit by reduction in energy subsidies and the impending implementation of Goods and Services Tax ("GST"), in the midst of sustainable current account surplus. However, the fiscal consolidation measures are expected to create some inflationary pressures. This has prompted Bank Negara Malaysia to raise the Overnight Policy Rate by 25bps in July 2014. We expect another 25bps hike in September or November this year.

On the Islamic banking development front, the rating agency Moody's expects the industry's strong growth momentum to continue, underpinned by strong demand and the Government's coherent strategy to increase the proportion of Islamic financing to 40% of total domestic financing by 2020 (May 2014: from 24%). However, the 20% compounded annual growth in Islamic finance since 2009 has steadily outpaced the 16% compounded annual growth in Islamic deposits, creating a funding gap for the industry. Accordingly, Moody's expects Sukuk issuances for Islamic banks to increase as it estimates an additional requirement of RM2.5 billion and RM8.7 billion of new equity or capital qualifying securities such as Basel III compliant Sukuk by 2016 and 2020 respectively, for banks to maintain capital ratios at current level.

In Indonesia, GDP growth in 1H 2014 was 5.2% YoY, in line with the full-year forecast of 5.2%; 2013: 5.8%) amid a "political year" following the Parliament and Presidential elections in April 2014 and July 2014 respectively. 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 and transfer the benefits of our ASEAN presence.

In Singapore, the economy expanded by 3.6% in 1H 2014, consistent with the forecast of a slower 3.3% full-year GDP growth in 2014 (2013: 4.1%) as the pick-up in external demand from the improving global economic conditions is tempered by domestic challenges arising from structural and cyclical factors such as demography, costs, competitiveness and property downturn. Specific to Islamic banking, the focus is to build Singapore as our regional centre to reach out to global investors with our wholesale business.

In driving our transition - from being a leader in the domestic retail and wholesale market to a champion in Islamic cross-border banking services in ASEAN - we will continue to engage closely with regulators and industry players across the region to encourage further integration and synergy within our operating markets.