

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

	Note	Third Quarter Ended		Cumulative 9 Months Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of depositors' funds	A24	1,797,136	1,498,784	5,102,007	4,551,540
Income derived from investment of investment account funds	A25	365,903	455,779	1,173,115	1,167,548
Income derived from investment of shareholder's funds	A26	73,238	95,628	233,342	236,926
Allowances for impairment losses on financing, advances and other debts, net	A27	(1,742)	(149,068)	(179,433)	(427,379)
Total distributable income		2,234,535	1,901,123	6,329,031	5,528,635
Profit distributed to depositors	A28	(1,023,541)	(889,931)	(2,856,711)	(2,627,314)
Profit distributed to investment account holders		(201,147)	(307,260)	(710,489)	(775,192)
Total net income		1,009,847	703,932	2,761,831	2,126,129
Overhead expenses	A29	(325,795)	(298,529)	(1,005,335)	(913,027)
Finance cost	A30	(29,680)	(29,679)	(88,483)	(92,978)
Profit before taxation and zakat		654,372	375,724	1,668,013	1,120,124
Taxation	A31	(141,283)	(94,769)	(372,027)	(269,652)
Zakat	A31	(5,225)	(1,371)	(11,437)	(10,544)
Profit for the period		507,864	279,584	1,284,549	839,928
Profit attributable to :					
Equity holders of the parent		507,864	279,584	1,284,549	839,928
Earnings per share attributable to equity holder of the Bank - Basic/diluted (sen)		180.38	103.39	456.23	315.67

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Profit for the period	507,864	279,584	1,284,549	839,928
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net (loss)/gain on financial investments available-for-sale	(8,657)	68,617	46,716	226,250
Income tax relating to components of other comprehensive income	2,078	(16,468)	(11,206)	(55,693)
Other comprehensive (loss)/income for the period, net of tax	(6,579)	52,149	35,510	170,557
Total comprehensive income for the period, net of tax	501,285	331,733	1,320,059	1,010,485
Total comprehensive income attributable to :				
Equity holders of the parent	501,285	331,733	1,320,059	1,010,485

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these financial statements)

MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Note	30 September 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds		15,787,825	15,535,992
Deposits and placements with banks and other financial institutions	A12	704,973	651,558
Financial assets at fair value through profit or loss	A13(i)	234,104	252,451
Financial investments available-for-sale	A13(ii)	10,509,302	8,719,654
Financial investments held-to-maturity	A13(iii)	1,419,320	-
Financing and advances	A14	155,715,186	148,523,310
Derivative assets	A15	371,985	515,554
Other assets	A16	3,819,991	4,506,551
Statutory deposits with Bank Negara Malaysia		3,013,000	3,070,000
Deferred tax assets		9,579	19,487
TOTAL ASSETS		191,585,265	181,794,557
LIABILITIES			
Customers funding:			
- Deposits from customers	A17	119,858,675	106,604,492
- Investment accounts of customers ¹	A18	26,804,988	31,544,587
Deposits and placements of banks and other financial institutions	A19	31,715,929	30,342,006
Bills and acceptances payable		3,790	53,220
Derivative liabilities	A15	467,798	535,161
Financial liabilities at fair value through profit or loss	A20	901,888	902,091
Other liabilities	A21	256,165	91,739
Provision for taxation and zakat		164,056	98,090
Subordinated Sukuk	A23	2,540,539	2,534,496
TOTAL LIABILITIES		182,713,828	172,705,882

¹ Investment accounts of customers are used to fund financing and advances as disclosed in Note A18.

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these financial statements)

MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Note	30 September 2017 RM'000	31 December 2016 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Share capital		5,481,783	281,556
Share premium		-	5,200,227
Retained profits		2,966,012	2,857,087
Other reserves		423,642	749,805
TOTAL SHAREHOLDER'S EQUITY		8,871,437	9,088,675
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		191,585,265	181,794,557
COMMITMENTS AND CONTINGENCIES	A33	55,609,241	52,067,915
<u>CAPITAL ADEQUACY</u>	A34		
Based on credit, market and operational risk:			
CET1 capital ratio		11.882%	13.992%
Tier 1 capital ratio		11.882%	13.992%
Total capital ratio		16.165%	18.553%

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

<=====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	Regulatory reserve RM'000	Distributable retained profits RM'000	Total equity RM'000
At 1 January 2017	281,556	5,200,227	1,696	409,672	(55,264)	393,700	2,857,087	9,088,674
Net profit for the period	-	-	-	-	-	-	1,284,549	1,284,549
Other comprehensive income	-	-	-	-	35,510	-	-	35,510
Total comprehensive income for the period	-	-	-	-	35,510	-	1,284,549	1,320,059
Transfer to regulatory reserve	-	-	-	-	-	48,000	(48,000)	-
Transfer from statutory reserve	-	-	-	(409,672)	-	-	409,672	-
Transfer from share premium	5,200,227	(5,200,227)	-	-	-	-	-	-
Dividend paid (Note A10(a))	-	-	-	-	-	-	(777,095)	(777,095)
Dividend payable (Note A10(b))	-	-	-	-	-	-	(760,201)	(760,201)
Total transactions with shareholder / other equity movements	5,200,227	(5,200,227)	-	(409,672)	-	48,000	(1,175,624)	(1,537,296)
At 30 September 2017	5,481,783	-	1,696	-	(19,754)	441,700	2,966,012	8,871,437

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

<=====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
At 1 January 2016	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	-	-	-	-	-	-	-	839,928	839,928
Other comprehensive income	-	-	-	-	170,557	-	-	-	170,557
Total comprehensive income for the period	-	-	-	-	170,557	-	-	839,928	1,010,485
Transfer from regulatory reserve	-	-	-	-	-	-	(206,049)	206,049	-
Issue of ordinary shares	17,597	541,995	-	-	-	-	-	-	559,592
Dividend paid	-	-	-	-	-	-	-	(1,124,464)	(1,124,464)
Total transactions with shareholder / other equity movements	17,597	541,995	-	-	-	-	(206,049)	(918,415)	(564,872)
At 30 September 2016	281,556	5,200,227	1,697	409,672	66,064	34,456	224,200	2,494,332	8,712,204

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

	30 September 2017 RM'000	30 September 2016 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	1,668,013	1,120,124
Adjustments for non-operating and non-cash items:		
Allowances for losses on financing and advances	215,061	468,227
Amortisation of premium less accretion of discount	(68,140)	(96,329)
Unrealised gains on revaluation of derivatives	(14,400)	(3,063)
Unrealised losses/(gains) on revaluation of financial assets at fair value through profit or loss	48	(25)
Unrealised losses on revaluation of financial liabilities at fair value through profit or loss	16,009	5,075
Gains on disposal of financial investments available-for-sale	(9,042)	(25,297)
Gains on disposal of financial assets at fair value through profit or loss	(520)	(2,826)
Gains on foreign exchange translations	(1,282)	(10,159)
Share options granted under ESS	381	906
Operating profit before working capital changes	1,806,128	1,456,633
Change in deposits and placements with banks and other financial institutions	(53,415)	(1,563,346)
Change in cash and short-term funds with original maturity of more than three months	201,263	304,778
Change in financial investments portfolio	(3,066,255)	8,098
Change in financing and advances	(7,406,936)	(9,690,230)
Change in derivative assets and liabilities	90,606	(87,629)
Change in other assets	(73,641)	(315,622)
Change in statutory deposits with Bank Negara Malaysia	57,000	1,006,000
Change in deposits from customers	13,254,184	(476,768)
Change in investment accounts of customers	(4,739,599)	12,713,463
Change in deposits and placements of banks and other financial institutions	1,375,207	268,654
Change in financial liabilities at fair value through profit or loss	(16,212)	490,283
Change in bills and acceptances payable	(49,430)	60,752
Change in other liabilities	252,528	187,407
Cash generated from operating activities	1,631,428	4,362,473
Taxes and zakat paid	(318,796)	(276,753)
Net cash (used in)/generated from operating activities	1,312,632	4,085,720
Cash flows from financing activities		
Profit paid for subordinated sukuk	(82,029)	(80,009)
Profit paid for term funding	(412)	-
Proceeds from issuance of shares	-	559,593
Dividend paid	(777,095)	(1,124,464)
Net cash used in investing activities	(859,536)	(644,880)
Net increase in cash and cash equivalents	453,096	3,440,840
Cash and cash equivalents at beginning of period	15,334,729	8,510,726
Cash and cash equivalents at end of period	15,787,825	11,951,566

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

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

	30 September 2017 RM'000	30 September 2016 RM'000
Cash and cash equivalents comprise:		
Cash and short term funds	15,787,825	11,551,862
Deposits and placements with banks and other financial institutions	704,973	1,963,050
	16,492,798	13,514,912
Less:		
Cash and short-term funds and deposits and placements, with original maturity of more than three months	(704,973)	(1,563,346)
	15,787,825	11,951,566

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the 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 2016. 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 2016.

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 2016 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2017:

- MFRS 107 *Statement of Cash Flows* - Disclosure Initiative (Amendments to MFRS 107)
- MFRS 112 *Income Taxes* - Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
- Annual Improvements to MFRSs 2014 - 2016 Cycle - *Disclosure of Interests in Other Entities* (Amendments to MFRS 12)

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

MFRS 107 *Statement of Cash Flows* - Disclosure Initiative (Amendments to MFRS 107)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (for example foreign exchange movements and fair value changes).

On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The Bank are not required to provide additional disclosures in the condensed interim financial statements, but will disclose the additional information in the annual financial statements for the year ending 31 December 2017.

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A1. Basis of preparation (cont'd.)

Companies Act 2016

The unaudited condensed interim financial statements of the Bank are prepared in accordance with the requirements of the Companies Act 2016 ("New Act"), which replaced the Companies Act 1965. Amongst the key changes introduced in the New Act which affected the financial statements of the Bank upon the commencement of the New Act on 31 January 2017 are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium will become part of the share capital.

During the financial period ended 30 September 2017, the Bank has transferred RM5.2 billion share premium to its share capital. Pursuant to Section 618(3) of the New Act, the Bank has twenty four (24) months to utilise the amount of share premium that has been transferred to share capital.

Revised Policy Document on Capital Funds for Islamic Banks issued by Bank Negara Malaysia ("BNM")

On 3 May 2017, BNM issued a Revised Policy Document on Capital Funds for Islamic Banks ("Revised Policy Document"). This Revised Policy Document applies to banking institutions in Malaysia that cover licensed Islamic bank. The issuance of this Revised Policy Document has superseded guidelines issued by BNM previously, namely Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

- (a) the removal of the requirement on maintenance of a reserve fund; and
- (b) the revised component of capital funds shall exclude share premium and reserve fund.

Upon adoption of the Revised Policy Document, the Bank has transferred RM409.7 million statutory reserve to retained earnings as at 30 September 2017.

Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 issued by Bank Negara Malaysia ("BNM")

On 21 June 2017, BNM issued a Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"). This Policy Document applies to banking institutions in Malaysia that covers licensed commercial bank and licensed Islamic bank.

The Policy Document clarifies that structured products that do not guarantee full repayment of principal amount on demand do not fulfill the definition of deposits under Section 2 of the FSA and IFSA and hence must not be classified as deposits or Islamic deposits.

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A1. Basis of preparation (cont'd.)

Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 issued by Bank Negara Malaysia ("BNM") (cont'd.)

In terms of financial reporting, insofar that the structured product is bifurcated, the principal amount shall not be reported under the "deposit", "Islamic deposit" or "investment account" line items in the banking institutions' financial statements. Effective from June 2017 reporting date onwards, banking institutions shall report structured products (in accordance with the accounting treatment adopted) under either of these items:

- "Financial Liabilities Designated at Fair Value through Profit or Loss" if applying fair value options;
- "Other Liabilities" if accounted for separately from the embedded derivative.

The adoption of the Policy Document will not have any financial effects on the Bank's financial results for the current financial year ending 31 December 2017.

A2. Significant accounting policies

The audited annual financial statements of the Bank for the financial year ended 31 December 2016 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 December 2016 except for the application of the requirements of the New Act.

A3. Significant accounting estimates and judgments

The preparation of unaudited condensed interim financial statements requires management to make judgements, 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 judgements 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 annual financial statements for the financial year ended 31 December 2016.

A4. Auditors' report on proceeding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 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 period ended 30 September 2017.

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 period ended 30 September 2017.

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A7. Changes in estimates

There were no material changes in estimates during the financial period ended 30 September 2017.

A8. Issue of Ordinary Share Capital

There was no issuance of ordinary share capital during the financial period ended 30 September 2017.

A9. Changes in Debt and Equity Securities

The following are the changes in debt and securities that were issued and redeemed by the Bank during the third quarter ended 30 September 2017.

(a) Share Capital

The share capital of the Bank increased from RM281,556,000 as at 31 December 2016 to RM5,481,783,300 as at 30 September 2017 via transfer of share premium amounting to RM5,200,227,300 to share capital pursuant to Companies Act 2016.

(b) Establishment of Islamic Commercial Paper/Medium Term Note Programme of up to RM10.0 billion in nominal value

On 21 February 2017, the Bank successfully established a RM10.0 billion Islamic commercial paper/medium term note programme in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar.

A10. Dividends Paid/Payable

(a) During the Annual General Meeting held on 5 April 2017, a final single-tier dividend of RM2.76 per share on 281,556,000 ordinary shares, amounting to a dividend payable of RM777,094,560 was approved by shareholders. The payment of dividend was completed on 12 April 2017.

(b) On 25 August 2017, the Board of Directors have declared an interim tax-exempt (single tier) dividend in respect of the financial year ending 31 December 2017 of RM2.70 per share on 281,556,000 ordinary shares, amounting to RM760,201,200. The payment of dividend was completed on 11 October 2017.

(c) The Directors do not recommend the payment of any dividend in respect of the third quarter ended 30 September 2017.

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 September 2017 RM'000	31 December 2016 RM'000
Licensed islamic banks	502,899	451,188
Licensed investment banks	202,074	200,370
	<u>704,973</u>	<u>651,558</u>

A13. Financial investments portfolio

	Note	30 September 2017 RM'000	31 December 2016 RM'000
Financial assets at fair value through profit or loss	(i)	234,104	252,451
Financial investments available-for-sale	(ii)	10,509,302	8,719,654
Financial investments held-to-maturity	(iii)	1,419,320	-
		<u>12,162,726</u>	<u>8,972,105</u>

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

Financial assets held-for-trading are as follows:

	30 September 2017 RM'000	31 December 2016 RM'000
At fair value		
Unquoted securities:		
Foreign Islamic Corporate Sukuk	234,104	252,451
Total financial assets at fair value through profit or loss	<u>234,104</u>	<u>252,451</u>

(ii) Financial investments available-for-sale

	30 September 2017 RM'000	31 December 2016 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	6,878,050	4,337,818
Negotiable Islamic instruments of deposits	2,092,505	3,088,513
	<u>8,970,555</u>	<u>7,426,331</u>

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A13. Financial investments portfolio (cont'd.)

(ii) Financial investments available-for-sale (cont'd.)

	30 September 2017 RM'000	31 December 2016 RM'000
Unquoted securities:		
Corporate Sukuk in Malaysia	1,474,647	1,189,659
Foreign Islamic Corporate Sukuk	17,340	53,989
Malaysian Government sukuk	46,010	48,925
Equity	750	750
	<u>1,538,747</u>	<u>1,293,323</u>
Total financial investments available-for-sale	<u>10,509,302</u>	<u>8,719,654</u>

(iii) Financial investments held-to-maturity

	30 September 2017 RM'000	31 December 2016 RM'000
Unquoted securities:		
Corporate Sukuk in Malaysia	1,419,320	-
Total financial investments held-to-maturity	<u>1,419,320</u>	<u>-</u>

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A14. Financing and advances

(i) By type and Shariah concepts

At 30 September 2017	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	-	5,246,076	-	-	-	87	-	5,246,163
Term financing								
- House financing	18,013,423	62,369,090	2,429,854	-	-	-	-	82,812,367
- Syndicated financing	-	729,784	-	-	-	-	-	729,784
- Hire purchase receivables	-	-	-	36,957,223	-	-	-	36,957,223
- Other term financing	22,506,709	73,703,492	1,228,722	-	123,119	146,835	57,606	97,766,483
Bills receivable	-	183	-	-	-	-	-	183
Trust receipts	-	159,893	-	-	-	-	-	159,893
Claims on customers under acceptance credits	-	4,827,288	-	-	-	-	-	4,827,288
Staff financing	672,709	1,460,622	10,106	153,669	-	-	44,246	2,341,352
Credit card receivables	-	-	-	-	-	-	904,681	904,681
Revolving credit	-	17,502,708	-	-	-	-	-	17,502,708
Financing to:								
- Executive directors of the Bank	2,281	995	-	492	-	-	-	3,768
- Executive directors of related companies	-	2,906	-	208	-	-	8	3,122
	41,195,122	166,003,037	3,668,682	37,111,592	123,119	146,922	1,006,541	249,255,015
Unearned income								(92,050,313)
Gross financing and advances^^								157,204,702
Allowances for impaired financing and advances:								
- individual								(667,251)
- collective								(822,265)
Net financing and advances								155,715,186

^ 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") and Investment Accounts of Customers ("IA").

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A14. Financing and advances (cont'd.)

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

At 31 December 2016	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	-	4,844,236	-	-	-	157	-	4,844,393
Term financing								
- House financing	19,101,421	59,659,568	2,563,623	-	-	-	-	81,324,612
- Syndicated financing	-	785,260	-	-	-	-	-	785,260
- Hire purchase receivables	-	-	-	36,147,946	-	-	-	36,147,946
- Other term financing	27,660,430	69,777,874	1,339,766	-	118,178	148,079	54,879	99,099,206
Bills receivable	-	793	-	-	-	-	379	1,172
Trust receipts	-	153,310	-	-	-	-	-	153,310
Claims on customers under acceptance credits	-	4,838,297	-	-	-	-	-	4,838,297
Staff financing	737,605	1,372,550	10,546	150,323	-	-	44,793	2,315,817
Credit card receivables	-	-	-	-	-	-	825,658	825,658
Revolving credit	-	16,508,748	-	-	-	-	-	16,508,748
Financing to:								
- Executive directors of the Bank	391	2,932	-	226	-	-	-	3,549
- Executive directors of related companies	-	-	-	-	-	-	3	3
	<u>47,499,847</u>	<u>157,943,568</u>	<u>3,913,935</u>	<u>36,298,495</u>	<u>118,178</u>	<u>148,236</u>	<u>925,712</u>	<u>246,847,971</u>
Unearned income								(96,954,485)
Gross financing and advances ^{^^}								<u>149,893,486</u>
Allowances for impaired financing and advances:								
- individual								(617,350)
- collective								(752,826)
Net financing and advances								<u><u>148,523,310</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") and Investment Accounts of Customers ("IA").

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A14. Financing and advances (cont'd.)

(ii) By type of customers

	30 September 2017 RM'000	31 December 2016 RM'000
Domestic non-banking institutions	4,961,908	5,389,556
Domestic business enterprises		
- Small and medium enterprises	15,290,943	17,140,131
- Others	30,758,347	28,085,529
Government and statutory bodies	10,188,528	8,546,355
Individuals	93,740,304	89,398,021
Other domestic entities	29,030	27,117
Foreign entities in Malaysia	2,235,642	1,306,777
Gross financing and advances	<u>157,204,702</u>	<u>149,893,486</u>

(iii) By profit rate sensitivity

	30 September 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- House financing	1,222,082	1,411,729
- Hire purchase receivables	32,037,031	31,306,119
- Other financing	28,146,250	27,219,698
Floating rate		
- House financing	33,940,710	30,275,842
- Other financing	61,858,629	59,680,098
Gross financing and advances	<u>157,204,702</u>	<u>149,893,486</u>

(iv) By economic purpose

	30 September 2017 RM'000	31 December 2016 RM'000
Purchase of securities	19,658,273	19,549,967
Purchase of transport vehicles	32,007,306	31,285,307
Purchase of landed properties		
- residential	34,698,032	30,558,405
- non-residential	11,073,664	11,448,638
Purchase of fixed assets (exclude landed properties)	41,330	30,867
Personal use	3,442,601	3,293,004
Consumer durables	314	293
Construction	3,669,601	3,553,259
Working capital	51,666,738	49,305,842
Credit/charge card	946,843	867,904
Gross financing and advances	<u>157,204,702</u>	<u>149,893,486</u>

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A14. Financing and advances (cont'd.)

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

	30 September 2017 RM'000	31 December 2016 RM'000
Maturity within one year	33,002,028	31,796,935
One year to three years	8,157,491	5,178,971
Three years to five years	13,482,254	14,279,409
After five years	102,562,929	98,638,171
Gross financing and advances	<u>157,204,702</u>	<u>149,893,486</u>

(vi) Impaired financing and advances by economic purpose

	30 September 2017 RM'000	31 December 2016 RM'000
Purchase of securities	23,810	14,906
Purchase of transport vehicles	157,377	135,642
Purchase of landed properties		
- residential	145,231	117,898
- non-residential	75,844	79,290
Personal use	20,356	17,375
Credit/charge cards	10,604	7,939
Consumer durables	8	14
Construction	353,183	356,865
Working capital	938,547	759,357
Gross impaired financing and advances	<u>1,724,960</u>	<u>1,489,286</u>

(vii) Movement in impaired financing and advances

	30 September 2017 RM'000	31 December 2016 RM'000
Gross impaired financing and advances at 1 January 2017/2016	1,489,286	873,230
Newly impaired	1,029,590	1,399,827
Reclassified as non-impaired	(403,449)	(415,007)
Recovered	(301,196)	(237,721)
Amount written off	(89,271)	(131,043)
Gross impaired financing and advances at 30 September 2017/ 31 December 2016	<u>1,724,960</u>	<u>1,489,286</u>

Calculation of ratio of net impaired financing and advances:

Gross impaired financing and advances at 30 September 2017/ 31 December 2016 (excluding financing funded by RPSIA and IA)*	1,647,915	1,407,595
Less: Individual allowance	(667,251)	(617,350)
Net impaired financing and advances	<u>980,664</u>	<u>790,245</u>

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A14. Financing and advances (cont'd.)

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

	30 September 2017 RM'000	31 December 2016 RM'000
Gross financing and advances (excluding financing funded by RPSIA and IA)	110,815,352	100,618,436
Less: Individual allowance	(667,251)	(617,350)
Net financing and advances	110,148,101	100,001,086
Net impaired financing and advances as a percentage of net financing and advances	0.89%	0.79%

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

	30 September 2017 RM'000	31 December 2016 RM'000
<u>Individual Allowance</u>		
At 1 January 2017/2016	617,350	208,683
Allowance made*	136,916	460,108
Amount written back in respect of recoveries	(78,382)	(22,583)
Amount written off	(5,299)	(25,452)
Transferred to collective allowance	(3,334)	(3,406)
At 30 September 2017/31 December 2016	667,251	617,350
	30 September 2017 RM'000	31 December 2016 RM'000
<u>Collective Allowance</u>		
At 1 January 2017/2016	752,826	747,774
Net allowance made during the period/year*	150,076	107,237
Amount written off	(83,971)	(105,591)
Transferred from individual allowance	3,334	3,406
At 30 September 2017/31 December 2016	822,265	752,826
As a % of gross financing and advances (excluding financing funded by RPSIA and IA) less individual allowance (including Regulatory Reserve)	1.20%	1.20%

* As at 30 September 2017, the gross exposure of the financing funded by RPSIA is RM19,584.3 million (31 December 2016 : RM17,730.5 million). The related individual allowance and collective allowance relating to these financing amounting to RM152.0 million and RM49.27 million respectively (31 December 2016 : RM126.7 and RM52.0 million) are accounted for by the parent.

The gross exposure of the financing funded by IA as at 30 September 2017 was RM26,805.0 million (31 December 2016 : RM31,544.6 million). No individual allowance and collective allowance relating to financing funded by IA are recognised in the financial statements of the Bank, as the credit risk are borne by the investors.

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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 September 2017			31 December 2016		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Trading derivatives						
<u>Foreign exchange related contracts:</u>						
Currency forwards						
- Less than one year	4,334,974	688	(117,047)	4,087,372	263,098	(3,724)
Currency swaps						
- Less than one year	6,866,641	123,596	(89,132)	5,212,700	14,892	(263,997)
- One year to three years	106,330	-	(411)	-	-	-
Currency spot						
- Less than one year	107,054	93	(49)	46,449	6	(24)
Currency options						
- Less than one year	-	-	-	1,794	130	(130)
Cross currency profit rate swaps						
- One year to three years	646,662	49,252	(48,393)	-	-	-
- More than three years	2,054,435	26,374	(26,374)	668,208	75,201	(73,928)
<u>Profit rate related contracts:</u>						
Profit rate options						
- More than three years	1,390,000	3,035	(8,390)	1,310,000	5,801	(28,111)
Profit rate swaps						
- One year to three years	850,000	3,068	(3,001)	750,000	2,700	(2,777)
- More than three years	2,511,319	32,856	(23,552)	2,603,674	25,356	(20,655)
	18,867,415	238,962	(316,349)	14,680,197	387,184	(393,346)
Hedging derivatives						
<u>Foreign exchange related contracts:</u>						
Cross currency profit rate swaps						
- One year to three years	1,707,412	132,524	(151,187)	1,704,621	127,296	(141,161)
<u>Profit rate related contracts:</u>						
Profit rate swaps						
- Less than one year	-	-	-	1,000,000	368	(368)
- One year to three years	633,525	499	(262)	672,900	706	(286)
	2,340,937	133,023	(151,449)	3,377,521	128,370	(141,815)
Total derivative assets/(liabilities)	21,208,352	371,985	(467,798)	18,057,718	515,554	(535,161)

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A16. Other assets

	30 September 2017 RM'000	31 December 2016 RM'000
Amount due from holding company	3,193,191	3,756,777
Handling fees	172,555	174,548
Prepayments and deposits	268,974	261,520
Margin account with holding company	-	224,220
Others	185,271	89,486
	3,819,991	4,506,551

A17. Deposits from customers

(i) By type of deposits

	30 September 2017 RM'000	31 December 2016 RM'000
<u>Savings deposits</u>		
Wadiah	14,739,492	13,498,385
<u>Demand deposits</u>		
Wadiah	16,311,756	17,291,694
<u>Term deposits</u>		
Murabahah	87,742,533	73,527,095
Qard	1,064,894	2,287,318
	119,858,675	106,604,492

(ii) By type of customers

	30 September 2017 RM'000	31 December 2016 RM'000
Business enterprises	45,559,363	43,055,514
Individuals	38,362,550	33,237,761
Government and statutory bodies	19,218,985	17,395,634
Others	16,717,777	12,915,583
	119,858,675	106,604,492

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A18. Investment accounts of customers

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

	30 September 2017 RM'000	31 December 2016 RM'000
Business enterprises	9,272,897	13,040,863
Individuals	15,728,122	16,197,049
Government and statutory bodies	273,362	460,216
Others	1,530,607	1,846,459
	26,804,988	31,544,587

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

	30 September 2017 RM'000	31 December 2016 RM'000
Unrestricted investment accounts		
<u>Mudharabah</u>		
- without maturity	8,991,603	7,564,114
- with maturity		
Due within six months	16,027,113	15,045,407
Six months to one year	1,751,280	8,929,760
One year to three years	4,001	3,513
Three years to five years	30,991	1,793
	17,813,385	23,980,473
Total investment accounts of customers	26,804,988	31,544,587

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

	30 September 2017 RM'000	31 December 2016 RM'000
Unrestricted Investment		
Retail financing	26,804,186	27,913,126
Non-retail financing	802	3,631,461
Total investment	26,804,988	31,544,587

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

	30 September 2017		31 December 2016	
	Investment account holder			
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment accounts of customers	58%	3.13%	63%	3.17%

(v) Investment accounts of customers are used to fund financing and advances.

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A19. Deposits and placements of banks and other financial institutions

	30 September 2017 RM'000	31 December 2016 RM'000
<u>Mudharabah Fund</u>		
Licensed banks*	19,586,777	17,767,671
<u>Non-Mudharabah Fund</u>		
Licensed banks	7,515,975	12,376,215
Licensed islamic banks	2,286,817	-
Licensed investment banks	548,608	-
Other financial institutions	1,777,752	198,120
	12,129,152	12,574,335
	31,715,929	30,342,006

* Mudharabah deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the parent. These placements are used to fund certain specific financing.

A20. Financial liabilities at fair value through profit or loss

	30 September 2017 RM'000	31 December 2016 RM'000
Structured deposits	901,888	902,091

The Bank has designated the above structured deposits at fair value through profit or loss ("FVTPL"). This designation is permitted under MFRS139 - *Financial instruments: Recognition and Measurement* as it significantly reduces accounting mismatch. These instruments are managed by the Bank on the basis of its fair value and include terms that have substantive derivative characteristics.

The carrying amount of structured deposits designated at fair value through profit or loss of the Bank as at 30 September 2017 was RM900,950,000 (31 December 2016 : RM917,160,000). The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

A21. Other liabilities

	30 September 2017 RM'000	31 December 2016 RM'000
Sundry creditors	133,603	56,082
Deposit on trade financing	10,658	22,691
Provisions and accruals	11,434	12,966
Margin account with holding company	100,470	-
	256,165	91,739

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A22. Sources and uses of charity funds

	30 September 2017 RM'000	31 December 2016 RM'000
Sources of charity funds		
Shariah non-compliant/prohibited income	1	64
Income earned from late payment charges	-	30
Total sources of charity funds during the period/year	1	94
Uses of charity funds		
Contribution to non-profit organisation	-	94
Total uses of charity funds during the period/year	-	94
Undistributed charity funds as at 30 September 2017/ 31 December 2016	1	-

A23. Subordinated Sukuk

		30 September 2017 RM'000	31 December 2016 RM'000
RM1,500 million Tier 2 Islamic Subordinated Sukuk due in 2024	(i)	1,534,551	1,516,788
RM1,000 million Tier 2 Islamic Subordinated Sukuk due in 2026	(ii)	1,005,988	1,017,708
		2,540,539	2,534,496

(i) On 7 April 2014, the Bank issued RM1.5 billion in nominal value Basel III-compliant Tier 2 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.

(ii) On 15 February 2016, the Bank issued RM1.0 billion in nominal value Basel III-compliant Tier 2 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.

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A24. Income derived from investment of depositors' funds

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
i) General investment deposits	1,401,702	1,046,174	3,780,254	3,231,563
ii) Other deposits	395,434	452,610	1,321,753	1,319,977
	<u>1,797,136</u>	<u>1,498,784</u>	<u>5,102,007</u>	<u>4,551,540</u>

i) Income derived from investment of general investment deposits

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financing and advances	1,163,240	827,110	3,119,952	2,619,126
Money at call and deposit with financial institutions	75,593	87,611	224,157	225,827
Financial investments available-for-sale	62,482	33,932	155,026	115,715
Financial investments held-to-maturity	16,912	-	36,535	-
Financial assets at fair value through profit or loss	1,682	1,080	5,037	3,364
	<u>1,319,909</u>	<u>949,733</u>	<u>3,540,707</u>	<u>2,964,032</u>
Amortisation of premium less accretion of discounts	15,760	24,945	48,279	65,009
Total finance income and hibah	<u>1,335,669</u>	<u>974,678</u>	<u>3,588,986</u>	<u>3,029,041</u>
Other operating income :				
Fee income				
- Processing fees	4,001	6,329	15,841	15,587
- Commissions	23,681	20,285	70,652	64,021
- Service charges and other fees	34,784	16,590	89,535	89,523
Gains on disposal of financial investments available-for-sale	4,747	5,334	6,407	17,072
Gains on disposal of financial assets at fair value through profit or loss	58	434	368	1,907
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	439	6	(34)	17
- Financial liabilities at fair value through profit or loss	(1,684)	(542)	(11,343)	(3,425)
- Derivatives	137	551	10,203	2,067
Gains/(losses) on foreign exchange:				
- Realised	7,953	15,797	(82)	72,932
- Unrealised	(10,726)	4,233	991	(66,076)
Realised gain on derivatives	2,643	2,479	8,730	8,897
	<u>1,401,702</u>	<u>1,046,174</u>	<u>3,780,254</u>	<u>3,231,563</u>

Included in finance income were income on impaired assets amounting to RM20.5 million (30 September 2016: RM29.8 million).

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A24. Income derived from investment of depositors' funds (cont'd.)

ii) Income derived from investment of other deposits

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Financing and advances	328,848	358,580	1,090,882	1,069,819
Money at call and deposit with financial institutions	20,518	37,385	78,376	92,242
Financial investments available-for-sale	18,163	14,807	54,204	47,266
Financial investments held-to-maturity	5,132	-	12,774	-
Financial assets at fair value through profit or loss	454	468	1,761	1,374
	<u>373,115</u>	<u>411,240</u>	<u>1,237,997</u>	<u>1,210,701</u>
Amortisation of premium less accretion of discounts	4,217	10,653	16,881	26,554
Total finance income and hibah	<u>377,332</u>	<u>421,893</u>	<u>1,254,878</u>	<u>1,237,255</u>
Other operating income :				
Fee income				
- Processing fees	928	2,693	5,539	6,367
- Commissions	6,410	8,791	24,703	26,150
- Service charges and other fees	9,983	7,620	31,306	36,567
Gains on disposal of financial investments available-for-sale	1,594	2,314	2,240	6,973
Gains on disposal of financial assets at fair value through profit or loss	8	194	129	779
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	172	3	(12)	7
- Financial liabilities at fair value through profit or loss	(204)	(255)	(3,966)	(1,399)
- Derivatives	(353)	242	3,567	844
Gains/(losses) on foreign exchange:				
- Realised	3,100	7,113	(29)	29,790
- Unrealised	(4,217)	915	346	(26,990)
Realised gain on derivatives	681	1,087	3,052	3,634
	<u>395,434</u>	<u>452,610</u>	<u>1,321,753</u>	<u>1,319,977</u>

Included in finance income were income on impaired assets amounting to RM7.2 million (30 September 2016: RM12.2 million).

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A25. Income derived from investment of investment account funds

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Financing and advances	356,704	442,405	1,158,763	1,135,065
Financial investments available-for-sale	-	1,046	-	1,308
Total finance income and hibah	<u>356,704</u>	<u>443,451</u>	<u>1,158,763</u>	<u>1,136,373</u>
Other operating income :				
Fee income				
- Commissions	265	221	800	561
- Service charges and other fees	8,934	12,107	13,552	30,614
	<u>365,903</u>	<u>455,779</u>	<u>1,173,115</u>	<u>1,167,548</u>

A26. Income derived from investment of shareholder's funds

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Financing and advances	60,876	76,160	192,584	192,023
Money at call and deposit				
with financial institutions	3,836	7,621	13,836	16,557
Financial investments available-for-sale	3,340	3,196	9,569	8,484
Financial investments held-to-maturity	934	-	2,255	-
Financial assets at fair value through profit or loss	85	99	311	247
	<u>69,071</u>	<u>87,076</u>	<u>218,555</u>	<u>217,311</u>
Amortisation of premium less accretion of discounts	791	2,176	2,980	4,766
Total finance income and hibah	<u>69,862</u>	<u>89,252</u>	<u>221,535</u>	<u>222,077</u>
Other operating income :				
Fee income				
- Processing fees	181	544	978	1,143
- Commissions	1,199	1,866	4,361	4,694
- Service charges and other fees	1,842	1,847	5,527	6,563
Gains on disposal of financial investments available-for-sale	283	493	395	1,252
Gains on disposal of financial assets at fair value through profit or loss	2	45	23	140
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	30	-	(2)	1
- Financial liabilities at fair value through profit or loss	(50)	(65)	(700)	(251)
- Derivatives	(48)	54	630	152
Gains/(losses) on foreign exchange:				
- Realised	536	1,653	(5)	5,347
- Unrealised	(728)	(298)	61	(4,844)
Realised gain on derivatives	129	237	539	652
	<u>73,238</u>	<u>95,628</u>	<u>233,342</u>	<u>236,926</u>

Included in finance income were income on impaired assets amounting to RM1.3 million (30 September 2016: RM2.2 million).

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A27. Allowances for impairment losses on financing, advances and other debts, net

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowances for/(writeback of) impairment losses on financing and advances:				
- collective allowance made	3,154	(47,468)	150,076	222,497
- individual allowance made	25,093	215,952	136,916	287,806
- individual allowance written back	(18,107)	(13,594)	(78,382)	(48,734)
Impaired financing and advances written off	2,831	1,679	6,381	6,765
Impaired financing and advances recovered	(11,235)	(7,462)	(35,628)	(40,849)
Allowances for/(writeback of) impairment losses on other debts	6	(39)	70	(106)
	<u>1,742</u>	<u>149,068</u>	<u>179,433</u>	<u>427,379</u>

A28. Profit distributed to depositors

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Non-Mudharabah	<u>753,111</u>	<u>716,447</u>	<u>2,103,916</u>	<u>2,079,792</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah	166,713	103,857	472,372	291,704
- Non-Mudharabah	93,735	60,542	247,407	214,851
	<u>260,448</u>	<u>164,399</u>	<u>719,779</u>	<u>506,555</u>
Financial liabilities at fair value through profit or loss				
- Non-Mudharabah	9,982	9,085	33,016	40,967
	<u>1,023,541</u>	<u>889,931</u>	<u>2,856,711</u>	<u>2,627,314</u>

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A29. Overhead expenses

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Personnel expenses	9,498	9,668	29,768	30,435
- Salaries, allowances and bonuses	7,208	7,458	21,657	22,435
- Pension costs	1,112	1,132	3,335	3,469
- Shares/Options granted under Employee's Shares Scheme	127	435	381	906
- Others	1,051	643	4,395	3,625
Establishment costs	686	1,147	2,923	3,317
- Rental of premises	286	429	1,287	1,286
- Repairs, servicing and maintenance	8	7	17	28
- Information technology expenses	392	711	1,619	2,003
Marketing costs	2,942	3,620	8,167	8,511
- Advertisement and publicity	287	3,117	1,480	7,079
- Others	2,655	503	6,687	1,432
Administration and general expenses	312,669	284,094	964,477	870,764
- Fees and brokerage	8,543	6,645	44,429	35,421
- Administrative expenses	10	312	714	1,794
- General expenses	31,173	11,195	70,165	28,880
- Shared service cost paid/payable to Maybank	272,943	265,942	849,169	804,669
	325,795	298,529	1,005,335	913,027

A30. Finance cost

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Subordinated sukuk	29,680	29,679	88,071	92,978
Term funding	-	-	412	-
	29,680	29,679	88,483	92,978

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A31. Taxation and zakat

The analysis of the taxation and zakat expense for the financial period ended 30 September 2017 are as follows:

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Malaysian income tax	152,799	95,161	384,405	268,936
(Over)/Under provision in prior period:				
Malaysian income tax	(11,080)	-	(11,080)	8
Deferred tax				
- Relating to origination and reversal of temporary differences	(436)	(392)	(1,298)	708
Tax expense for the financial period	141,283	94,769	372,027	269,652
Zakat	5,225	1,371	11,437	10,544
	146,508	96,140	383,464	280,196

A32. 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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A33. Commitments and Contingencies and Off-Balance Sheet Financial Instruments

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

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

	As at 30 September 2017			As at 31 December 2016		
	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	1,337,430	1,337,430	1,230,204	1,243,371	1,243,371	1,275,387
Certain transaction-related contingent items	3,292,580	1,631,042	1,257,446	2,339,735	1,155,527	861,936
Short-term self-liquidating trade-related contingencies	222,200	34,659	22,887	295,126	50,777	35,283
Irrevocable commitments to extend credit:						
- maturity within one year	21,991,580	4,855,852	2,855,060	21,396,850	4,788,406	2,352,723
- maturity more than one year	7,520,889	3,861,897	1,842,063	8,679,087	2,728,616	1,321,241
Miscellaneous	36,210	-	-	56,028	-	-
Total credit-related commitments and contingencies	34,400,889	11,720,880	7,207,660	34,010,197	9,966,697	5,846,570
<u>Derivative financial instruments</u>						
Foreign exchange related contracts:						
- less than one year	11,308,669	343,909	99,896	9,348,315	456,329	116,847
- one year to less than five years	4,514,838	30,838	13,255	2,372,829	137,963	53,150
Profit rate related contracts:						
- less than one year	-	-	-	1,000,000	612	710
- one year to less than five years	2,957,996	690,406	289,331	2,822,620	424,297	191,104
- five years and above	2,426,849	182,289	89,211	2,513,954	102,199	92,637
Total treasury-related commitments and contingencies	21,208,352	1,247,442	491,693	18,057,718	1,121,400	454,448
	55,609,241	12,968,322	7,699,353	52,067,915	11,088,097	6,301,018

* 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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A34. 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. All financial institutions shall hold and maintain at all times, the following minimum capital adequacy ratios:

Common Equity Tier I (CET1) Ratio	Tier 1 Capital Ratio	Total Capital Ratio
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 2 March 2017 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 and 2 March 2017 respectively. 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.

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A34. Capital Adequacy (cont'd.)

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

	30 September 2017	31 December 2016
Capital ratios		
CET1 capital ratio	11.882%	13.992%
Tier 1 capital ratio	11.882%	13.992%
Total capital ratio	16.165%	18.553%

(d) Components of capital:

	30 September 2017 RM '000	31 December 2016 RM'000
CET1/Tier 1 capital		
Share capital	5,481,783	281,556
Share premium	-	5,200,227
Retained profits	2,458,148	2,857,087
Other reserves	423,642	749,805
CET1 capital before regulatory adjustments	8,363,573	9,088,675
Less: Regulatory adjustment applied in CET1 capital	(451,279)	(413,187)
Deferred tax assets	(9,579)	(19,487)
Regulatory reserve	(441,700)	(393,700)
Total CET1/Tier 1 capital	7,912,294	8,675,488
Tier 2 capital		
Tier 2 capital instruments	2,500,000	2,500,000
Collective allowance ¹	23,351	23,379
Surplus of eligible provision over expected loss	328,778	304,154
Total Tier 2 capital	2,852,129	2,827,533
Total Capital	10,764,423	11,503,021

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

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

	30 September 2017 RM'000	31 December 2016 RM'000
Standardised Approach exposure	7,406,593	7,151,955
Internal Ratings-Based Approach exposure after scaling factor	68,364,623	64,702,050
Total risk-weighted asset for credit risk	75,771,216	71,854,005
Total risk-weighted asset for credit risk absorbed by parent and Investment Account Holder (IAH) [^]	(16,415,246)	(16,426,406)
Total risk-weighted asset for market risk	916,456	882,544
Total risk-weighted asset for operational risk	6,319,316	5,691,742
Total risk-weighted assets	66,591,742	62,001,885

[^] 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.

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A35. 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.

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A35. Fair value of financial instruments (cont'd.)

The following table shows the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 September 2017 and 31 December 2016.

At 30 September 2017	<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	-	234,104	-	234,104
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	234,104	-	234,104
Financial investments available-for-sale	-	10,508,552	750	10,509,302
<i>Money market instruments</i>	-	8,970,555	-	8,970,555
<i>Non-money market instruments</i>	-	1,537,997	750	1,538,747
Derivative assets	-	371,985	-	371,985
<i>Foreign exchange related contracts</i>	-	200,001	-	200,001
<i>Profit rate related contracts</i>	-	171,984	-	171,984
	-	11,114,641	750	11,115,391
Financial liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss	-	901,888	-	901,888
<i>Structured deposits</i>	-	901,888	-	901,888
Derivative liabilities	-	467,798	-	467,798
<i>Foreign exchange related contracts</i>	-	281,406	-	281,406
<i>Profit rate related contracts</i>	-	186,392	-	186,392
	-	1,369,686	-	1,369,686

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A35. Fair value of financial instruments (cont'd.)

	<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	
At 31 December 2016				
Financial assets measured at fair value:				
Financial assets held-for-trading	-	252,451	-	252,451
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	252,451	-	252,451
Financial investments available-for-sale	-	8,718,904	750	8,719,654
<i>Money market instruments</i>	-	7,426,331	-	7,426,331
<i>Non-money market instruments</i>	-	1,292,573	750	1,293,323
Derivative assets	-	515,554	-	515,554
<i>Foreign exchange related contracts</i>	-	480,623	-	480,623
<i>Profit rate related contracts</i>	-	34,931	-	34,931
	-	9,486,909	750	9,487,659
Financial liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss	-	902,091	-	902,091
<i>Structured deposits</i>	-	902,091	-	902,091
Derivative liabilities	-	535,161	-	535,161
<i>Foreign exchange related contracts</i>	-	482,964	-	482,964
<i>Profit rate related contracts</i>	-	52,197	-	52,197
	-	1,437,252	-	1,437,252

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.

Financial liabilities designated at fair value through profit or loss

The fair values of financial liabilities designated at fair value through profit or loss are derived using discounted cash flows.

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A35. Fair value of financial instruments (cont'd.)

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

	At 1 January 2017 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 September 2017 RM'000
At 30 September 2017							
Financial investments available-for-sale							
<i>Non-money market instruments</i>	750	-	-	-	-	-	750
Derivative assets							
<i>Profit rate related contracts</i>	-	-	-	-	-	-	-
Total Level 3 financial assets	750	-	-	-	-	-	750
Financial liabilities at fair value through profit or loss							
<i>Structured deposits</i>	-	-	-	-	-	-	-
Derivative liabilities							
<i>Profit rate related contracts</i>	-	-	-	-	-	-	-
Total Level 3 financial liabilities	-	-	-	-	-	-	-
Total net Level 3 financial assets/(liabilities)	750	-	-	-	-	-	750

* Included within 'Other operating income'.

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A35. 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 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 31 December 2016 RM'000
At 31 December 2016							
Financial investments available-for-sale							
<i>Non-money market instruments</i>	500	-	-	250	-	-	750
Derivative assets							
<i>Profit rate related contracts</i>	-		-	653	-	(653)	-
Total Level 3 financial assets	<u>500</u>	<u>-</u>	<u>-</u>	<u>903</u>	<u>-</u>	<u>(653)</u>	<u>750</u>
Derivative liabilities							
<i>Profit rate related contracts</i>	43,395	61,481	-	-	-	(104,876)	-
Total Level 3 financial liabilities	<u>43,395</u>	<u>61,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,876)</u>	<u>-</u>
Total net Level 3 financial assets/(liabilities)	<u>43,895</u>	<u>61,481</u>	<u>-</u>	<u>903</u>	<u>-</u>	<u>(105,529)</u>	<u>750</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 period ended 30 September 2017.

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 period 30 September 2017.

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PART B – Review of Performance & Current Year Prospects

B1. Performance Review

The Bank posted profit before tax and zakat of RM1,668.0 million for the financial period ended 30 September 2017, an increase of RM547.9 million or 48.9% compared to the previous corresponding period.

The Bank's allowance for impairment on financing and advances decreased by RM247.9 million to RM179.4 million due to lower allowances made during the financial period ended 30 September 2017. The Bank's financing loss reserve coverage ratio with Regulatory Reserve stood at 112.0% as at 30 September 2017.

Total income grew by RM552.5 million or 9.3% to RM6,508.5 million from previous corresponding period, comprising of income derived from investment of depositors funds, income derived from investment account funds and income derived from investment of shareholder's funds of RM5,102.0 million, RM1,173.1 million and RM233.3 million respectively.

The Bank's gross financing and advances increased by RM7.3 billion to RM157.2 billion as compared to RM149.9 billion recorded in last financial year. As at 30 September 2017, total funding increased by 6.2% contributed by customer deposits which grew by 12.4%, recorded at RM119.9 billion against RM106.6 billion in last financial year. Investment Account decreased by RM4.7 billion to close at RM26.8 billion compared to RM31.5 billion in the 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 11.882% and Total Capital Ratio of 16.165%.

B2. Prospects

Malaysia's real GDP growth is expected to expand by +5.8% in 2017 (2016: +4.2%) underpinned by improvement in the manufacturing, services and mining sectors amid stronger exports growth, pick up in consumer spending and investment growth. Investment growth for 2017 and 2018 are expected to be underpinned by progress in on-going and rollout of major infrastructure projects in-the-pipeline. The Overnight Policy Rate (OPR) has remained unchanged at 3.00% in 2017. The Bank's financing growth is expected to be in-line with the industry growth in 2017, by focusing on pockets of opportunities within the consumer segment, retail SME and corporate financing.

Against the backdrop of selective growth in the market, the Bank will maintain its approach of proactively managing asset quality and liquidity management to ensure stability and sustainability. An integral part of the key strategic priorities for 2017 would be focusing on enhancing the Bank's global brand visibility and deepening its existing regional presence, via the pursuit of more headline deals and participation in international conferences and thought leadership programs. The Bank would also look to take on a more leadership role in promoting Islamic Social Finance via its Zakat and Waqaf initiatives.