

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016**

	Note	2nd Quarter Ended		Cumulative 6 Months Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of depositors' funds	A24	1,575,911	1,651,984	3,052,756	3,240,125
Income derived from investment of investment account funds	A25	393,866	-	711,769	-
Income derived from investment of shareholder's funds	A26	70,981	66,287	141,298	132,231
Allowance for impairment on financing and advances	A27	(250,184)	(39,848)	(278,311)	(114,695)
<b>Total distributable income</b>		<b>1,790,574</b>	<b>1,678,423</b>	<b>3,627,512</b>	<b>3,257,661</b>
Profit distributed to depositors	A28	(896,343)	(954,100)	(1,737,383)	(1,876,369)
Profit distributed to investment account holders		(260,547)	-	(467,932)	-
<b>Total net income</b>		<b>633,684</b>	<b>724,323</b>	<b>1,422,197</b>	<b>1,381,292</b>
Overhead expenses	A29	(325,868)	(269,679)	(614,498)	(549,106)
Finance cost	A30	(29,357)	(28,256)	(63,299)	(56,198)
<b>Profit before taxation and zakat</b>		<b>278,459</b>	<b>426,388</b>	<b>744,400</b>	<b>775,988</b>
Taxation	A31	(72,079)	(110,968)	(174,883)	(193,010)
Zakat	A31	(5,557)	(1,436)	(9,173)	(5,890)
<b>Profit for the period</b>		<b>200,823</b>	<b>313,984</b>	<b>560,344</b>	<b>577,088</b>
<b>Profit attributable to :</b>					
Equity holders of the parent		<b>200,823</b>	<b>313,984</b>	<b>560,344</b>	<b>577,088</b>
<b>Earnings per share attributable to equity holder of the Bank</b>					
- Basic/diluted (sen)		<b>76.08</b>	<b>127.45</b>	<b>212.28</b>	<b>234.24</b>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Profit for the period</b>	<b>200,823</b>	313,984	<b>560,344</b>	577,088
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net gain/(loss) on financial investments available-for-sale	<b>30,306</b>	(1,568)	<b>157,633</b>	65,907
Income tax relating to components of other comprehensive income	<b>(7,273)</b>	392	<b>(39,225)</b>	(16,477)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>23,033</b>	(1,176)	<b>118,408</b>	49,430
<b>Total comprehensive income for the period, net of tax</b>	<b>223,856</b>	312,808	<b>678,752</b>	626,518
<b>Total comprehensive income attributable to :</b>				
Equity holders of the parent	<b>223,856</b>	312,808	<b>678,752</b>	626,518

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note	30 June 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and short-term funds		14,838,937	8,815,504
Deposits and placements with banks and other financial institutions	A12	3,161,099	-
Financial assets at fair value through profit or loss	A13(i)	422,891	335,384
Financial investments available-for-sale	A13(ii)	10,468,075	8,992,429
Financing and advances	A14	137,000,521	130,166,349
Derivative assets	A15	406,312	497,905
Other assets	A16	3,179,190	3,673,991
Statutory deposits with Bank Negara Malaysia		2,991,000	3,834,000
Deferred tax assets		-	36,892
<b>TOTAL ASSETS</b>		<b>172,468,025</b>	<b>156,352,454</b>
<b>LIABILITIES</b>			
Deposits from customers	A17	106,345,043	105,786,215
Investment accounts of customers	A18	30,964,031	17,657,893
Deposits and placements of banks and other financial institutions	A19	22,361,924	21,344,573
Bills and acceptances payable		43,250	33,556
Derivative liabilities	A15	445,276	587,772
Financial liabilities at fair value through profit or loss	A20	488,680	-
Other liabilities	A21	889,363	138,883
Provision for taxation and zakat		12,117	9,011
Deferred tax liabilities		3,434	-
Subordinated Sukuk	A23	2,534,436	2,527,960
<b>TOTAL LIABILITIES</b>		<b>164,087,554</b>	<b>148,085,863</b>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note	30 June 2016 RM'000	31 December 2015 RM'000
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>			
Share capital		263,959	263,959
Share premium		4,658,232	4,658,232
Retained profits		2,885,540	2,572,819
Other reserves		572,740	771,581
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>8,380,471</b>	<b>8,266,591</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>172,468,025</b>	<b>156,352,454</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A34	<b>48,866,015</b>	<b>49,648,320</b>
<b><u>CAPITAL ADEQUACY</u></b>	A35		
Based on credit, market and operational risk:			
CET1 capital ratio		13.886%	12.435%
Tier 1 capital ratio		13.886%	12.435%
Total capital ratio		<b>18.426%</b>	<b>16.489%</b>

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**MAYBANK ISLAMIC BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016**

<=====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	Regulatory reserve RM'000	Distributable retained profits RM'000	Total equity RM'000
<b>At 1 January 2016</b>	263,959	4,658,232	1,697	409,672	(104,493)	34,456	430,249	2,572,819	8,266,591
Net profit for the period	-	-	-	-	-	-	-	560,344	560,344
Other comprehensive income	-	-	-	-	118,408	-	-	-	118,408
<b>Total comprehensive income for the period</b>	-	-	-	-	118,408	-	-	560,344	678,752
Dividend paid	-	-	-	-	-	-	-	(564,872)	(564,872)
Transfer to regulatory reserve	-	-	-	-	-	-	(317,249)	317,249	-
<b>Total transactions with shareholders</b>	-	-	-	-	-	-	(317,249)	(247,623)	(564,872)
<b>At 30 June 2016</b>	263,959	4,658,232	1,697	409,672	13,915	34,456	113,000	2,885,540	8,380,471

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**(787435-M)**  
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016**

<=====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	Regulatory reserve RM'000	Distributable retained profits RM'000	Total equity RM'000
<b>At 1 January 2015</b>	246,362	4,099,343	1,697	409,672	(99,618)	34,456	274,500	2,262,558	7,228,970
Net profit for the period	-	-	-	-	-	-	-	577,088	577,088
Other comprehensive income	-	-	-	-	49,430	-	-	-	49,430
<b>Total comprehensive income for the period</b>	-	-	-	-	49,430	-	-	577,088	626,518
Dividend paid	-	-	-	-	-	-	-	(169,990)	(169,990)
Issue of ordinary shares	-	-	-	-	-	-	148,350	(148,350)	-
<b>Total transactions with shareholders</b>	-	-	-	-	-	-	148,350	(318,340)	(169,990)
<b>At 30 June 2015</b>	246,362	4,099,343	1,697	409,672	(50,188)	34,456	422,850	2,521,306	7,685,498

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016**

	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	744,400	775,988
Adjustments for non-operating and non-cash items:		
Allowances for losses on financing and advances	311,698	148,181
Amortisation of premium less accretion of discount	(58,556)	(33,260)
Unrealised (gains)/losses on revaluation of derivatives	(2,215)	25,338
Unrealised (gains)/losses on revaluation of financial assets at fair value through profit or loss	(16)	4,594
Unrealised losses on revaluation of financial liabilities at fair value through profit or loss	4,214	-
Gains on disposal of financial investments available-for-sale	(17,155)	(1,532)
Gains on disposal of financial assets at fair value through profit or loss	(2,153)	(11,850)
Losses/(gains) on foreign exchange translations	19,255	(101,453)
Share options granted under ESS	471	770
Operating profit before working capital changes	<u>999,943</u>	<u>806,776</u>
Change in deposits and placements with banks and other financial institutions	(2,860,535)	(1,202,794)
Change in cash and short-term funds with original maturity of more than three months	304,778	-
Change in financial investments portfolio	(1,327,639)	171,933
Change in financing and advances	(7,145,870)	(13,395,489)
Change in derivative assets and liabilities	(48,688)	(4,812)
Change in other assets	494,802	(6,570,946)
Change in statutory deposits with Bank Negara Malaysia	843,000	(570,000)
Change in deposits from customers	558,828	6,790,875
Change in investment accounts of customers	13,306,138	-
Change in deposits and placements of banks and other financial institutions	998,096	7,251,223
Change in financial liabilities at fair value through profit or loss	484,466	-
Change in bills and acceptances payable	9,694	23,436
Change in other liabilities	813,306	48,292
Cash generated/(used in) from operating activities	<u>7,430,319</u>	<u>(6,651,506)</u>
Taxes and zakat paid	(179,849)	(175,202)
<b>Net cash generated/(used in) from operating activities</b>	<u>7,250,470</u>	<u>(6,826,708)</u>
<b>Cash flows from financing activities</b>		
Profit paid for subordinated sukuk	(56,823)	(56,627)
Dividend paid	(564,872)	(169,990)
<b>Net cash used in investing activities</b>	<u>(621,695)</u>	<u>(226,617)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>6,628,775</u>	<u>(7,053,325)</u>
Cash and cash equivalents at beginning of year	<u>8,510,726</u>	<u>17,863,965</u>
<b>Cash and cash equivalents at end of year</b>	<u>15,139,501</u>	<u>10,810,640</u>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016**

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

	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
Cash and cash equivalents comprise:		
Cash and short term funds	<b>14,838,937</b>	10,810,640
Deposits and placements with banks and other financial institutions	<b>3,161,099</b>	-
	<b>18,000,036</b>	10,810,640
Less:		
Cash and short-term funds and deposits and placements, with original maturity of more than three months	<b>(2,860,535)</b>	-
	<b>15,139,501</b>	10,810,640

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 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 2015. 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 2015.

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 2015 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) and annual improvements to MFRSs which effective for annual periods beginning on or after 1 January 2016:

- MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)
- MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- MFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 12)
- MFRS 101 Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101)
- MFRS 127 Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above amendments to MFRSs and annual improvements to MFRSs do not have any material impact to the Bank’s financial statements, except for as disclosed below:

**MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)**

The amendments apply to both the acquisition of the initial interest in joint operation and the acquisition of any additional interests in the same joint operation, in which the activity of the joint operation constitutes a business.

The amendments require that a joint operator accounts for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant MFRS 3 principles for business combinations accounting, and other MFRS that do not conflict with MFRS 11.

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**A1. Basis of preparation (cont'd.)**

It also clarifies that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained.

In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

As at 30 June 2016, the Bank do not acquire any interest in joint operation.

**MFRS 101 Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101)**

The amendments are part of a major initiative to improve disclosure requirements in MFRS financial statements. These amendments include narrow-focus improvements in five areas as follows:

*(i) Materiality*

The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It also re-emphasises that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted.

*(ii) Disaggregation and subtotals*

The amendments clarify that specific line items in the statements of profit or loss and other comprehensive income and statement of financial position may be disaggregated.

It also introduces requirements for how an entity should present additional subtotals (in addition to those already required in MFRS) in the statements of profit or loss and other comprehensive income and statement of financial position, where the additional subtotals must:

- be comprised of line items made up of amounts recognised and measured in accordance with MFRS;
- be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
- be consistent from period to period; and
- not be displayed with more prominence than the subtotals and totals currently required in MFRS for the statement of financial position or statements of profit or loss and other comprehensive income.

For additional subtotals presented in the statements of profit or loss and other comprehensive income, an entity must present the line items that reconcile any such subtotals with the subtotals or totals currently required in MFRS for such statements.

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

**A1. Basis of preparation (cont'd.)**

**MFRS 101 Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101) (cont'd.)**

*(iii) Notes structure*

The amendments clarify that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasise that understandability and comparability should be considered when deciding on that order.

Examples of systematic ordering or groupings of the notes include:

- Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position;
- Grouping together information about items measured similarly, such as assets measured at fair value; or
- Following the order of the line items in statements of profit or loss and other comprehensive income and statement of financial position, similar to the order listed in current paragraph 114 of MFRS 101.

*(iv) Disclosure of accounting policies*

The amendments remove the examples of significant accounting policies in the current paragraph 20 of MFRS 101, i.e. the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be.

**Revised Bank Negara Malaysia's ("BNM") Policy Document on Financial Reporting for Islamic Banking Institutions**

On 5 February 2016, BNM issued a revised Policy Document on Financial Reporting for Islamic Banking Institutions ("revised policy document"). This revised policy document has taken effect on 5 February 2016 and it applied to all licensed Islamic banks and licensed banks which carrying on Islamic banking businesses, except for licensed international Islamic bank. The issuance of this revised policy document has superseded the policy document issued by BNM previously, namely Financial Reporting for Islamic Banking Institutions dated 28 January 2015.

The requirements in this revised policy documents are as follows:

- (i) The requirement to present the carrying amount, income and expense related to Islamic deposit and investment account as separate line items in its financial statements;

As at 30 June 2016, the Bank has presented the required disclosures in Note A18 and Note A25.

- (ii) The requirement to disclose investment accounts customers with a breakdown by:

- types of investment account (e.g. unrestricted or restricted investment account) and further breakdown by Shariah contracts (e.g. wakalah and mudarabah);
- for investment accounts which qualify as unlisted capital market products under the Capital Markets and Services Act 2007 ("CMSA"), to disclose the carrying amount of investment account by type of product;

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**(787435-M)**  
**(Incorporated in Malaysia)**

**A1. Basis of preparation (cont'd.)**

**Revised Bank Negara Malaysia's ("BNM") Policy Document on Financial Reporting for Islamic Banking Institutions (cont'd.)**

(ii) The requirement to disclose investment accounts customers with a breakdown by (cont'd.):

- types of customers; and
- maturity structures of investment account with maturity.

As at 30 June 2016, the Bank has presented the required disclosures in Note A18.

(iii) The requirement to disclose investment account due to/ from designated financial institutions with a breakdown by:

- types of investment account and further breakdown by Shariah contracts; and
- types of counterparty (e.g. licensed Islamic banks, licensed banks)

The Bank do not have investment account that is due to/ from designated financial institution as at 30 June 2016.

**A2. Significant accounting policies**

The audited financial statements of the Bank for the financial year ended 31 December 2015 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 2015 except for the following:

**Adoption of fair value option ("FVO") for certain financial liabilities under MFRS139 Financial Instruments: Recognition and Measurement**

Effective on 1 January 2016, the Bank have designated certain financial liabilities namely, structured deposits and borrowings containing embedded derivatives at Fair Value Through Profit or Loss ("FVTPL") upon inception. This FVO adoption will be applied prospectively. As a result of this adoption, the Bank have presented "Financial liabilities at fair value through profit or loss", as a separate line item on the face of statements of financial position of the Bank. Details of the financial liabilities at FVTPL are disclosed in Note A20.

**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 2015.

**A4. Auditors' report on proceeding annual financial statements**

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

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**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 2016.

**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 2016.

**A7. Changes in estimates**

There were no material changes in estimates during the financial half year ended 30 June 2016.

**A8. Issue of Ordinary Share Capital**

There was no issuance of ordinary share capital during the financial half year ended 30 June 2016.

**A9. Changes in Debt and Equity Securities**

**(i) Issuance of Tier 2 Capital Islamic Subordinated Sukuk ("Subordinated Sukuk") of RM1.0 billion**

On 15 February 2016, the Bank issued RM1.0 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 4.65% per annum payable semi-annually in arrears in February and August each year and are due in February 2026. 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 fifth (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) Redemption of Tier 2 Capital Islamic Subordinated Sukuk ("Subordinated Sukuk") of RM1.0 billion**

On 31 March 2016, the Bank had fully redeemed the Tier 2 Capital Islamic Subordinated Sukuk ("Sukuk") of RM1.0 billion. The Subordinated Sukuk were issued on 31 March 2011 under the Shariah principle of Musyarakah.

**A10. Dividends**

In respect of financial year ended 31 December 2015, a final tax-exempt (single-tier) dividend of RM2.14 per share on 263,958,750 ordinary shares, amounting to a dividend payable of RM564,871,725 was approved by shareholders on 6 April 2016. The payment of dividend was completed on 7 April 2016.

On 25 August 2016, the Board of Directors have declared an interim tax-exempt (single tier) dividend in respect of the financial year ending 31 December 2016 of RM2.12 per share on 263,958,750 ordinary shares, amounting to RM559,592,550.

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**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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**(787435-M)**  
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**A12. Deposits and Placements with banks and other financial institutions**

	30 June 2016 RM'000	31 December 2015 RM'000
Licensed Islamic banks	3,010,216	-
Licensed banks	150,883	-
	<u>3,161,099</u>	<u>-</u>

**A13. Financial investments portfolio**

	Note	30 June 2016 RM'000	31 December 2015 RM'000
Financial assets at fair value through profit or loss	(i)	422,891	335,384
Financial investments available-for-sale	(ii)	10,468,075	8,992,429
		<u>10,890,966</u>	<u>9,327,813</u>

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

Financial assets held-for-trading are as follows:

	30 June 2016 RM'000	31 December 2015 RM'000
<b>Unquoted securities:</b>		
Foreign Corporate Sukuk	422,891	335,384
<b>Total financial assets held-for-trading</b>	<u>422,891</u>	<u>335,384</u>

**(ii) Financial investments available-for-sale**

	30 June 2016 RM'000	31 December 2015 RM'000
<b>At fair value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	4,336,002	3,736,122
Negotiable Islamic instruments of deposits	4,503,452	3,648,665
Bankers' acceptances and Islamic accepted bills	147,791	-
Khazanah bonds	69,030	67,804
	<u>9,056,275</u>	<u>7,452,591</u>
<b>Unquoted securities:</b>		
Corporate Sukuk in Malaysia	1,275,747	1,414,039
Foreign Corporate Sukuk	48,705	34,177
Malaysian Government bond	86,598	91,122
Shares in Malaysia	750	500
	<u>1,411,800</u>	<u>1,539,838</u>
<b>Total financial investments available-for-sale</b>	<u>10,468,075</u>	<u>8,992,429</u>

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

**A14. Financing and advances**

**(i) By type and Shariah concepts**

At 30 June 2016	Bai <sup>^</sup> 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	-	4,466,586	-	-	-	-	-	4,466,586
Term financing								
- House financing	19,859,770	58,306,522	2,649,041	-	-	-	-	80,815,333
- Syndicated financing	-	795,413	-	-	-	-	-	795,413
- Hire purchase receivables	-	-	-	35,154,049	-	-	-	35,154,049
- Other term financing	29,833,598	63,749,965	1,563,523	-	493,472	149,795	53,188	95,843,541
Bills receivable	-	13,514	-	-	-	-	16,918	30,432
Trust receipts	-	205,086	-	-	-	-	-	205,086
Claims on customers under acceptance credits	-	4,328,411	-	-	-	-	-	4,328,411
Staff financing	793,072	1,274,841	11,263	146,926	-	-	39,265	2,265,367
Credit card receivables	-	-	-	-	-	-	701,324	701,324
Revolving credit	-	12,400,449	-	-	-	-	-	12,400,449
	<b>50,486,440</b>	<b>145,540,787</b>	<b>4,223,827</b>	<b>35,300,975</b>	<b>493,472</b>	<b>149,795</b>	<b>810,695</b>	<b>237,005,991</b>
Unearned income								<b>(98,796,597)</b>
Gross financing and advances <sup>^^</sup>								<b>138,209,394</b>
Allowances for impaired financing and advances:								
- individual								<b>(239,520)</b>
- collective								<b>(969,353)</b>
Net financing and advances								<b>137,000,521</b>

<sup>^</sup> Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

<sup>^^</sup> Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of Customers ("IA").



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

**A14. Financing and advances (cont'd.)**

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

At 31 December 2015	Bai <sup>^</sup> 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	-	3,780,361	-	-	-	-	-	3,780,361
Term financing								
- House financing	20,673,308	55,978,143	2,729,517	-	-	-	-	79,380,968
- Syndicated financing	-	805,196	-	-	-	-	-	805,196
- Hire purchase receivables	-	-	-	35,493,985	-	-	-	35,493,985
- Other term financing	35,375,989	58,582,281	1,643,176	-	527,534	158,480	51,430	96,338,890
Bills receivable	-	905	-	-	-	-	290	1,195
Trust receipts	-	164,745	-	-	-	-	-	164,745
Claims on customers under acceptance credits	-	4,368,353	-	-	-	-	-	4,368,353
Staff financing	856,469	1,133,622	12,088	145,427	-	-	40,175	2,187,781
Credit card receivables	-	-	-	-	-	-	624,865	624,865
Revolving credit	-	9,708,099	-	-	-	-	-	9,708,099
	<u>56,905,766</u>	<u>134,521,705</u>	<u>4,384,781</u>	<u>35,639,412</u>	<u>527,534</u>	<u>158,480</u>	<u>716,760</u>	<u>232,854,438</u>
Unearned income								(101,731,632)
Gross financing and advances <sup>^^</sup>								<u>131,122,806</u>
Allowances for impaired financing and advances:								
- individual								(208,683)
- collective								(747,774)
Net financing and advances								<u>130,166,349</u>

<sup>^</sup> Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

<sup>^^</sup> Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of Customers ("IA").

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

**A14. Financing and advances (cont'd.)**

**(ii) By type of customers**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Domestic non-banking institutions	5,780,593	3,982,710
Domestic business enterprises		
- Small and medium enterprises	15,984,925	14,453,597
- Others	23,188,815	22,726,186
Government and statutory bodies	7,574,170	7,069,349
Individuals	84,367,418	81,302,930
Other domestic entities	28,159	25,446
Foreign entities in Malaysia	1,285,314	1,562,588
Gross financing and advances	<u>138,209,394</u>	<u>131,122,806</u>

**(iii) By profit rate sensitivity**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Fixed rate		
- House financing	1,457,287	1,499,155
- Hire purchase receivables	30,446,765	30,680,181
- Other financing	23,628,317	21,798,831
Floating rate		
- House financing	27,966,939	25,277,084
- Other financing	54,710,086	51,867,555
Gross financing and advances	<u>138,209,394</u>	<u>131,122,806</u>

**(iv) By economic purpose**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of securities	18,770,654	18,801,131
Purchase of transport vehicles	30,425,550	30,661,915
Purchase of landed properties		
- residential	28,450,519	25,975,500
- non-residential	10,519,340	9,480,798
Purchase of fixed assets (exclude landed properties)	34,706	45,843
Personal use	2,683,910	2,302,898
Consumer durables	345	570
Construction	3,387,055	3,727,995
Working capital	43,199,035	39,463,731
Credit cards	738,280	662,425
Gross financing and advances	<u>138,209,394</u>	<u>131,122,806</u>

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

**A14. Financing and advances (cont'd.)**

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

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Maturity within one year	24,917,415	21,839,845
One year to three years	6,739,371	7,411,423
Three years to five years	12,713,215	11,775,326
After five years	93,839,393	90,096,212
Gross financing and advances	<u>138,209,394</u>	<u>131,122,806</u>

**(vi) Impaired financing and advances by economic purpose**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of securities	18,065	28,393
Purchase of transport vehicles	128,068	108,370
Purchase of landed properties		
- residential	105,241	91,604
- non-residential	73,733	49,422
Purchase of fixed assets (exclude landed properties)	7,054	-
Personal use	16,544	14,452
Credit cards	6,730	4,957
Consumer durables	8	8
Construction	424,936	130,363
Working capital	839,023	445,661
Gross impaired financing and advances	<u>1,619,402</u>	<u>873,230</u>

**(vii) Movement in impaired financing and advances**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Gross impaired financing and advances at 1 January 2016/2015	873,230	674,817
Newly impaired	1,128,006	1,024,632
Reclassified as non-impaired	(193,967)	(362,515)
Recovered	(133,604)	(292,292)
Amount written off	(54,263)	(171,412)
Gross impaired financing and advances at 30 June 2016/ 31 December 2015	<u>1,619,402</u>	<u>873,230</u>
Less: Individual allowance	(239,520)	(208,683)
Net impaired financing and advances	<u>1,379,882</u>	<u>664,547</u>

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

**A14. Financing and advances (cont'd.)**

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

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Gross financing and advances (excluding financing funded by RPSIA and IA)	<b>94,362,069</b>	102,599,761
Less: Individual allowance	<b>(239,520)</b>	(208,683)
Net financing and advances	<b>94,122,549</b>	102,391,078
Net impaired financing and advances as a percentage of net financing and advances	<b>1.47%</b>	0.65%

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

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>Individual Allowance</u>		
At 1 January 2016/2015	<b>208,683</b>	212,946
Allowance made*	<b>71,854</b>	102,818
Amount written back in respect of recoveries	<b>(35,140)</b>	(21,544)
Amount written off	<b>(2,805)</b>	(78,115)
Transferred to collective allowance	<b>(3,072)</b>	(7,422)
At 30 June 2016/31 December 2015	<b>239,520</b>	208,683
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>Collective Allowance</u>		
At 1 January 2016/2015	<b>747,774</b>	597,403
Net allowance made during the year*	<b>269,965</b>	236,245
Amount written off	<b>(51,458)</b>	(93,296)
Transferred from individual allowance	<b>3,072</b>	7,422
At 30 June 2016/31 December 2015	<b>969,353</b>	747,774
As a % of gross financing and advances (excluding financing funded by RPSIA and IA) less individual allowance (including Regulatory Reserve)	<b>1.20%</b>	1.20%

\* As at 30 June 2016, the gross exposure of the financing funded by RPSIA is RM12,883.3 million (31 December 2015 : RM10,999.0 million). The related individual allowance and collective allowance relating to these financing amounting to RM130.1 million and RM37.1 million respectively (31 December 2015 : Nil and RM77.1 million) are accounted for by the parent.

The gross exposure of the financing funded by IA as at 30 June 2016 was RM30,964.0 million (31 December 2015 : RM17,657.9 million). The related individual allowance and collective allowance relating to financing funded by IA are not recognised in the financial statement of the Bank, but is charged to and borne by the investors.

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

**A15. Derivative financial instruments**

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period/year end and are indicative of neither the market risks nor the credit risk.

The Bank enters into derivative financial instruments at the request and on behalf of its customers as well as to hedge the bank's own exposures and not for speculative purpose.

	30 June 2016			31 December 2015		
	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
<b>Trading derivatives</b>						
<u>Foreign exchange related contracts:</u>						
Currency forwards						
- Less than one year	3,070,135	17,257	(83,308)	3,184,856	199,294	(8,119)
Currency swaps						
- Less than one year	4,658,694	89,026	(60,570)	4,951,144	10,437	(213,121)
Currency spot						
- Less than one year	74,158	156	(78)	36,020	-	(26)
Currency options						
- Less than one year	2,619	39	(39)	-	-	-
Cross currency profit rate swaps						
- Less than one year	1,338,067	61,101	(61,096)	1,359,453	67,923	(68,702)
- More than three years	630,739	40,547	(39,446)	652,367	63,285	(62,067)
<u>Profit rate related contracts:</u>						
Profit rate options						
- One year to three years	-	-	-	400,000	-	(30,702)
- More than three years	1,620,000	2,616	(2,616)	555,000	10,832	(23,525)
Profit rate swaps						
- More than three years	3,008,132	92,243	(84,591)	3,155,797	37,706	(30,291)
	<b>14,402,544</b>	<b>302,985</b>	<b>(331,744)</b>	<b>14,294,637</b>	<b>389,477</b>	<b>(436,553)</b>
<b>Hedging derivatives</b>						
<u>Foreign exchange related contracts:</u>						
Cross currency profit rate swaps						
- One year to three years	1,673,886	96,498	(107,453)	170,607	-	(43,937)
- More than three years	-	-	-	1,516,849	102,112	(102,112)
<u>Profit rate related contracts:</u>						
Profit rate swaps						
- Less than one year	1,468,000	1,278	(982)	718,000	718	(133)
- One year to three years	604,425	5,551	(5,097)	1,000,000	3,683	(3,683)
- More than three years	-	-	-	643,950	1,915	(1,354)
	<b>3,746,311</b>	<b>103,327</b>	<b>(113,532)</b>	<b>4,049,406</b>	<b>108,428</b>	<b>(151,219)</b>
<b>Total derivative assets/(liabilities)</b>	<b>18,148,855</b>	<b>406,312</b>	<b>(445,276)</b>	<b>18,344,043</b>	<b>497,905</b>	<b>(587,772)</b>

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

**A16. Other assets**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Amount due from holding company	2,084,131	2,907,155
Handling fees	175,240	185,068
Prepayments and deposits	275,192	235,825
Tax recoverable	28,136	30,143
Margin call	77,750	301,450
Others	538,741	14,350
	<b>3,179,190</b>	<b>3,673,991</b>

**A17. Deposits from customers**

**i) By type of deposit**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>Savings deposits</u>		
Wadiah	13,532,762	12,173,654
<u>Demand deposits</u>		
Wadiah	16,500,214	17,282,238
<u>Term deposits</u>		
Murabahah	76,129,712	75,261,088
Negotiable Islamic Debt Certificate (NIDC)		
Bai Al-Inah	-	144,083
Hybrid (Bai' Bithaman Ajil and Murabahah)*	182,355	925,152
	<b>106,345,043</b>	<b>105,786,215</b>

\* Hybrid term deposits are structured deposits which are Ringgit Malaysia time deposits with embedded foreign currency exchange option, commodity-linked time deposits and profit rate options.

**ii) By type of customer**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Business enterprises	39,104,117	44,395,761
Individuals	32,573,464	29,387,959
Government and statutory bodies	19,590,111	17,744,227
Others	15,077,351	14,258,268
	<b>106,345,043</b>	<b>105,786,215</b>

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

**A18. Investment account of customers**

(i) Unrestricted investment account are sourced from the following customers:

	30 June 2016 RM'000	31 December 2015 RM'000
Business enterprises	15,875,062	6,585,991
Individuals	12,007,335	9,931,294
Government and statutory bodies	1,477,507	682,878
Others	1,604,127	457,730
	<b>30,964,031</b>	<b>17,657,893</b>

(ii) Maturity structure of unrestricted investment account are as follows:

	30 June 2016 RM'000	31 December 2015 RM'000
<b>Unrestricted investment account</b>		
<u>Mudharabah</u>		
- without maturity	7,192,035	5,664,558
- with maturity		
Due within six months	21,318,567	1,436,463
Six months to one year	2,451,908	10,556,227
One year to three years	864	400
Three years to five years	657	245
	<b>23,771,996</b>	<b>11,993,335</b>
<b>Total investment account of customers</b>	<b>30,964,031</b>	<b>17,657,893</b>

(iii) The allocation of investment asset are as follows:

	30 June 2016 RM'000	31 December 2015 RM'000
<b>Unrestricted Investment</b>		
Retail financing	29,658,913	13,691,213
Non-retail financing	1,305,118	3,832,880
Marketable securities	-	133,800
<b>Total investment</b>	<b>30,964,031</b>	<b>17,657,893</b>

(iv) Profit sharing ratio and rate of return are as follows:

	30 June 2016		31 December 2015	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment accounts of customers	<b>72%</b>	<b>3.83%</b>	<b>64%</b>	<b>3.47%</b>

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

**A19. Deposits and placements of banks and other financial institutions**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>Mudharabah Fund</u>		
Licensed banks*	<b>12,881,208</b>	11,037,806
	<b>12,881,208</b>	11,037,806
<u>Non-Mudharabah Fund</u>		
Licensed banks	<b>7,941,288</b>	8,546,052
Licensed islamic banks	-	592,383
Licensed investment banks	<b>80,224</b>	-
Other financial institutions	<b>1,459,204</b>	1,168,332
	<b>9,480,716</b>	10,306,767
	<b>22,361,924</b>	21,344,573

\* Included in the Mudharabah deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the parent amounting to RM12,881.2 million (31 December 2015: RM11,037.8 million). These placements are used to fund certain specific financing.

**A20. Financial liabilities at fair value through profit or loss**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Structured deposits	<b>488,680</b>	-

The Bank has issued structured deposits and designated them at fair value in accordance with MFRS139 - *Financial instruments: Recognition and Measurement*. The Bank has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

**A21. Other liabilities**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Sundry creditors	<b>58,292</b>	111,068
Deposit on trade financing	<b>11,723</b>	12,511
Provisions and accruals	<b>7,082</b>	15,304
Others	<b>812,266</b>	-
	<b>889,363</b>	138,883



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

**A22. Sources and uses of charity funds**

	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Sources of charity funds</b>		
Shariah non-compliant/prohibited income	40	56
<b>Total sources of charity funds during the year</b>	<b>40</b>	<b>56</b>
<b>Uses of charity funds</b>		
Contribution to non-profit organisation	10	56
<b>Total uses of charity funds during the year</b>	<b>10</b>	<b>56</b>
<b>Undistributed charity funds as at 30 June 2016/ 31 December 2015</b>	<b>30</b>	<b>-</b>

**A23. Subordinated Sukuk**

	<b>Note</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
RM1,000 million Tier 2 Islamic Subordinated Sukuk due in 2021	(i)	-	1,010,782
RM1,500 million Tier 2 Islamic Subordinated Sukuk due in 2024	(ii)	1,516,983	1,517,178
RM1,000 million Tier 2 Islamic Subordinated Sukuk due in 2026	(iii)	1,017,453	-
		<b>2,534,436</b>	<b>2,527,960</b>

(i) On 31 March 2016, the Bank had fully redeemed the Tier 2 Capital Islamic Subordinated Sukuk ("Sukuk") of RM1.0 billion. The Subordinated Sukuk were issued on 31 March 2011 under the Shariah principle of Musyarakah.

(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.

(iii) On 15 February 2016, the Bank issued RM1.0 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 4.65% per annum payable semi-annually in arrears in February and August each year and are due in February 2026. 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)**

**A24. Income derived from investment of depositors' funds**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
i) General investment deposits	1,140,095	1,128,440	2,185,389	2,189,921
ii) Other deposits	435,816	523,544	867,367	1,050,204
	<u>1,575,911</u>	<u>1,651,984</u>	<u>3,052,756</u>	<u>3,240,125</u>

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

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financing and advances	901,019	972,370	1,792,016	1,855,908
Money at call and deposit with financial institutions	86,869	49,107	138,216	103,047
Financial investments available-for-sale	40,499	32,771	81,783	67,272
Financial assets at fair value through profit or loss	1,323	392	2,284	832
	<u>1,029,710</u>	<u>1,054,640</u>	<u>2,014,299</u>	<u>2,027,059</u>
Amortisation of premium less accretion of discounts	22,936	10,018	40,064	21,598
Total finance income and hibah	<u>1,052,646</u>	<u>1,064,658</u>	<u>2,054,363</u>	<u>2,048,657</u>
Other operating income :				
Fee income				
- Processing fees	5,334	511	9,258	744
- Commissions	15,523	15,112	43,736	34,905
- Service charges and other fees	36,328	22,790	72,933	42,997
Gains on disposal of financial investments available-for-sale	746	122	11,738	995
Gains/(losses) on disposal of financial assets at fair value through profit or loss	222	(264)	1,473	7,695
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	171	48	11	(2,983)
- Financial liabilities at fair value through profit or loss	(2,131)	-	(2,883)	-
- Derivatives	(3,612)	(20,842)	1,516	(16,454)
Gains/(losses) on foreign exchange:				
- Realised	38,445	95,029	57,135	87,209
- Unrealised	(6,411)	(52,061)	(70,309)	(21,328)
Net dividend on derivatives	2,834	3,337	6,418	7,484
	<u>1,140,095</u>	<u>1,128,440</u>	<u>2,185,389</u>	<u>2,189,921</u>

Included in finance income were income on impaired assets amounting to RM27.4 million (30.6.2015: RM7.2 million).

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

**A24. 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 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Financing and advances	343,382	451,651	711,239	890,024
Money at call and deposit with financial institutions	33,658	22,655	54,857	49,418
Financial investments available-for-sale	15,414	15,143	32,459	32,261
Financial assets at fair value through profit or loss	509	181	906	399
	<b>392,963</b>	489,630	<b>799,461</b>	972,102
Amortisation of premium less accretion of discounts	8,830	4,613	15,901	10,358
Total finance income and hibah	<b>401,793</b>	494,243	<b>815,362</b>	982,460
Other operating income :				
Fee income				
- Processing fees	2,054	241	3,674	357
- Commissions	5,711	6,918	17,359	16,739
- Service charges and other fees	13,843	10,594	28,947	20,620
Gains on disposal of financial investments available-for-sale	121	44	4,659	477
Gains/(losses) on disposal of financial assets at fair value through profit or loss	68	(259)	585	3,690
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	70	73	4	(1,431)
- Financial liabilities at fair value through profit or loss	(833)	-	(1,144)	-
- Derivatives	(1,515)	(10,068)	602	(7,891)
Gains/(losses) on foreign exchange:				
- Realised	14,961	45,702	22,677	41,822
- Unrealised	(1,524)	(25,476)	(27,905)	(10,228)
Net dividend on derivatives	1,067	1,532	2,547	3,589
	<b>435,816</b>	523,544	<b>867,367</b>	1,050,204

Included in finance income were income on impaired assets amounting to RM10.9 million (30.6.2015: RM3.5 million).

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

**A25. Income derived from investment of investment account funds**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financing and advances	383,338	-	692,660	-
Financial investments available-for-sale	-	-	262	-
Total finance income and hibah	<u>383,338</u>	<u>-</u>	<u>692,922</u>	<u>-</u>
Other operating income :				
Fee income				
- Commissions	288	-	340	-
- Service charges and other fees	10,240	-	18,507	-
	<u>393,866</u>	<u>-</u>	<u>711,769</u>	<u>-</u>

**A26. Income derived from investment of shareholder's funds**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financing and advances	55,922	57,171	115,863	112,062
Money at call and deposit with financial institutions	5,482	2,871	8,936	6,222
Financial investments available-for-sale	2,511	1,919	5,288	4,062
Financial assets at fair value through profit or loss	83	23	148	50
	<u>63,998</u>	<u>61,984</u>	<u>130,235</u>	<u>122,396</u>
Amortisation of premium less accretion of discounts	1,438	585	2,590	1,304
Total finance income and hibah	<u>65,436</u>	<u>62,569</u>	<u>132,825</u>	<u>123,700</u>
Other operating income :				
Fee income				
- Processing fees	335	31	599	45
- Commissions	930	878	2,828	2,108
- Service charges and other fees	2,255	1,341	4,716	2,596
Gains on disposal of financial investments available-for-sale	20	6	759	60
Gains/(losses) on disposal of financial assets at fair value through profit or loss	11	(29)	95	465
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	12	8	1	(180)
- Financial liabilities at fair value through profit or loss	(135)	-	(186)	-
- Derivatives	(247)	(1,266)	98	(993)
Gains/(losses) on foreign exchange:				
- Realised	2,437	5,752	3,694	5,266
- Unrealised	(247)	(3,197)	(4,546)	(1,288)
Net dividend on derivatives	174	194	415	452
	<u>70,981</u>	<u>66,287</u>	<u>141,298</u>	<u>132,231</u>

Included in finance income were income on impaired assets amounting to RM1.8 million (30.6.2015: RM0.4 million).

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

**A27. Allowance for losses on financing and advances**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Allowances for impaired financing and advances:				
- collective allowance made	208,983	52,896	269,965	112,344
- individual allowance made	67,151	5,800	71,854	41,852
- individual allowance written back	(12,716)	(3,027)	(35,140)	(10,962)
Impaired financing and advances written off	2,423	2,520	5,086	4,947
Impaired financing and advances recovered	(15,630)	(18,341)	(33,387)	(33,486)
Writeback of impairment losses on other debts	(27)	-	(67)	-
	<b>250,184</b>	<b>39,848</b>	<b>278,311</b>	<b>114,695</b>

**A28. Profit distributed to depositors**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	-	99,328	-	238,067
- Non-Mudharabah	733,275	615,656	1,395,227	1,170,566
	<b>733,275</b>	<b>714,984</b>	<b>1,395,227</b>	<b>1,408,633</b>
Deposits and placements of banks and other financial institutions				
- Mudharabah	89,523	120,058	187,847	225,509
- Non-Mudharabah	73,545	119,058	154,309	242,227
	<b>163,068</b>	<b>239,116</b>	<b>342,156</b>	<b>467,736</b>
	<b>896,343</b>	<b>954,100</b>	<b>1,737,383</b>	<b>1,876,369</b>

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

**A29. Overhead expenses**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Personnel expenses	<b>10,171</b>	10,019	<b>20,767</b>	20,105
- Salaries, allowances and bonuses	<b>7,639</b>	6,506	<b>14,977</b>	14,022
- Pension costs	<b>1,184</b>	986	<b>2,337</b>	2,096
- Shares/Options granted under Employee's Shares Scheme	<b>195</b>	432	<b>471</b>	770
- Others	<b>1,153</b>	2,095	<b>2,982</b>	3,217
Establishment costs	<b>1,392</b>	1,077	<b>2,170</b>	1,633
- Rental of premises	<b>428</b>	428	<b>857</b>	857
- Repairs, servicing and maintenance	<b>3</b>	14	<b>21</b>	30
- Information technology expenses	<b>961</b>	635	<b>1,292</b>	746
Marketing costs	<b>2,454</b>	29	<b>4,891</b>	1,984
- Advertisement and publicity	<b>764</b>	(926)	<b>970</b>	-
- Others	<b>1,690</b>	955	<b>3,921</b>	1,984
Administration and general expenses	<b>311,851</b>	258,554	<b>586,670</b>	525,384
- Fees and brokerage	<b>16,708</b>	3,261	<b>28,776</b>	6,276
- Administrative expenses	<b>604</b>	1,632	<b>1,482</b>	2,830
- General expenses	<b>9,040</b>	9,495	<b>17,685</b>	12,638
- Shared service cost paid/payable to Maybank	<b>285,499</b>	244,166	<b>538,727</b>	503,640
	<b>325,868</b>	269,679	<b>614,498</b>	549,106

**A30. Finance cost**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Islamic subordinated sukuk	<b>29,357</b>	28,256	<b>63,299</b>	56,198

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

**A31. Taxation and zakat**

The analysis of the taxation and zakat expense for the financial half year ended 30 June 2016 are as follows:

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Malaysian income tax	71,719	109,938	173,775	193,128
Under provision in prior period:				
Malaysian income tax	-	-	8	-
Deferred tax				
- Relating to origination and reversal of temporary differences	360	1,030	1,100	(118)
Tax expense for the financial period	<b>72,079</b>	110,968	<b>174,883</b>	193,010
Zakat	<b>5,557</b>	1,436	<b>9,173</b>	5,890
	<b>77,636</b>	112,404	<b>184,056</b>	198,900

**A32. Credit exposure arising from credit transactions with connected parties**

	30 June 2016	31 December 2015
Outstanding credit exposure with connected parties (RM'000)	<b>3,892,346</b>	4,213,517
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b>2.79%</b>	2.50%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	-	-

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.

**A33. 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)**

**A34. 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 2016			As at 31 December 2015		
	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
<b><u>Credit-related</u></b>						
Direct credit substitutes	1,256,646	1,256,646	1,052,851	910,954	910,954	781,531
Certain transaction-related contingent items	1,993,145	983,357	802,044	1,910,743	925,818	957,057
Short-term self-liquidating trade-related contingencies	163,567	25,026	17,641	267,119	48,758	44,704
Irrevocable commitments to extend credit:						
- maturity within one year	18,068,911	3,178,921	1,683,973	17,696,250	3,541,800	2,034,823
- maturity more than one year	9,190,852	3,900,118	1,812,155	10,471,923	4,158,267	1,247,773
Miscellaneous	44,040	-	-	47,288	-	-
Total credit-related commitments and contingencies	<b>30,717,161</b>	<b>9,344,068</b>	<b>5,368,664</b>	<b>31,304,277</b>	<b>9,585,597</b>	<b>5,065,888</b>
<b><u>Derivative financial instruments</u></b>						
Foreign exchange related contracts:						
- less than one year	9,143,673	242,167	56,393	9,531,473	357,026	96,863
- one year to less than five years	2,304,624	44,892	15,367	2,339,823	57,958	19,457
Profit rate related contracts:						
- less than one year	1,468,000	77,384	17,309	718,000	112,958	28,930
- one year to less than five years	2,974,425	357,296	117,715	3,348,950	433,288	151,603
- five years and above	2,258,132	267,596	164,754	2,405,797	231,346	151,347
Total treasury-related commitments and contingencies	<b>18,148,854</b>	<b>989,335</b>	<b>371,538</b>	<b>18,344,043</b>	<b>1,192,576</b>	<b>448,200</b>
	<b>48,866,015</b>	<b>10,333,403</b>	<b>5,740,202</b>	<b>49,648,320</b>	<b>10,778,173</b>	<b>5,514,088</b>

\* 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)**

**A35. Capital Adequacy**

**(a) Capital Adequacy Framework**

- (i) Bank Negara Malaysia ("BNM") had on 13 October 2015 issued Capital Adequacy Framework for Islamic Banks (Capital Components) on the computation of capital and capital adequacy ratios for Islamic banks. The policy documents come into effect on 1 January 2016 and superseded the Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 28 November 2012. All financial institutions shall hold and maintain at all times, the following minimum capital adequacy ratios:

<b>Common Equity Tier I (CET1) Ratio</b>	<b>Tier 1 Capital Ratio</b>	<b>Total Capital Ratio</b>
4.5%*	6.0%	8.0%

\* Excluding Capital Conservation Buffer of 2.5% of total risk-weighted assets ("RWA") which is subject to phase-in arrangement effective on 1 January 2016 as well as Countercyclical Capital Buffer ranging between 0%-2.5% of total RWA and any other capital buffers which may be introduced by BNM.

- (ii) Total RWA is 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 (Risk-Weighted Assets) issued by BNM on 13 October 2015 for Islamic banks.

The sum of the above is 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 is not subjected to any further capital charges in the computation of RWA.

**(b) Compliance and Application of Capital Adequacy Ratios**

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 13 October 2015. The total RWA are computed based on the following approaches:

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

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

**A35. Capital Adequacy (cont'd.)**

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

	30 June 2016	31 December 2015
<b>Capital ratios</b>		
CET1 capital ratio	13.886%	12.435%
Tier 1 capital ratio	13.886%	12.435%
Total capital ratio	<b>18.426%</b>	<b>16.489%</b>

**(d) Components of capital:**

	30 June 2016 RM '000	31 December 2015 RM'000
<b>CET1/Tier 1 capital</b>		
Paid-up share capital	263,959	263,959
Share premium	4,658,232	4,658,232
Retained profits	2,885,540	2,572,819
Other reserves	538,284	771,581
<b>CET1 capital before regulatory adjustments</b>	<b>8,346,015</b>	<b>8,266,591</b>
Less: Regulatory adjustment applied in CET1 capital	<b>(120,653)</b>	<b>(501,597)</b>
Deferred tax assets	-	(36,892)
Profit equalisation reserve	-	(34,456)
Cumulative gain of financial instruments classified as 'AFS' or 'designated at fair value'	<b>(7,653)</b>	-
Regulatory reserve	<b>(113,000)</b>	(430,249)
<b>Total CET1/Tier 1 capital</b>	<b>8,225,362</b>	<b>7,764,994</b>
<b>Tier 2 capital</b>		
Tier 2 capital instruments	2,500,000	2,200,000
Collective allowance <sup>1</sup>	29,729	27,625
Surplus of eligible provision over expected loss	159,071	303,861
<b>Total Tier 2 capital</b>	<b>2,688,800</b>	<b>2,531,486</b>
<b>Total Capital</b>	<b>10,914,162</b>	<b>10,296,480</b>

<sup>1</sup> 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 2016 RM'000	31 December 2015 RM'000
Standardised Approach exposure	6,335,495	6,417,990
Internal Ratings-Based Approach exposure after scaling factor	<b>61,821,731</b>	59,046,097
Total risk-weighted asset for credit risk	<b>68,157,226</b>	65,464,087
Total risk-weighted asset for credit risk absorbed by parent and Investment Account Holder (IAH) <sup>^</sup>	<b>(15,396,621)</b>	(9,098,255)
Total risk-weighted asset for market risk	1,183,901	1,135,708
Total risk-weighted asset for operational risk	<b>5,288,425</b>	4,943,708
Total risk-weighted assets	<b>59,232,931</b>	<b>62,445,248</b>

<sup>^</sup> In accordance with BNM's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") and Investment Account as Risk Absorbent, the credit risk on the assets funded by the RPSIA and IA are excluded from the capital adequacy ratios calculation.

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

**A36. Fair Value Measurements of Financial Instruments**

**Fair value hierarchy**

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements:

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

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 for which all significant inputs are, or are based on, observable market data data

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 for which significant inputs are not based on observable market data

Refers to financial instruments where fair value is measured using significant unobservable inputs. The valuation techniques used are consistent with the Level 2 but 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)**

**A36. 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 2016 and 31 December 2015.

	<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	
<b>At 30 June 2016</b>				
Financial assets measured at fair value:				
<b>Financial assets held-for-trading</b>	-	422,891	-	422,891
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	422,891	-	422,891
<b>Financial investments available-for-sale</b>	-	10,467,325	750	10,468,075
<i>Money market instruments</i>	-	9,056,275	-	9,056,275
<i>Non-money market instruments</i>	-	1,411,050	750	1,411,800
<b>Derivative assets</b>	-	406,312	-	406,312
<i>Foreign exchange related contracts</i>	-	208,125	-	208,125
<i>Profit rate related contracts</i>	-	198,187	-	198,187
	-	11,296,528	750	11,297,278
Financial liabilities measured at fair value:				
<b>Financial liabilities at fair value through profit or loss</b>	-	-	488,680	488,680
<i>Structured deposits</i>	-	-	488,680	488,680
<b>Derivative liabilities</b>	-	445,276	-	445,276
<i>Foreign exchange related contracts</i>	-	244,538	-	244,538
<i>Profit rate related contracts</i>	-	200,738	-	200,738
	-	445,276	488,680	933,956

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

**A36. Fair value of financial instruments (cont'd.)**

At 31 December 2015	<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:				
<b>Financial assets held-for-trading</b>	-	335,384	-	335,384
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	335,384	-	335,384
<b>Financial investments available-for-sale</b>	-	8,991,929	500	8,992,429
<i>Money market instruments</i>	-	7,452,591	-	7,452,591
<i>Non-money market instruments</i>	-	1,539,338	500	1,539,838
<b>Derivative assets</b>	-	497,904	-	497,904
<i>Foreign exchange related contracts</i>	-	340,938	-	340,938
<i>Profit rate related contracts</i>	-	156,966	-	156,966
	-	9,825,217	500	9,825,717

Financial liabilities measured at fair value:

<b>Derivative liabilities</b>	-	544,377	43,395	587,772
<i>Foreign exchange related contracts</i>	-	352,033	-	352,033
<i>Profit rate related contracts</i>	-	192,344	43,395	235,739

**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)**

**A36. Fair value of financial instruments (cont'd.)**

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

	At 1 January 2016 RM'000	Total realised gains/(losses) recognised in income statements* RM'000	Total unrealised gains/(losses) recognised in income statements* RM'000	Purchases RM'000	Sales RM'000	Settlements RM'000	At 30 June 2016 RM'000
<b>At 30 June 2016</b>							
<b>Financial investments available-for-sale</b>							
<i>Non-money market     instruments</i>	500	-	-	250	-	-	750
<b>Derivative assets</b>							
<i>Profit rate related contracts</i>	-	-	-	653	(653)	-	-
<b>Total Level 3 financial assets</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>903</b>	<b>(653)</b>	<b>-</b>	<b>750</b>
<b>Financial liabilities at fair value through profit or loss</b>							
<i>Structured deposits</i>	-	(4,466)	(4,214)	(480,000)	-	-	(488,680)
<b>Derivative liabilities</b>							
<i>Profit rate related contracts</i>	(43,395)	40,001	-	-	-	3,394	-
<b>Total Level 3 financial liabilities</b>	<b>(43,395)</b>	<b>35,535</b>	<b>(4,214)</b>	<b>(480,000)</b>	<b>-</b>	<b>3,394</b>	<b>(488,680)</b>
<b>Total net Level 3 financial assets/(liabilities)</b>	<b>(42,895)</b>	<b>35,535</b>	<b>(4,214)</b>	<b>(479,097)</b>	<b>(653)</b>	<b>3,394</b>	<b>(487,930)</b>

\* Included within 'Other operating income'.

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

**A36. Fair value of financial instruments (cont'd.)**

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (cont'd):

	At 1 January 2015 RM'000	Total realised gains/(losses) recognised in income statements* RM'000	Total unrealised gains/(losses) recognised in income statements* RM'000	Purchases RM'000	Sales RM'000	Settlements RM'000	At 31 December 2015 RM'000
<b>At 31 December 2015</b>							
<b>Financial investments available-for-sale</b>							
<i>Non-money market     instruments</i>	-	-	-	500	-	-	500
<b>Derivative assets</b>							
<i>Profit rate related contracts</i>	-	635	-	-	-	(635)	-
<b>Total Level 3 financial assets</b>	<u>-</u>	<u>635</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>(635)</u>	<u>500</u>
<b>Derivative liabilities</b>							
<i>Profit rate related contracts</i>	(85,029)	9,642	31,992	-	-	-	(43,395)
<b>Total Level 3 financial liabilities</b>	<u>(85,029)</u>	<u>9,642</u>	<u>31,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,395)</u>
<b>Total net Level 3 financial assets/(liabilities)</b>	<u>(85,029)</u>	<u>10,277</u>	<u>31,992</u>	<u>500</u>	<u>-</u>	<u>(635)</u>	<u>(42,895)</u>

\* Included within 'Other operating 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 2016.

**Movements in Level 3 financial instruments measured at fair value**

There were no transfers into or out of Level 3 for the Bank during the financial half year ended 30 June 2016.

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

**PART B – Review of Performance & Current Year Prospects**

**B1. Performance Review**

The Bank posted profit before tax and zakat of RM744.4 million for the financial half year ended 30 June 2016, a decrease of RM31.6 million or 4% compared to the previous corresponding period.

The Bank's allowance for impairment on financing and advances increased by RM163.6 million to RM278.3 million due to higher collective allowance made during the six-month financial period ended 30 June 2016. The Bank's financing loss reserve coverage ratio with Regulatory Reserve stood at 81.63% as at 30 June 2016.

Total income grew by RM533.5 million or 16% to RM3,905.8 million from previous corresponding period, comprising of income derived from investment of depositors' fund, income derived from investment account funds and income derived from investment of shareholder's funds of RM3,052.8 million, RM711.8 million and RM141.3 million respectively.

The Bank's gross financing and advances increased by RM7.1 billion to RM138.2 billion as compared to RM131.1 billion recorded in last financial year. As at 30 June 2016, funding outpaced the growth in financing and advances contributed by Investment Account which grew by RM13.3 billion to close at RM31.0 billion compared to RM17.7 billion in the last financial year. Total customer deposits slightly increased by 1%, recorded at RM106.3 billion against RM105.8 billion in last financial year.

The Bank's capital position continued to be strong and well above regulatory requirements as reflected by its Common Equity Tier I and Tier I Capital Ratio of 13.886% and Total Capital Ratio of 18.426%.

**B2. Prospects**

Malaysia's real GDP growth is expected to ease to 4.1% (2015: 5.0%) on slower domestic demand from moderating consumer spending and private investment. However, public investment is expected to be sustained on the continuation of existing and rollout of new major infrastructure and investment projects. This is following revisions to the Budget 2016 in response to the fall in crude oil price. The recent 25 bps cut in the Overnight Policy Rate ("OPR") to 3.00% is expected to provide some upside to domestic demand and sentiment to help offset the downside risk to global economic growth. Loans and financing growth for Malaysia will likely continue to moderate to 6%-7% in 2016 from 7%-8% in 2015, on the back of easing household loans growth. The Bank's financing growth is expected to be in line with the Islamic industry growth rate.

The Bank's strategic priorities for 2016 is to continue to strengthen its balance sheet by managing liquidity and preserving margins while maintaining vigilance over asset quality. As the Bank has proactively restructured and rescheduled borrowers' facilities in 1H FY2016, the Bank continues to monitor the impaired status of these financing with the intention of recognising some recoveries in 2H FY2016. The Bank also seeks to maintain strong capital levels, well above regulatory requirements.

Barring any unforeseen circumstances, the Bank expects its financial performance for 2016 to be satisfactory in a more challenging regional environment.