

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

	Note	Second Quarter Ended		Cumulative 6 Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of depositors' funds	A25	2,218,027	1,705,950	4,284,298	3,304,871
Income derived from investment of investment account funds	A26	274,618	394,851	586,038	807,212
Income derived from investment of shareholder's funds	A27	115,657	78,474	194,696	160,104
Allowances for impairment losses on financing and advances, net	A28	(77,899)	(124,270)	(426,439)	(177,691)
Writeback of impairment losses on financial investments, net (Allowances for)/writeback of impairment losses	A29	1,477	-	6,342	-
on other financial assets, net	A30	(5)	-	166	-
<b>Total distributable income</b>		<b>2,531,875</b>	<b>2,055,005</b>	<b>4,645,101</b>	<b>4,094,496</b>
Profit distributed to depositors	A31	(1,303,217)	(953,602)	(2,448,630)	(1,833,170)
Profit distributed to investment account holders		(144,067)	(246,609)	(327,641)	(509,342)
<b>Total net income</b>		<b>1,084,591</b>	<b>854,794</b>	<b>1,868,830</b>	<b>1,751,984</b>
Overhead expenses	A32	(353,546)	(338,557)	(708,956)	(679,540)
Finance cost	A33	(88,179)	(29,625)	(178,252)	(58,803)
<b>Profit before taxation and zakat</b>		<b>642,866</b>	<b>486,612</b>	<b>981,622</b>	<b>1,013,641</b>
Taxation	A34	(153,177)	(110,487)	(234,320)	(230,744)
Zakat	A34	676	(3,264)	(4,310)	(6,212)
<b>Profit for the period</b>		<b>490,365</b>	<b>372,861</b>	<b>742,992</b>	<b>776,685</b>
<b>Profit attributable to :</b>					
Equity holders of the parent		490,365	372,861	742,992	776,685
<b>Earnings per share attributable to equity holder of the Bank</b>					
- basic/diluted (sen)		170.33	132.43	260.06	275.85

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these financial statements)

**MAYBANK ISLAMIC BERHAD**  
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(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Profit for the period</b>	490,365	372,861	742,992	776,685
<b>Other comprehensive income/(loss):</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net loss on financial investments at fair value through other comprehensive income	(79,913)	-	(67,637)	-
- Net loss from change in fair value	(86,229)	-	(74,897)	-
- Changes in expected credit losses	6,316	-	7,260	-
Net gain on financial investments available-for-sale	-	38,536	-	55,373
Income tax relating to components of other comprehensive income	20,921	(9,249)	17,975	(13,284)
Other comprehensive (loss)/income for the period, net of tax	(58,992)	29,287	(49,662)	42,089
<b>Total comprehensive income for the period</b>	<b>431,373</b>	<b>402,148</b>	<b>693,330</b>	<b>818,774</b>
<b>Total comprehensive income attributable to :</b>				
Equity holders of the Bank	431,373	402,148	693,330	818,774

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 JUNE 2018**

	Note	30 June 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>			
Cash and short-term funds		7,244,382	17,134,359
Deposits and placements with banks and other financial institutions	A11	1,505,722	-
Financial investments at fair value through profit or loss	A12(i)	60,021	240,571
Financial investments at fair value through other comprehensive income	A12(ii)	13,526,761	-
Financial investments at amortised cost	A12(iii)	5,327,049	-
Financial investments available-for-sale	A12(iv)	-	9,882,004
Financial investments held-to-maturity	A12(v)	-	2,731,560
Financing and advances	A13	168,368,177	162,072,685
Derivative assets	A14	425,951	487,989
Other assets	A15	5,033,385	6,690,982
Statutory deposits with Bank Negara Malaysia		4,882,000	3,242,000
Deferred tax assets		362,487	12,903
<b>TOTAL ASSETS</b>		<b>206,735,935</b>	<b>202,495,053</b>
<b>LIABILITIES</b>			
Customers' funding:			
- Deposits from customers	A16	142,063,531	129,897,440
- Investment accounts of customers <sup>1</sup>	A17	19,176,202	24,555,445
Deposits and placements of banks and other financial institutions	A18	26,473,024	28,238,141
Bills and acceptances payable		19,476	8,854
Financial liabilities at fair value through profit or loss	A19	993,239	892,695
Derivative liabilities	A14	384,590	650,320
Other liabilities	A20	336,118	310,393
Provision for taxation and zakat		256,024	148,373
Term funding	A22	4,219,036	4,945,437
Subordinated sukuk	A23	2,533,528	2,534,105
Capital securities	A24	1,002,305	1,002,441
<b>TOTAL LIABILITIES</b>		<b>197,457,073</b>	<b>193,183,644</b>

<sup>1</sup> Investment accounts of customers are used to fund financing and advances as disclosed in Note A13.

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	<b>Note</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>			
Share capital		6,455,967	5,481,783
Retained profits		2,632,880	3,351,547
Other reserves		190,015	478,079
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>9,278,862</b>	9,311,409
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>206,735,935</b>	202,495,053
<b>COMMITMENTS AND CONTINGENCIES</b>	A37	<b>56,166,944</b>	53,463,406
<b><u>CAPITAL ADEQUACY</u></b>	A38		
The capital adequacy ratios of the Bank are as follows:			
CET1 capital ratio		13.194%	14.500%
Tier 1 capital ratio		14.721%	16.150%
Total capital ratio		<b>19.047%</b>	20.782%

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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 2018**

	<=====Non Distributable=====>					Total equity RM'000
	Share capital RM'000	Equity contribution from the holding company RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Regulatory reserve RM'000	Distributable retained profits RM'000	
<b>At 1 January 2018</b>						
- as previously stated	5,481,783	1,697	(32,318)	508,700	3,351,547	9,311,409
- effect of adopting MFRS 9 (Note A40)	-	-	1,350	(403,333)	(323,894)	(725,877)
<b>At 1 January 2018, as restated</b>	<b>5,481,783</b>	<b>1,697</b>	<b>(30,968)</b>	<b>105,367</b>	<b>3,027,653</b>	<b>8,585,532</b>
Profit for the period	-	-	-	-	742,992	742,992
Other comprehensive loss	-	-	(49,662)	-	-	(49,662)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(49,662)</b>	<b>-</b>	<b>742,992</b>	<b>693,330</b>
Transfer to regulatory reserve	-	-	-	163,581	(163,581)	-
Issue of ordinary shares (Notes A8)	974,184	-	-	-	-	974,184
Dividend on ordinary shares (Note A9(a))	-	-	-	-	(974,184)	(974,184)
<b>Total transactions with shareholder/ other equity movements</b>	<b>974,184</b>	<b>-</b>	<b>-</b>	<b>163,581</b>	<b>(1,137,765)</b>	<b>-</b>
<b>At 30 June 2018</b>	<b>6,455,967</b>	<b>1,697</b>	<b>(80,630)</b>	<b>268,948</b>	<b>2,632,880</b>	<b>9,278,862</b>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

	<=====Non Distributable=====>							
	Share capital RM'000	Share premium RM'000	Equity contribution from the holding company RM'000	Statutory reserve RM'000	Available- for-sale reserve RM'000	Regulatory reserve RM'000	Distributable retained profits RM'000	Total equity RM'000
<b>At 1 January 2017</b>	281,556	5,200,227	1,697	409,672	(55,264)	393,700	2,857,087	9,088,675
Profit for the period	-	-	-	-	-	-	776,685	776,685
Other comprehensive income	-	-	-	-	42,089	-	-	42,089
<b>Total comprehensive income for the period</b>	-	-	-	-	42,089	-	776,685	818,774
Transfer from regulatory reserve	-	-	-	-	-	(2,000)	2,000	-
Transfer from statutory reserve	-	-	-	(409,672)	-	-	409,672	-
Transfer to share capital	5,200,227	(5,200,227)	-	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-	-	(777,095)	(777,095)
<b>Total transactions with shareholder/ other equity movements</b>	5,200,227	(5,200,227)	-	(409,672)	-	(2,000)	(365,423)	(777,095)
<b>At 30 June 2017</b>	5,481,783	-	1,697	-	(13,175)	391,700	3,268,349	9,130,354

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

	30 June 2018 RM'000	30 June 2017 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	981,622	1,013,641
Adjustments for non-operating and non-cash items:		
Allowances for losses on financing and advances	440,666	202,085
Allowances for losses on financial investments	(6,341)	-
Allowances for losses on other financial assets	(167)	-
Accretion of discount less amortisation of premium	(38,308)	(47,372)
Unrealised gains on revaluation of derivatives	(12,264)	(14,664)
Unrealised (gains)/losses on revaluation of financial investments at fair value through profit or loss	(65)	689
Unrealised (gains)/losses on revaluation of financial liabilities at fair value through profit or loss	(257)	14,071
Gains on disposal of financial investments at fair value through other comprehensive income	(2,705)	(2,418)
Losses/(gains) on disposal of financial assets at fair value through profit or loss	349	(452)
Gains on foreign exchange translations	(79,933)	(5,364)
Share options granted under ESS	-	254
Finance cost	178,252	-
Operating profit before working capital changes	<u>1,460,849</u>	<u>1,160,470</u>
Change in deposits and placements with banks and other financial institutions	(50,204)	(102,642)
Change in cash and short-term funds with original maturity of more than three months	(2,516,022)	201,263
Change in financial investments portfolio	(6,109,398)	(2,454,803)
Change in financing and advances	(7,637,861)	(4,678,683)
Change in derivative assets and liabilities	(191,429)	48,696
Change in other assets	1,657,591	195,778
Change in statutory deposits with Bank Negara Malaysia	(1,640,000)	450,000
Change in deposits from customers	12,166,091	6,552,112
Change in investment accounts of customers	(5,379,243)	(3,758,017)
Change in deposits and placements of banks and other financial institutions	(1,685,183)	446,737
Change in financial liabilities at fair value through profit or loss	100,800	(19,115)
Change in bills and acceptances payable	10,621	(35,239)
Change in other liabilities	1,064	221,186
Cash generated from operating activities	<u>(9,812,324)</u>	<u>(1,772,257)</u>
Taxes and zakat paid	(232,792)	(174,536)
<b>Net cash used in operating activities</b>	<u>(10,045,116)</u>	<u>(1,946,793)</u>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Dividend paid for capital securities	(24,682)	-
Dividend paid for subordinated sukuk	(58,968)	(58,968)
Redemption of term funding	(750,000)	-
Dividend paid for term funding	(71,715)	(412)
Proceeds from issuance of shares	974,184	-
Dividend paid	(974,184)	(777,096)
<b>Net cash used in investing activities</b>	<b>(905,365)</b>	<b>(836,476)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(10,950,481)</b>	<b>(2,783,269)</b>
Cash and cash equivalents at beginning of period	17,134,359	15,334,729
<b>Cash and cash equivalents at end of period</b>	<b>6,183,878</b>	<b>12,551,460</b>

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

	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents comprise:		
Cash and short term funds	7,244,382	12,551,460
Deposits and placements with banks and other financial institutions	1,505,722	754,201
	<b>8,750,104</b>	<b>13,305,661</b>
Less:		
Cash and short-term funds and deposits and placements, with original maturity of more than three months	(2,566,226)	(754,201)
	<b>6,183,878</b>	<b>12,551,460</b>

**(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the financial statements)**



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**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 assets at fair value through other comprehensive income, financial assets and liabilities 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 audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017. 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 2017.

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 2017 except for adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), amendments to MFRSs, annual improvements to MFRSs and IC Interpretations which are effective for annual periods beginning on or after 1 January 2018:

- MFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Annual Improvements to MFRSs 2014-2016 Cycle - Amendments to MFRS 1 First-time Adoption of Malaysian *Financial Reporting Standards*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

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

**MFRS 9 *Financial Instruments***

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard, while the hedge accounting policies are not impacted. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and regulatory reserve as at 1 January 2018.

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

**MFRS 9 Financial Instruments (cont'd.)**

The adoption of MFRS 9 resulted in the following changes to the Bank's accounting policies:

**(i) Classification and measurement**

The Bank classify financial assets on the basis of two criteria:

- (1) The business model within financial assets are managed; and
- (2) The contractual cash flow characteristics.

At initial recognition, each financial assets is classified as either amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL") as summarised in below table:

Amortised Cost	Fair Value	
	FVOCI	FVTPL
<ul style="list-style-type: none"> <li>• Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets will be measured at FVOCI if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.</li> <li>• Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (without recycling profit or loss upon derecognition).</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets will be measured at FVTPL if the assets that are held for trading or financial assets that qualify for neither held at amortised cost nor at FVOCI.</li> <li>• Equity instruments that were not elected for FVOCI will be measured at FVTPL.</li> </ul>

Classification and measurement of financial liabilities remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

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

**MFRS 9 Financial Instruments (cont'd.)**

**(ii) Impairment**

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under the MFRS 139. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which include loans, advances and financing and debt instruments held by the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

The measurement of expected loss involves increased complexity and judgement that include:

- Determining significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Bank apply a three-stage approach based on the change in credit quality since initial recognition:

<b>3 Stage approach</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>
<b>ECL Approach</b>	12-month ECL	Lifetime ECL	Lifetime ECL
<b>Criterion</b>	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
<b>Recognition of interest/profit income</b>	On gross carrying amount	On gross carrying amount	On net carrying amount

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

**MFRS 9 *Financial Instruments* (cont'd.)**

**(ii) Impairment (cont'd.)**

The measurement of expected loss involves increased complexity and judgement that include (cont'd.):

- ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and the exposure at default model ("EAD"). The model is to leverage as much as possible the Bank's existing Basel II models and performed the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Bank have decided to continue measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant.

- Expected Life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities generally refers to their behavioural life.

- Forward Looking information

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the Bank's research arm, Maybank Kim Eng ("MKE"). In addition, the MKE Research's assumptions and analysis are also based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

**(iii) Hedge accounting**

The requirements for general hedge accounting have been simplified for hedge effectiveness testing. Overall, there is no significant financial impact on the Bank arising from adoption of new hedge accounting requirements under MFRS 9.

The financial impact of the adoption of MFRS 9 on the financial statements of the Bank are disclosed in Note A40.

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

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- 1) Identify the contract(s) with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Bank has adopted the standard on its effective date, using the modified retrospective method of adoption. The standard does not apply to income or revenue associated with financial instruments scoped in MFRS 9 such as loan, advances and financing and financial investment securities. The adoption of this standard has no material financial impact other than the disclosures made in the Bank's financial statements.

**Revised Financial Reporting Guidelines issued by Bank Negara Malaysia ("BNM")**

On 2 February 2018, BNM issued a revised Financial Reporting Guidelines. The revised guidelines apply to financial institutions in Malaysia that covers licensed banks, licensed investment banks, licensed Islamic banks and licensed insurers. The revised guidelines have superseded two guidelines issued by BNM previously, namely *Financial Reporting* dated 28 January 2015 and *Classification and Impairment Provision for Loans/Financing* dated 6 April 2015. The revised guidelines were updated to include as follows:

- (i) Require a banking institution to maintain, in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures;

The Bank has presented the regulatory reserves in the Unaudited Statement of Changes in Equity and notes A40.

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

**Revised Financial Reporting Guidelines issued by Bank Negara Malaysia ("BNM") (cont'd.)**

The revised guidelines were updated to include as follows (cont'd.):

- (ii) Additional disclosure in annual financial statements i.e. intercompany charges with a breakdown by type of services received and geographical distribution;

The Bank will present these information in the annual financial statements for the year ending 31 December 2018 accordingly.

- (iii) Additional disclosure on placement of funds in an investment account with an Islamic banking institution:

- (a) present the placement, as a separate line item in the statement of financial position, as either "investment account placement" or "investment account placement – (asset description)"; and

- (b) disclose in the explanatory notes the nature of the underlying assets for the investment.

- (iv) Clarify on the classification of a credit facility as credit-impaired:

- (a) where the principal or profit or both of the credit facility is past due for more than 90 days or 3 months. In the case of revolving credit facilities (e.g. overdraft facilities), the facility shall be classified as credit-impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;

- (b) where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the banking institution's credit risk measurement framework; or

- (c) when the credit facility is classified as rescheduled or restructured in the Central Credit Reference Information System (CCRIS) in accordance with the CCRIS reporting requirements in Appendix 1 of the revised guidelines.

The Bank has adopted the above classification criteria in deriving the Bank's credit-impaired exposures, which leads to the computation of regulatory reserves and loss allowance for credit-impaired exposures as required in (i) above.

**A2. Significant accounting policies**

The audited annual financial statements of the Bank for the financial year ended 31 December 2017 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 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 2017 except for the adoption of the new MFRS, amendments to MFRS, annual improvements to MFRS and IC Interpretations which are effective for annual periods beginning on or after 1 January 2018 and new requirements of the BNM's Policy Documents as disclosed in Note A1.

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**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 2017 except for the measurement of expected credit loss under MFRS 9 which involves increased complexity and judgement as disclosed in Note A1.

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

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 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 June 2018.

**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 June 2018.

**A7. Changes in estimates**

There were no material changes in estimates during the financial period ended 30 June 2018.

**A8. Changes in Debt and Equity Securities**

**(a) Share Capital**

The share capital of the Bank increased from RM5,481,783,300 as at 31 December 2017 to RM6,455,967,000 as at 30 June 2018 via the issuance of 31,284,000 new ordinary shares at RM31.14 per shares to Maybank on the basis of one new share for every nine existing ordinary shares held.

**A9. Dividends Paid/Declared**

(a) During the Annual General Meeting held on 2 April 2018, a final single-tier dividend of RM3.46 per share on 281,556,000 ordinary shares, amounting to a dividend payable of RM974,183,760 was approved by shareholders. The payment of dividend was completed on 7 June 2018.

(b) On 23 August 2018, the Board of Directors have declared an interim tax-exempt (single tier) dividend in respect of the financial year ending 31 December 2018 of RM2.37 per share on 312,840,000 ordinary shares, amounting to RM741,430,800.

**A10. 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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**A11. Deposits and placements with banks and other financial institutions**

	30 June 2018 RM'000	31 December 2017 RM'000
Licensed Islamic banks	<u>1,505,722</u>	<u>-</u>
	<u>1,505,722</u>	<u>-</u>
Accumulated impairment losses	<u>-</u>	<u>-</u>
	<u>1,505,722</u>	<u>-</u>

**A12. Financial investments portfolio**

	Note	30 June 2018 RM'000	31 December 2017 RM'000
Financial investments at fair value through profit or loss	(i)	60,021	240,571
Financial investments at fair value through other comprehensive income	(ii)	13,526,761	-
Financial investments at amortised cost	(iii)	5,327,049	-
Financial investments available-for-sale	(iv)	-	9,882,004
Financial investments held-to-maturity	(v)	-	2,731,560
		<u>18,913,831</u>	<u>12,854,135</u>

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

	30 June 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>		
<b>Unquoted securities:</b>		
Foreign Islamic Corporate Sukuk	<u>60,021</u>	<u>240,571</u>
<b>Total financial investments at fair value through profit or loss</b>	<u>60,021</u>	<u>240,571</u>

**(ii) Financial investments at fair value through other comprehensive income**

	30 June 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	8,266,260	-
Negotiable Islamic instruments of deposits	495,555	-
Khazanah bonds	150,163	-
Bank Negara Malaysia Monetary Notes	<u>1,448,720</u>	<u>-</u>
	<u>10,360,698</u>	<u>-</u>



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**A12. Financial investments portfolio (cont'd.)**

**(ii) Financial investments at fair value through other comprehensive income (cont'd.)**

	30 June 2018 RM'000	31 December 2017 RM'000
<b>Unquoted securities:</b>		
Corporate Sukuk in Malaysia	3,106,430	-
Foreign Islamic Corporate Sukuk	16,124	-
Malaysian Government sukuk	42,759	-
Equity	750	-
	<u>3,166,063</u>	<u>-</u>
<b>Total financial investments at fair value through other comprehensive income</b>	<u>13,526,761</u>	<u>-</u>

(a) Movements in the allowances for impairment losses on financial investments at fair value through other comprehensive income are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
<b>At 30 June 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018				
- effect of adopting MFRS 9	1,131	155	-	1,286
At 1 January 2018, as restated	1,131	155	-	1,286
Transferred to Stage 2	(14)	14	-	-
New financial assets originated or purchased	1,160	-	-	1,160
Financial assets derecognised	(785)	(155)	-	(940)
Changes due to change in credit risk	-	35	-	35
Changes in models	(27)	-	-	(27)
Changes in risk parameters	50	-	-	50
At 30 June 2018	<u>1,515</u>	<u>49</u>	<u>-</u>	<u>1,564</u>

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**A12. Financial investments portfolio (cont'd.)**

**(iii) Financial investments at amortised cost**

	30 June 2018 RM'000	31 December 2017 RM'000
<b>Money market instruments:-</b>		
Malaysian Government Investment Issues	1,133,551	-
	<u>1,133,551</u>	<u>-</u>
<b>Unquoted securities:</b>		
Corporate Sukuk in Malaysia	4,209,035	-
Accumulated impairment losses	(15,537)	-
<b>Total financial investments at amortised cost</b>	<u><b>5,327,049</b></u>	<u><b>-</b></u>

(a) Movements in the allowances for impairment losses on financial investments at amortised cost are as follows:

	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
<b>At 30 June 2018</b>				
At 1 January 2018				
- effect of adopting MFRS 9	8,493	13,664	-	22,157
At 1 January 2018, as restated	8,493	13,664	-	22,157
New financial assets originated or purchased	1,496	-	-	1,496
Financial assets derecognised	(1,281)	-	-	(1,281)
Changes due to change in EAD	(111)	-	-	(111)
Changes in risk parameters	(6,103)	(621)	-	(6,724)
At 30 June 2018	<u>2,494</u>	<u>13,043</u>	<u>-</u>	<u>15,537</u>

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**A12. Financial investments portfolio (cont'd.)**

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

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At fair value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	-	7,286,200
Negotiable Islamic instruments of deposits	-	398,541
Bankers' acceptances and Islamic accepted bills	-	166,173
	<u>-</u>	<u>7,850,914</u>
<b>Unquoted securities:</b>		
Corporate Sukuk in Malaysia	-	1,969,825
Foreign Islamic Corporate Sukuk	-	16,389
Malaysian Government sukuk	-	44,126
Equity	-	750
	<u>-</u>	<u>2,031,090</u>
<b>Total financial investments available-for-sale</b>	<u>-</u>	<u>9,882,004</u>

**(v) Financial investments held-to-maturity**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Unquoted securities:</b>		
Corporate Sukuk in Malaysia	-	2,731,560
<b>Total financial investments held-to-maturity</b>	<u>-</u>	<u>2,731,560</u>

**A13. Financing and advances**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Financing and advances:		
- Financing and advances at fair value through other comprehensive income	<b>468,667</b>	-
- Financing and advances at amortised cost	<b>170,630,393</b>	163,555,048
Gross financing and advances	<u><b>171,099,060</b></u>	<u>163,555,048</u>
Allowances for impaired financing and advances:		
- Stage 1 - 12 Months ECL	<b>(409,811)</b>	-
- Stage 2 - Lifetime ECL not credit impaired	<b>(1,022,150)</b>	-
- Stage 3 - Lifetime ECL credit impaired	<b>(1,298,922)</b>	-
- Individual allowance	-	(661,180)
- Collective allowance	-	(821,183)
Net financing and advances	<u><b>168,368,177</b></u>	<u>162,072,685</u>

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**A13. Financing and advances (cont'd.)**

(i) Financing and advances analysed by type and Shariah concepts are as follows:

<b>At 30 June 2018</b>	<b>Bai<sup>^</sup></b> <b>RM'000</b>	<b>Murabahah</b> <b>RM'000</b>	<b>Musharakah</b> <b>RM'000</b>	<b>Al-Ijarah</b> <b>Thumma Al-</b> <b>Bai (AITAB)</b> <b>RM'000</b>	<b>Ijarah</b> <b>RM'000</b>	<b>Istisna'</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Total financing</b> <b>and advances</b> <b>RM'000</b>
Cashline	-	5,977,557	-	-	-	46	-	5,977,603
Term financing								
- House financing	16,210,892	64,366,927	2,205,516	-	-	-	634	82,783,969
- Syndicated financing	-	1,441,989	-	-	-	-	-	1,441,989
- Hire purchase receivables	-	29,484	-	37,670,454	-	-	-	37,699,938
- Lease receivables	-	-	-	-	2,625	-	-	2,625
- Other term financing	18,245,274	94,072,248	551,620	-	117,201	129,709	16,943	113,132,995
Bills receivable	-	916	-	-	-	-	-	916
Trust receipts	-	127,449	-	-	-	-	-	127,449
Claims on customers under acceptance credits	-	4,868,028	-	-	-	-	-	4,868,028
Staff financing	133,466	2,012,723	20,334	155,791	-	-	44,832	2,367,146
Credit card receivables	-	-	-	-	-	-	1,039,685	1,039,685
Revolving credit	-	17,351,899	-	-	-	-	-	17,351,899
Financing to:								
- Directors of related companies	2,211	3,413	-	1,408	-	-	-	7,032
	<b>34,591,843</b>	<b>190,252,633</b>	<b>2,777,470</b>	<b>37,827,653</b>	<b>119,826</b>	<b>129,755</b>	<b>1,102,094</b>	<b>266,801,274</b>
Unearned income								<b>(95,702,214)</b>
Gross financing and advances <sup>^^</sup>								<b>171,099,060</b>
Allowances for impaired financing and advances:								
- Stage 1 - 12 Months ECL								<b>(409,811)</b>
- Stage 2 - Lifetime ECL not credit impaired								<b>(1,022,150)</b>
- Stage 3 - Lifetime ECL credit impaired								<b>(1,298,922)</b>
Net financing and advances								<b>168,368,177</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").

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**A13. Financing and advances (cont'd.)**

(i) Financing and advances analysed by type and Shariah concepts are as follows (cont'd.):

<b>At 31 December 2017</b>	<b>Bai<sup>^</sup></b> <b>RM'000</b>	<b>Murabahah</b> <b>RM'000</b>	<b>Musharakah</b> <b>RM'000</b>	<b>Al-Ijarah</b> <b>Thumma Al-</b> <b>Bai (AITAB)</b> <b>RM'000</b>	<b>Ijarah</b> <b>RM'000</b>	<b>Istisna'</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Total financing</b> <b>and advances</b> <b>RM'000</b>
Cashline	-	5,600,032	-	-	-	78	-	5,600,110
Term financing								
- House financing	17,660,022	63,125,656	2,374,094	-	-	-	-	83,159,772
- Syndicated financing	-	756,158	-	-	-	-	-	756,158
- Hire purchase receivables	-	-	-	37,176,740	-	-	-	37,176,740
- Other term financing	21,635,738	85,917,965	1,200,320	-	124,918	132,001	60,394	109,071,336
Bills receivable	-	226	-	-	-	-	-	226
Trust receipts	-	179,243	-	-	-	-	-	179,243
Claims on customers under acceptance credits	-	4,882,661	-	-	-	-	-	4,882,661
Staff financing	618,934	1,518,560	9,784	152,340	-	-	47,344	2,346,962
Credit card receivables	-	-	-	-	-	-	982,882	982,882
Revolving credit	-	16,726,994	-	-	-	-	-	16,726,994
Financing to:								
- Directors of related companies	2,258	3,626	-	1,221	-	-	29	7,134
	<u>39,916,952</u>	<u>178,711,121</u>	<u>3,584,198</u>	<u>37,330,301</u>	<u>124,918</u>	<u>132,079</u>	<u>1,090,649</u>	<u>260,890,218</u>
Unearned income								<u>(97,335,170)</u>
Gross financing and advances <sup>^^</sup>								163,555,048
Allowances for impaired financing and advances:								
- individual allowances								(661,180)
- collective allowances								(821,183)
Net financing and advances								<u>162,072,685</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").

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**A13. Financing and advances (cont'd.)**

(ii) Financing and advances analysed by type of customers are as follows:

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Domestic non-banking financial institutions	4,615,578	4,979,718
Domestic business enterprises		
- Small and medium enterprises	32,845,259	31,278,143
- Others	17,027,971	14,894,917
Government and statutory bodies	14,353,209	14,501,853
Individuals	100,456,155	96,184,530
Other domestic entities	24,614	25,455
Foreign entities in Malaysia	1,776,274	1,690,432
Gross financing and advances	<u>171,099,060</u>	<u>163,555,048</u>

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Fixed rate		
- House financing	1,275,075	1,197,274
- Hire purchase receivables	32,698,593	32,249,261
- Other financing	27,488,399	27,144,518
Floating rate		
- House financing	37,918,893	35,279,803
- Other financing	71,718,100	67,684,192
Gross financing and advances	<u>171,099,060</u>	<u>163,555,048</u>

(iv) Financing and advances analysed by their economic purposes are as follows:

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Purchase of securities	21,630,930	20,351,945
Purchase of transport vehicles	32,629,792	32,223,683
Purchase of landed properties		
- residential	38,268,725	35,968,890
- non-residential	11,548,847	11,223,437
Purchase of fixed assets (excluding landed properties)	42,136	40,451
Personal use	3,745,457	3,540,216
Consumer durables	340	330
Construction	2,863,879	3,627,019
Working capital	59,326,983	55,550,728
Credit/charge card	1,041,971	1,028,349
Gross financing and advances	<u>171,099,060</u>	<u>163,555,048</u>

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**A13. Financing and advances (cont'd.)**

(v) The maturity profile of financing and advances is as follows:

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Within one year	<b>34,459,752</b>	33,360,524
One year to three years	<b>6,021,764</b>	6,833,097
Three years to five years	<b>14,553,496</b>	13,228,752
After five years	<b>116,064,048</b>	110,132,675
Gross financing and advances	<b><u>171,099,060</u></b>	<u>163,555,048</u>

(vi) Movements in the impaired financing and advances are as follows:

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
At 1 January 2018/2017		
- as previously stated	<b>1,710,533</b>	1,489,286
- effect of adopting MFRS 9	<b>121,439</b>	-
Gross impaired financing and advances at 1 January, as restated	<b><u>1,831,972</u></b>	<u>1,489,286</u>
Impaired during the financial year	<b>983,204</b>	1,289,639
Reclassified as non-impaired	<b>(69,237)</b>	(531,863)
Amount recovered	<b>(352,628)</b>	(396,623)
Amount written off	<b>(84,440)</b>	(139,906)
Gross impaired financing and advances at 30 June 2018/ 31 December 2017	<b>2,308,871</b>	1,710,533
Less: Stage 3 - Lifetime ECL credit impaired	<b>(1,298,922)</b>	-
Less: Individual allowance	<b>-</b>	(661,180)
Net impaired financing and advances at 30 June 2018/ 31 December 2017	<b><u>1,009,949</u></b>	<u>1,049,353</u>

Calculation of ratio of net impaired financing and advances:

Gross impaired financing and advances at 30 June 2018/ 31 December 2017 (excluding financing funded by RPSIA and IA)*	<b>2,252,920</b>	1,644,569
Less: Stage 3 - Lifetime ECL credit impaired	<b>(1,298,922)</b>	-
Less: Individual allowance	<b>-</b>	(661,180)
Net impaired financing and advances	<b><u>953,998</u></b>	<u>983,389</u>

Gross financing and advances (excluding financing funded by RPSIA and IA)	<b>135,504,078</b>	122,304,503
Less: Stage 3 - Lifetime ECL credit impaired	<b>(1,298,922)</b>	-
Less: Individual allowance	<b>-</b>	(661,180)
Net financing and advances	<b><u>134,205,156</u></b>	<u>121,643,323</u>

Net impaired financing and advances as a percentage of net financing and advances	<b><u>0.71%</u></b>	<u>0.81%</u>
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**A13. Financing and advances (cont'd.)**

(vii) Impaired financing and advances analysed by their economic purpose are as follows:

	30 June 2018 RM'000	31 December 2017 RM'000
Purchase of securities	6,927	10,490
Purchase of transport vehicles	206,010	149,452
Purchase of landed properties		
- residential	238,172	158,635
- non-residential	137,077	91,046
Personal use	34,146	20,548
Credit/charge cards	12,390	10,718
Consumer durables	9	8
Construction	319,794	349,422
Working capital	1,354,346	920,214
Gross impaired financing and advances	<u>2,308,871</u>	<u>1,710,533</u>

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

**At amortised cost**

	Stage 1	Stage 2	Stage 3	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
<b>At 30 June 2018</b>	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				
- effect of adopting MFRS 9	336,485	1,012,940	1,041,209	2,390,634
At 1 January 2018, as restated	336,485	1,012,940	1,041,209	2,390,634
Transferred to Stage 1	150,528	(140,866)	(9,662)	-
Transferred to Stage 2	(25,740)	44,194	(18,454)	-
Transferred to Stage 3	(2,455)	(75,437)	77,892	-
Allowance made / (writeback)*	904	(31,311)	(68,900)	(99,307)
New financial assets originated or purchased	119,007	68,862	127,652	315,521
Financial assets derecognised	(35,949)	(67,191)	(34,954)	(138,094)
Changes due to change in credit risk	(119,939)	185,190	211,346	276,597
Modifications to contractual cash flows of financial asset	(120)	(3,739)	50,590	46,731
Amount written-off/realised	-	-	(84,440)	(84,440)
Changes in models	6,353	131	-	6,484
Changes in risk parameters	(30,136)	23,571	-	(6,565)
Other movements	12,303	5,806	6,643	24,752
Exchange differences	(1,430)	-	-	(1,430)
At 30 June 2018	<u>409,811</u>	<u>1,022,150</u>	<u>1,298,922</u>	<u>2,730,883</u>



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**A13. Financing and advances (cont'd.)**

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

**At fair value through other comprehensive income**

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
<b>At 30 June 2018</b>				
At 1 January 2018				
- effect of adopting MFRS 9	<b>522</b>			<b>522</b>
At 1 January 2018, as restated	<b>522</b>	-	-	<b>522</b>
New financial assets originated or purchased	<b>829</b>	<b>6,675</b>	-	<b>7,504</b>
Financial assets derecognised	<b>(522)</b>	-	-	<b>(522)</b>
At 30 June 2018	<b>829</b>	<b>6,675</b>	-	<b>7,504</b>

	30 June 2018 RM'000	31 December 2017 RM'000
<u>Individual Allowance</u>		
At 1 January 2018/2017		
- as previously stated	<b>661,180</b>	617,350
- effect of adopting MFRS 9	<b>(661,180)</b>	-
At 1 January 2018/2017, as restated	-	617,350
Allowance made*	-	149,083
Amount written back	-	(75,632)
Transferred to collective allowance	-	(5,191)
Amount written-off	-	(24,430)
At 30 June 2018/31 December 2017	-	<b>661,180</b>

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**A13. Financing and advances (cont'd.)**

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

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<u>Collective Allowance</u>		
At 1 January 2018/2017		
- as previously stated	<b>821,183</b>	752,826
- effect of adopting MFRS 9	<b>(821,183)</b>	-
At 1 January 2018/2017, as restated	-	752,826
Net allowance made*	-	178,642
Transferred from individual allowance	-	5,191
Amount written off	-	(115,476)
At 30 June 2018/31 December 2017	-	821,183
As a percentage of gross financing and advances (excluding financing funded by RPSIA and IA) less individual allowance (including Regulatory Reserve)		
		1.20%

\* As at 30 June 2018, the gross exposure of the financing funded by RPSIA is RM16,418.8 million (31 December 2017: RM16,695.1 million). The expected credit loss relating to these financing amounting to RM242.4 million (31 December 2017: the individual allowance and collective allowance amounting to RM168.3 million and RM41.5 million respectively) is accounted for by the holding company.

The gross exposure of the financing funded by IA as at 30 June 2018 was RM19,176.2 million (31 December 2017: RM24,555.4 million). No expected credit loss 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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**A14. 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 2018			31 December 2017		
	Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Notional 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	4,681,433	61,241	(71,456)	3,978,004	8,805	(223,594)
- One year to three years	458,933	16,639	(18,173)	623,903	8,534	(18,294)
Currency swaps:						
- Less than one year	6,099,550	102,808	(39,075)	5,451,419	229,285	(152,482)
Currency spot:						
- Less than one year	1,150,269	2,351	(3,332)	270,312	10	(872)
Cross currency profit rate swaps:						
- One year to three years	631,560	26,881	(26,224)	632,421	33,862	(33,039)
- More than three years	2,010,827	88,081	(88,081)	2,013,315	65,553	(65,553)
<u>Profit rate related contracts</u>						
Profit rate options:						
- One year to three years	100,000	269	(269)	-	-	-
- More than three years	1,490,000	5,295	(16,332)	1,490,000	5,463	(16,789)
Profit rate swaps:						
- One year to three years	850,000	1,072	(1,026)	850,000	1,849	(1,789)
- More than three years	3,194,526	26,690	(19,800)	2,900,620	18,451	(10,341)
	<b>20,667,098</b>	<b>331,327</b>	<b>(283,768)</b>	<b>18,209,994</b>	<b>371,812</b>	<b>(522,753)</b>
<b>Hedging derivatives</b>						
<u>Foreign exchange related contracts</u>						
Cross currency profit rate swaps						
- Less than one year	1,667,784	92,214	(98,564)	170,607	-	(11,620)
- One year to three years	-	-	-	1,514,854	114,921	(114,921)
<u>Profit rate related contracts</u>						
Profit rate swaps						
- Less than one year	605,924	2,410	(2,258)	-	-	-
- One year to three years	-	-	-	607,500	1,256	(1,026)
	<b>2,273,708</b>	<b>94,624</b>	<b>(100,822)</b>	<b>2,292,961</b>	<b>116,177</b>	<b>(127,567)</b>
<b>Total derivative assets/(liabilities)</b>	<b>22,940,806</b>	<b>425,951</b>	<b>(384,590)</b>	<b>20,502,955</b>	<b>487,989</b>	<b>(650,320)</b>

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**A15. Other assets**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Amount due from holding company	4,541,460	6,224,345
Handling fees	170,522	171,802
Prepayments and deposits	278,520	269,701
Others debtors	42,883	25,134
	<b>5,033,385</b>	<b>6,690,982</b>

**A16. Deposits from customers**

(i) By type of deposits

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Savings deposits</b>		
Qard	15,898,883	14,629,050
<b>Demand deposits</b>		
Qard	17,636,134	18,641,198
<b>Term deposits</b>		
Murabahah	106,465,117	94,301,452
Qard	2,063,397	2,325,740
	<b>142,063,531</b>	<b>129,897,440</b>

(ii) By type of customers

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Business enterprises	58,162,999	53,763,542
Individuals	42,542,674	41,154,362
Government and statutory bodies	23,787,642	19,292,571
Others	17,570,216	15,686,965
	<b>142,063,531</b>	<b>129,897,440</b>

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**A17. Investment accounts of customers**

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

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Business enterprises	8,894,375	9,841,269
Individuals	9,211,741	13,255,076
Government and statutory bodies	191,240	218,371
Others	878,846	1,240,729
	<b>19,176,202</b>	<b>24,555,445</b>

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

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Unrestricted investment accounts</b>		
<u>Mudharabah</u>		
- without maturity	10,140,066	9,948,920
- with maturity		
Due within six months	8,143,107	12,053,210
Six months to one year	875,069	2,532,512
One year to three years	2,592	2,563
Three years to five years	15,368	18,240
	<b>9,036,136</b>	<b>14,606,525</b>
<b>Total investment accounts of customers</b>	<b>19,176,202</b>	<b>24,555,445</b>

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

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Unrestricted Investment</b>		
Retail financing	17,375,400	24,554,642
Non-retail financing	1,800,802	803
<b>Total investment</b>	<b>19,176,202</b>	<b>24,555,445</b>

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

	<b>30 June 2018</b>		<b>31 December 2017</b>	
	<b>Investment account holder ("IAH")</b>			
	<b>Average profit sharing ratio (%)</b>	<b>Average rate of return (%)</b>	<b>Average profit sharing ratio (%)</b>	<b>Average rate of return (%)</b>
Investment accounts of customers	<b>58%</b>	<b>2.97%</b>	<b>60%</b>	<b>3.07%</b>

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

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**A18. Deposits and placements of banks and other financial institutions**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<u>Mudharabah Fund</u>		
Licensed banks*	<b>17,889,256</b>	18,068,219
	<b>17,889,256</b>	18,068,219
<u>Non-Mudharabah Fund</u>		
Licensed banks	<b>6,417,405</b>	5,261,204
Licensed islamic banks	<b>300,053</b>	1,873,521
Licensed investment banks	<b>50,009</b>	199,034
Other financial institutions	<b>1,816,301</b>	2,836,163
	<b>8,583,768</b>	10,169,922
	<b>26,473,024</b>	28,238,141

\* Included in the Mudharabah deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the holding company amounting to RM17,746.2 million (31 December 2017: RM18,068.2 million). These placements are used to fund certain specific financing and advances.

**A19. Financial liabilities at fair value through profit or loss**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Structured deposits	<b>993,239</b>	892,695

The carrying amount of structured deposits designated at fair value through profit or loss of the Bank as at 30 June 2018 was RM998,982,000 (31 December 2017: RM898,182,000). The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

**A20. Other liabilities**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Sundry creditors	<b>75,893</b>	100,133
Deposit on trade financing	<b>19,460</b>	10,715
Provisions and accruals	<b>10,403</b>	18,033
Margin account with holding company	<b>204,080</b>	164,420
Allowances for impairment losses on financing commitments and financial guarantee contracts	<b>26,282</b>	-
Others	-	17,092
	<b>336,118</b>	310,393

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**A20. Other liabilities (cont'd.)**

- (i) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
<b>At 30 June 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018				
- effect of adopting MFRS 9	14,888	7,550	2,222	24,660
At 1 January 2018, as restated	14,888	7,550	2,222	24,660
Transferred to Stage 1	274	(274)	-	-
Transferred to Stage 2	(62)	169	(107)	-
Transferred to Stage 3	-	(40)	40	-
Allowance made / (writeback)	3,267	748	(800)	3,215
New financial assets originated or purchased	1,231	1,232	99	2,562
Financial assets derecognised	(1,673)	(1,954)	(404)	(4,031)
Changes due to change in credit risk	(212)	(69)	155	(126)
Changes in models	2	-	-	2
At 30 June 2018	<u>17,715</u>	<u>7,362</u>	<u>1,205</u>	<u>26,282</u>

**A21. Sources and uses of charity funds**

	30 June 2018 RM'000	31 December 2017 RM'000
<b>Sources of charity funds</b>		
Shariah non-compliant/prohibited income	28	1
<b>Total sources of charity funds during the period/year</b>	<u>28</u>	<u>1</u>
<b>Uses of charity funds</b>		
Contribution to non-profit organisation	28	1
<b>Total uses of charity funds during the period/year</b>	<u>28</u>	<u>1</u>
<b>Undistributed charity funds as at 30 June 2018/ 31 December 2017</b>	<u>-</u>	<u>-</u>

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**A22. Term Funding**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Unsecured term funding:		
(a) Commercial Paper		
- Less than one year	<b>1,724,137</b>	2,459,845
(b) Medium Term Notes		
- Less than one year	<b>491,907</b>	482,370
- More than one year	<b>2,002,992</b>	2,003,222
	<b>2,494,899</b>	2,485,592
 Total term funding	<b>4,219,036</b>	4,945,437

**A23. Subordinated Sukuk**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Subordinated Sukuk		
RM1,500 million Tier 2 Islamic Subordinated Sukuk due in 2024	<b>1,516,202</b>	1,516,397
RM1,000 million Tier 2 Islamic Subordinated Sukuk due in 2026	<b>1,017,326</b>	1,017,708
	<b>2,533,528</b>	2,534,105

**A24. Capital Securities**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Capital Securities		
RM1,000.0 million 4.95% Additional Tier 1 Sukuk Wakalah	<b>1,002,305</b>	1,002,441



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**A25. Income derived from investment of depositors' funds**

	Second Quarter Ended		Cumulative 6 Months	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of:				
i) General investment deposits	1,688,766	1,262,255	3,272,962	2,378,552
ii) Other deposits	529,261	443,695	1,011,336	926,319
	<b>2,218,027</b>	<b>1,705,950</b>	<b>4,284,298</b>	<b>3,304,871</b>

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

	Second Quarter Ended		Cumulative 6 Months	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Financing and advances	1,340,432	1,038,569	2,607,570	1,956,712
Money at call and deposit with financial institutions	98,343	77,536	223,059	148,564
Financial investments at fair value through other comprehensive income	80,276	-	148,105	-
Financial investments at amortised cost	33,068	-	59,410	-
Financial investments available-for-sale	-	52,357	-	92,544
Financial investments held-to-maturity	-	15,527	-	19,623
Financial investments at fair value through profit or loss	711	1,801	2,648	3,355
	<b>1,552,830</b>	<b>1,185,790</b>	<b>3,040,792</b>	<b>2,220,798</b>
Accretion of discounts less amortisation of premium	15,775	13,623	27,993	32,519
Total finance income and hibah	<b>1,568,605</b>	<b>1,199,413</b>	<b>3,068,785</b>	<b>2,253,317</b>
Other operating income :				
Fee income				
- Processing fees	10,089	5,481	14,409	11,840
- Commissions	25,052	26,501	49,851	46,971
- Service charges and other fees	32,281	28,083	64,614	54,751
Gains on sale of financial investments at fair value through other comprehensive income	32	-	1,977	-
Gains on sale of financial investments available-for-sale	-	1,065	-	1,660
Gains/(losses) on sale of financial investments at fair value through profit or loss	-	316	(255)	310
Unrealised gains/(losses) on revaluation of:				
- Financial investments at fair value through profit or loss	18	(457)	48	(473)
- Financial liabilities at fair value through profit or loss	(853)	(9,827)	188	(9,659)
- Derivatives	7,771	9,275	8,962	10,066
Gains/(losses) on foreign exchange:				
- Realised	30,684	(14,444)	(89,073)	(8,035)
- Unrealised	11,595	12,839	147,483	11,717
Realised gain on derivatives	3,492	4,010	5,973	6,087
	<b>1,688,766</b>	<b>1,262,255</b>	<b>3,272,962</b>	<b>2,378,552</b>

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**A25. Income derived from investment of depositors' funds (cont'd.)**

**i) Income derived from investment of general investment deposits (cont'd.)**

Included in finance income were income on impaired assets amounting to RM23.3 million (30 June 2017: RM14.1 million).

**ii) Income derived from investment of other deposits**

	Second Quarter Ended		Cumulative 6 Months	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Financing and advances	420,139	365,081	805,732	762,034
Money at call and deposit with financial institutions	30,974	27,150	68,925	57,858
Financial investments at fair value through other comprehensive income	25,123	-	45,764	-
Financial investments at amortised cost	10,341	-	18,357	-
Financial investments available-for-sale	-	18,666	-	36,041
Financial investments held-to-maturity	-	5,871	-	7,642
Financial investments at fair value through profit or loss	229	635	818	1,307
	<b>486,806</b>	417,403	<b>939,596</b>	864,882
Accretion of discounts less amortisation of premium	4,932	4,495	8,650	12,664
Total finance income and hibah	<b>491,738</b>	421,898	<b>948,246</b>	877,546
Other operating income :				
Fee income				
- Processing fees	3,137	1,862	4,452	4,611
- Commissions	7,858	9,443	15,404	18,293
- Service charges and other fees	10,126	9,793	19,965	21,323
Gains on sale of financial investments at fair value through other comprehensive income	19	-	611	-
Gains on sale of financial investments available-for-sale	-	389	-	646
(Losses)/gains on sale of financial investments at fair value through profit or loss	(1)	123	(79)	121
Unrealised gains/(losses) on revaluation of:				
- Financial investments at fair value through profit or loss	6	(177)	15	(184)
- Financial liabilities at fair value through profit or loss	(259)	(3,835)	58	(3,762)
- Derivatives	2,406	3,578	2,769	3,920
Gains/(losses) on foreign exchange:				
- Realised	8,919	(5,900)	(27,523)	(3,129)
- Unrealised	4,221	5,048	45,572	4,563
Realised gain on derivatives	1,091	1,473	1,846	2,371
	<b>529,261</b>	443,695	<b>1,011,336</b>	926,319

Included in finance income were income on impaired assets amounting to RM7.2 million (30 June 2017: RM5.5 million).

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**A26. Income derived from investment of investment account funds**

	Second Quarter Ended		Cumulative 6 Months	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Financing and advances	270,900	390,744	576,129	802,059
Total finance income and hibah	<u>270,900</u>	<u>390,744</u>	<u>576,129</u>	<u>802,059</u>
Other operating income :				
Fee income				
- Commissions	190	281	870	535
- Service charges and other fees	3,528	3,826	9,039	4,618
	<u>274,618</u>	<u>394,851</u>	<u>586,038</u>	<u>807,212</u>

**A27. Income derived from investment of shareholder's funds**

	Second Quarter Ended		Cumulative 6 Months	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Financing and advances	91,895	64,570	155,115	131,708
Money at call and deposit with financial institutions	7,047	4,806	13,269	10,000
Financial investments at fair value through other comprehensive income	5,426	-	8,810	-
Financial investments at amortised cost	2,220	-	3,534	-
Financial investments available-for-sale	-	3,290	-	6,229
Financial investments held-to-maturity	-	1,021	-	1,321
Financial investments at fair value through profit or loss	61	112	158	226
	<u>106,649</u>	<u>73,799</u>	<u>180,886</u>	<u>149,484</u>
Accretion of discounts less amortisation of premium	1,055	807	1,665	2,189
Total finance income and hibah	<u>107,704</u>	<u>74,606</u>	<u>182,551</u>	<u>151,673</u>
Other operating income :				
Fee income				
- Processing fees	641	332	857	797
- Commissions	1,728	1,665	2,965	3,162
- Service charges and other fees	2,231	1,735	3,844	3,685
Gains on sale of financial investments at fair value through other comprehensive income	21	-	118	-
Gains on sale of financial investments available-for-sale	-	69	-	112
(Losses)/gains on sale of financial investments at fair value through profit or loss	(2)	21	(15)	21
Unrealised gains/(losses) on revaluation of:				
- Financial investments at fair value through profit or loss	1	(31)	3	(32)
- Financial liabilities at fair value through profit or loss	(41)	(662)	11	(650)
- Derivatives	474	620	533	678
Gain/(losses) on foreign exchange:				
- Realised	676	(1,010)	(5,299)	(541)
- Unrealised	1,993	871	8,773	789
Realised gain on derivatives	231	258	355	410
	<u>115,657</u>	<u>78,474</u>	<u>194,696</u>	<u>160,104</u>

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**A27. Income derived from investment of shareholder's funds (cont'd.)**

Included in finance income were income on impaired assets amounting to RM1.3 million (30 June 2017: RM1.0 million).

**A28. Allowances for impairment losses on financing and advances, net**

	Second Quarter Ended		Cumulative 6 Months	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Allowances for/(writeback of) impairment losses on financing and advances:				
- Stage 1 - 12 months ECL, net	(94,821)	-	(44,655)	-
- Stage 2 - Lifetime ECL not credit impaired, net	182,703	-	187,951	-
- Stage 3 - Lifetime ECL credit impaired, net	(3,919)	-	291,427	-
- collective allowance made	-	80,678	-	146,922
- individual allowance made	-	75,272	-	111,823
- individual allowance written back	-	(25,876)	-	(60,275)
Impaired financing and advances written off	3,195	1,807	5,666	3,550
Impaired financing and advances recovered	(9,243)	(7,736)	(14,227)	(24,393)
Allowances for/(writeback of) impairment losses on other debts	(16)	125	277	64
	<u>77,899</u>	<u>124,270</u>	<u>426,439</u>	<u>177,691</u>

**A29. Allowances for/(writeback of) impairment losses on financial investments, net**

	Second Quarter Ended		Cumulative 6 Months	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through other comprehensive income				
- Stage 1 - 12 months ECL, net	(509)	-	398	-
- Stage 2 - Lifetime ECL not credit impaired, net	(157)	-	(120)	-
	<u>(666)</u>	<u>-</u>	<u>278</u>	<u>-</u>
Financial assets at amortised cost				
- Stage 1 - 12 months ECL, net	(871)	-	(5,999)	-
- Stage 2 - Lifetime ECL not credit impaired, net	60	-	(621)	-
	<u>(811)</u>	<u>-</u>	<u>(6,620)</u>	<u>-</u>
Net	<u>(1,477)</u>	<u>-</u>	<u>(6,342)</u>	<u>-</u>

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**A30. Allowances for/(writeback of) impairment losses on other financial assets, net**

	Second Quarter Ended		Cumulative 6 Months	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements with banks and other financial institutions				
- Stage 1 - 12 months ECL, net	5	-	(166)	-
	<u>5</u>	<u>-</u>	<u>(166)</u>	<u>-</u>

**A31. Profit distributed to depositors**

	Second Quarter Ended		Cumulative 6 Months	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Non-Mudharabah fund	1,073,110	698,151	1,983,722	1,350,805
	<u>1,073,110</u>	<u>698,151</u>	<u>1,983,722</u>	<u>1,350,805</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	179,959	157,414	358,519	305,659
- Non-Mudharabah fund	37,578	75,003	84,774	153,672
	<u>217,537</u>	<u>232,417</u>	<u>443,293</u>	<u>459,331</u>
Financial liabilities at fair value through profit or loss				
- Non-Mudharabah fund	12,570	23,034	21,615	23,034
	<u>12,570</u>	<u>23,034</u>	<u>21,615</u>	<u>23,034</u>
	<u>1,303,217</u>	<u>953,602</u>	<u>2,448,630</u>	<u>1,833,170</u>

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**A32. Overhead expenses**

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Personnel expenses	<b>9,855</b>	10,030	<b>19,816</b>	20,270
- Salaries, allowances and bonuses	<b>7,710</b>	7,232	<b>14,930</b>	14,449
- Pension costs - defined contribution plan	<b>1,207</b>	1,111	<b>2,365</b>	2,223
- Shares/Options granted under Employee's Shares Scheme	<b>-</b>	144	<b>-</b>	254
- Other staff related expenses	<b>938</b>	1,543	<b>2,521</b>	3,344
Establishment costs	<b>1,089</b>	1,083	<b>1,563</b>	2,237
- Rental of premises	<b>429</b>	572	<b>857</b>	1,001
- Repairs, servicing and maintenance	<b>4</b>	6	<b>38</b>	9
- Information technology expenses	<b>656</b>	505	<b>668</b>	1,227
Marketing costs	<b>3,136</b>	3,157	<b>5,401</b>	5,225
- Advertisement and publicity	<b>697</b>	959	<b>809</b>	1,193
- Others	<b>2,439</b>	2,198	<b>4,592</b>	4,032
Administration and general expenses	<b>339,466</b>	324,287	<b>682,176</b>	651,808
- Fees and brokerage	<b>20,848</b>	21,044	<b>35,176</b>	35,886
- Administrative expenses	<b>245</b>	356	<b>550</b>	704
- General expenses	<b>13,999</b>	19,602	<b>32,765</b>	38,992
- Shared service cost paid/payable to Maybank	<b>304,374</b>	283,285	<b>613,685</b>	576,226
<b>Total</b>	<b>353,546</b>	338,557	<b>708,956</b>	679,540

**A33. Finance cost**

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Subordinated sukuk	<b>41,698</b>	29,357	<b>82,938</b>	58,391
Term funding	<b>46,481</b>	268	<b>95,314</b>	412
	<b>88,179</b>	29,625	<b>178,252</b>	58,803

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**A34. Taxation and zakat**

The analysis of the taxation and zakat expense for the financial period ended 30 June 2018 are as follows:

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Malaysian income tax	172,746	111,327	336,114	231,606
Foreign income tax	19	-	19	-
	<b>172,765</b>	111,327	<b>336,133</b>	231,606
Deferred tax				
- Relating to origination and reversal of temporary differences	<b>(19,588)</b>	(840)	<b>(101,813)</b>	(862)
Tax expense for the financial period	<b>153,177</b>	110,487	<b>234,320</b>	230,744
Zakat	<b>(676)</b>	3,264	<b>4,310</b>	6,212
	<b>152,501</b>	113,751	<b>238,630</b>	236,956

**A35. Credit exposure arising from credit transactions with connected parties**

	30 June 2018	31 December 2017
Outstanding credit exposure with connected parties (RM'000)	<b>3,201,409</b>	3,753,533
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b>1.76%</b>	2.20%
Percentage of outstanding credit exposures to connected parties which is impaired* or in default	-	-

The credit exposures above are based on requirement of Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

*\*Impaired refers to non-performing as stated in Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.*

**A36. 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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**A37. Commitments and contingencies**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their 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 2018			As at 31 December 2017		
	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>Contingent liabilities</u></b>						
Direct credit substitutes	1,372,922	1,308,723	1,129,568	1,483,863	1,438,157	1,292,069
Certain transaction-related contingent items	3,213,853	1,577,729	1,232,094	3,485,433	1,717,826	1,278,929
Short-term self-liquidating trade-related contingencies	204,829	40,002	27,898	188,659	36,697	28,596
	<b>4,791,604</b>	<b>2,926,454</b>	<b>2,389,560</b>	<b>5,157,955</b>	<b>3,192,680</b>	<b>2,599,594</b>
<b><u>Commitments</u></b>						
Irrevocable commitments to extend credit:						
- maturity within one year	20,354,346	4,025,815	2,456,548	19,981,036	4,218,895	2,330,534
- maturity exceeding one year	8,020,778	3,217,805	1,363,179	7,694,750	2,676,066	1,093,008
	<b>28,375,124</b>	<b>7,243,620</b>	<b>3,819,727</b>	<b>27,675,786</b>	<b>6,894,961</b>	<b>3,423,542</b>
Miscellaneous commitments and contingencies	59,410	-	-	126,710	-	-
Total credit-related commitments and contingencies	<b>33,226,138</b>	<b>10,170,074</b>	<b>6,209,287</b>	<b>32,960,451</b>	<b>10,087,641</b>	<b>6,023,136</b>



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**A37. Commitments and contingencies (cont'd.)**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. (cont'd.)

The risk-weighted exposures of the Bank as at dates are as follows (cont'd.):

**Derivative financial instruments**

Foreign exchange related contracts:

- less than one year	<b>13,599,036</b>	<b>398,323</b>	<b>94,865</b>	9,870,342	407,037	83,392
- one year to less than five years	<b>3,101,319</b>	<b>207,521</b>	<b>114,201</b>	4,784,493	182,470	103,359

Profit rate related contracts:

- less than one year	<b>605,925</b>	<b>143,602</b>	<b>25,257</b>			
- one year to less than five years	<b>3,010,790</b>	<b>429,810</b>	<b>203,026</b>	3,808,120	683,383	284,177
- more than five years	<b>2,623,736</b>	<b>64,713</b>	<b>57,322</b>	2,040,000	72,276	41,970

Total treasury-related commitments and contingencies	<b>22,940,806</b>	<b>1,243,969</b>	<b>494,671</b>	20,502,955	1,345,166	512,898
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Total commitments and contingencies	<b>56,166,944</b>	<b>11,414,043</b>	<b>6,703,958</b>	53,463,406	11,432,807	6,536,034
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\* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights respectively as specified by Bank Negara Malaysia for regulatory capital adequacy purposes.

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**A38. Capital Adequacy**

**(a) Capital Adequacy Framework**

- (i) Bank Negara Malaysia ("BNM") had on 2 February 2018 issued the Capital Adequacy Framework for Islamic Banks (Capital Components) on the computation of capital and capital adequacy ratios for Islamic banks. 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 Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued by BNM on 2 February 2018 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 ratio 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) both issued on 2 February 2018. 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.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ending 31 December 2018 (2017: 4.5%, 6.0% and 8.0% of total RWA).

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

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Capital ratios</b>		
CET1 capital ratio	<b>13.194%</b>	14.500%
Tier 1 capital ratio	<b>14.721%</b>	16.150%
Total capital ratio	<b>19.047%</b>	20.782%

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**A38. Capital Adequacy (cont'd.)**

**(d) Components of Tier 1 and Tier 2 capital:**

	<b>30 June 2018 RM '000</b>	<b>31 December 2017 RM'000</b>
<b>CET1 capital</b>		
Share capital	6,455,967	5,481,783
Retained profits	2,632,880	3,351,547
Other reserves	180,947	478,079
<b>CET1 capital before regulatory adjustments</b>	<b>9,269,794</b>	<b>9,311,409</b>
Less: Regulatory adjustment applied in CET1 capital	(631,936)	(521,603)
Deferred tax assets	(362,487)	(12,903)
Gain of financial instruments classified as 'fair value through other comprehensive income'	(501)	-
Regulatory reserve	(268,948)	(508,700)
<b>Total CET1 Capital</b>	<b>8,637,858</b>	<b>8,789,806</b>
<b>Additional Tier 1 Capital</b>		
Capital securities	1,000,000	1,000,000
<b>Total Tier 1 capital</b>	<b>9,637,858</b>	<b>9,789,806</b>
<b>Tier 2 capital</b>		
Subordinated Sukuk	2,500,000	2,500,000
General provision <sup>1</sup>	23,523	-
Collective allowance <sup>2</sup>	-	20,923
Surplus of eligible provision over expected loss	308,638	287,154
<b>Total Tier 2 capital</b>	<b>2,832,161</b>	<b>2,808,077</b>
<b>Total Capital</b>	<b>12,470,019</b>	<b>12,597,883</b>

<sup>1</sup> Refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

<sup>2</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:**

	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Standardised Approach exposure	8,903,323	8,796,181
Internal Ratings-Based Approach exposure after scaling factor	61,209,285	60,246,868
<b>Total risk-weighted asset for credit risk</b>	<b>70,112,608</b>	<b>69,043,049</b>
Total risk-weighted asset for credit risk absorbed by the holding company and Investment Account Holder (IAH) <sup>^</sup>	(12,534,326)	(15,855,390)
Total risk-weighted asset for market risk	957,465	939,674
Total risk-weighted asset for operational risk	6,933,742	6,490,748
<b>Total risk-weighted assets</b>	<b>65,469,489</b>	<b>60,618,081</b>

<sup>^</sup> In accordance to the BNM Investment Account policy, the credit risk weighted assets funded by investment accounts (Unrestricted Investment Account and Restricted Investment Account) are excluded from the calculation of capital adequacy ratio of the Bank.

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**A39. 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.

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 2018 and 31 December 2017.

	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
<b>At 30 June 2018</b>				
Financial assets measured at fair value:				
<b>Financial investments at fair value through profit and loss</b>	-	60,021	-	60,021
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	60,021	-	60,021
<b>Financial investments at fair value through comprehensive income</b>	-	13,526,011	750	13,526,761
<i>Money market instruments</i>	-	10,360,698	-	10,360,698
<i>Non-money market instruments</i>	-	3,165,313	750	3,166,063
<b>Financing and advances at fair value through comprehensive income</b>	-	-	468,667	468,667

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**A39. 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 2018 and 31 December 2017 (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	
<b>At 30 June 2018 (cont'd.)</b>				
Financial assets measured at fair value (cont'd.):				
<b>Derivative assets</b>	-	425,951	-	425,951
<i>Foreign exchange related contracts</i>	-	390,215	-	390,215
<i>Profit rate related contracts</i>	-	35,736	-	35,736
	-	14,011,983	469,417	14,012,733

Financial liabilities measured at fair value:

<b>Financial liabilities at fair value through profit or loss</b>	-	993,239	-	993,239
<i>Structured deposits</i>	-	993,239	-	993,239
<b>Derivative liabilities</b>	-	384,590	-	384,590
<i>Foreign exchange related contracts</i>	-	344,905	-	344,905
<i>Profit rate related contracts</i>	-	39,685	-	39,685
	-	1,377,829	-	1,377,829

	<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 31 December 2017</b>				

Financial assets measured at fair value:

<b>Financial investments at fair value through profit and loss</b>	-	240,571	-	240,571
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	240,571	-	240,571
<b>Financial investments available-for-sale</b>	-	9,881,254	750	9,882,004
<i>Money market instruments</i>	-	7,850,914	-	7,850,914
<i>Non-money market instruments</i>	-	2,030,340	750	2,031,090
<b>Derivative assets</b>	-	487,989	-	487,989
<i>Foreign exchange related contracts</i>	-	460,970	-	460,970
<i>Profit rate related contracts</i>	-	27,019	-	27,019
	-	10,609,814	750	10,610,564

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**A39. 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 2018 and 31 December 2017 (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	
<b>At 31 December 2017 (cont'd.)</b>				
Financial liabilities measured at fair value:				
<b>Financial liabilities at fair value through profit or loss</b>	-	892,695	-	892,695
<i>Structured deposits</i>	-	892,695	-	892,695
<b>Derivative liabilities</b>	-	650,320	-	650,320
<i>Foreign exchange related contracts</i>	-	620,375	-	620,375
<i>Profit rate related contracts</i>	-	29,945	-	29,945
	-	1,543,015	-	1,543,015

**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 investments at fair value through comprehensive income, financial investments held-for-trading and financial investments available for sale.*

The fair values of these financial assets/financial investments are determined by reference to prices quoted by independent data providers and independent brokers. Fair values for unquoted equity securities held for socio economic reasons (classified as Level 3) are determined based on the net tangible assets of the companies.

*Financing and advances at fair value through other comprehensive income*

The fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles.

*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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**A39. Fair value of financial instruments (cont'd.)**

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

	At 1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Restated as at 1 January 2018 RM'000	Unrealised gains recognised in other comprehensive income RM'000	Purchases/ Issuances/ Additions RM'000	Settlements RM'000	At 30 June 2018 RM'000
<b>At 30 June 2018</b>							
<b>Financial investments at fair value through comprehensive income</b>							
<i>Non-money market     instruments</i>	750	-	750	-	-	-	750
<b>Financing and advances at fair value through comprehensive income</b>	-	215,256	215,256	659	468,008	(215,256)	468,667
<b>Total Level 3 financial assets</b>	<u>750</u>	<u>215,256</u>	<u>216,006</u>	<u>659</u>	<u>468,008</u>	<u>(215,256)</u>	<u>469,417</u>
<b>Total net Level 3 financial assets/(liabilities)</b>	<u>750</u>	<u>215,256</u>	<u>216,006</u>	<u>659</u>	<u>468,008</u>	<u>(215,256)</u>	<u>469,417</u>

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**A39. 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 2017 RM'000	Unrealised gains recognised in other comprehensive income RM'000	Purchases/ Issuances/ Additions RM'000	Settlements RM'000	At 31 December 2017 RM'000
<b>At 31 December 2017</b>					
<b>Financial investments available-for-sale</b>					
<i>Non-money market instruments</i>	750	-	-	-	750
<b>Total Level 3 financial assets</b>	750	-	-	-	750
<b>Total net Level 3 financial assets/(liabilities)</b>	750	-	-	-	750

\* 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 June 2018.

**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 June 2018.



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**A40. Financial Effects arising from Adoption of MFRS 9 Financial Instruments**

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Bank.

**Statement of Financial Position**

	31 December 2017 RM'000	Reclassification and remeasurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
<b>ASSETS</b>				
Cash and short-term funds	17,134,359	-	(173)	17,134,186
Deposits and placements with banks and other financial institutions	-	-	-	-
Financial investments at fair value through profit or loss	240,571	-	-	240,571
Financial investments at fair value through other comprehensive income	-	9,882,004	-	9,882,004
Financial investments at amortised cost	-	2,731,560	(22,157)	2,709,403
Financial investments available-for-sale	9,882,004	(9,882,004)	-	-
Financial investments held-to-maturity	2,731,560	(2,731,560)	-	-
Financing and advances	162,072,685	(603)	(908,080)	161,164,002
Derivative assets	487,989	-	-	487,989
Other assets	6,690,982	-	-	6,690,982
Statutory deposits with Bank Negara Malaysia	3,242,000	-	-	3,242,000
Deferred tax assets	12,903	145	229,651	242,699
<b>TOTAL ASSETS</b>	<b>202,495,053</b>	<b>(458)</b>	<b>(700,759)</b>	<b>201,793,836</b>
<b>LIABILITIES</b>				
Customers' funding:				
- Deposits from customers	129,897,440	-	-	129,897,440
- Investment accounts of customers	24,555,445	-	-	24,555,445
Deposits and placements of banks and other financial institutions	28,238,141	-	-	28,238,141
Bills and acceptances payable	8,854	-	-	8,854
Financial liabilities at fair value through profit or loss	892,695	-	-	892,695
Derivative liabilities	650,320	-	-	650,320
Other liabilities	310,393	-	24,660	335,053
Provision for taxation and zakat	148,373	-	-	148,373
Term funding	4,945,437	-	-	4,945,437
Subordinated sukuk	2,534,105	-	-	2,534,105
Capital securities	1,002,441	-	-	1,002,441
<b>TOTAL LIABILITIES</b>	<b>193,183,644</b>	<b>-</b>	<b>24,660</b>	<b>193,208,304</b>

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**A40. Financial Effects arising from Adoption of MFRS 9 Financial Instruments (cont'd.)**

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Bank (cont'd.).

**Statement of Financial Position (cont'd.)**

	31 December 2017 RM'000	Reclassification and remeasurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>				
Share capital	5,481,783	-	-	5,481,783
Retained profits	3,351,547	403,333	(727,227)	3,027,653
Regulatory reserve	508,700	(403,333)	-	105,367
Other reserves	(30,621)	(458)	1,808	(29,271)
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>9,311,409</b>	<b>(458)</b>	<b>(725,419)</b>	<b>8,585,532</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>202,495,053</b>	<b>(458)</b>	<b>(700,759)</b>	<b>201,793,836</b>

- (ii) The following table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Bank:

	1 January 2018 RM'000
<b>Regulatory reserve</b>	
Closing balance at 31 December 2017	508,700
- Transfer to retained profits	(403,333)
Opening balance at 1 January 2018	<u>105,367</u>
<b>Reserves</b>	
Closing balance at 31 December 2017	(30,621)
- Recognition of expected credit loss	1,808
- Unrealised loss on Financial Assets at FVOCI	(603)
- Deferred tax in respect of unrealised gain on FVOCI	145
Opening balance at 1 January 2018	<u>(29,271)</u>
<b>Retained profits</b>	
Closing balance at 31 December 2017	3,351,547
Transfer from regulatory reserve	403,333
Recognition of expected credit loss	(957,069)
Interest income on impaired loans	191
Deferred tax in respect of expected credit loss	229,651
Opening balance at 1 January 2018	<u>3,027,653</u>

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**A40. Financial Effects arising from Adoption of MFRS 9 Financial Instruments (cont'd.)**

(iii) The following table analyses the impact of Capital Adequacy Ratios of the Bank

	<b>31 December 2017</b>	<b>Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines</b>	<b>1 January 2018</b>
CET1 Capital (RM'000)	8,789,806	(553,544)	8,236,262
Tier 1 Capital (RM'000)	9,789,806	(553,544)	9,236,262
Total Capital (RM'000)	<u>12,597,883</u>	<u>(553,544)</u>	<u>12,044,339</u>
Risk Weighted Assets (RM'000)	<u>60,618,081</u>	<u>-</u>	<u>60,618,081</u>
CET1 Capital Ratio	14.500%	-0.913%	13.587%
Tier 1 Capital Ratio	16.150%	-0.913%	15.237%
Total Capital Ratio	<u>20.782%</u>	<u>-0.913%</u>	<u>19.869%</u>

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**Part B: Review of Performance & Current Year Prospects**

**B1. Performance Review**

The Bank posted profit before tax and zakat of RM981.6 million for the financial period ended 30 June 2018, a slight decrease of RM32.0 million or 3.2% compared to the previous corresponding period.

The Bank's allowance for impairment on financing and advances increased by RM248.8 million to RM426.4 million due to higher allowances made during the financial period ended 30 June 2018.

Total income grew by RM792.8 million or 19.7% to RM5,065.0 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 RM4,284.3 million, RM586.0 million and RM194.7million respectively.

The Bank's gross financing and advances increased by RM7.5 billion to RM171.1 billion as compared to RM163.6 billion recorded in last financial year. As at 30 June 2018, total customer funding increased by 4.4% contributed by customer deposits which grew by 9.4%, recorded at RM142.1 billion against RM129.9 billion in last financial year. Investment Account decreased by RM5.4 billion to close at RM19.2 billion compared to RM24.6 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, Tier I Capital Ratio and Total Capital Ratio of 13.194%, 14.721% and 19.047% respectively.

**B2. Prospects**

Malaysia's real GDP growth for 2018 is expected to expand by +4.8% (2017: +5.9%) underpinned by improved consumer spending growth. External demand growth will also expand in 2018 but the pace of growth is expected to moderate after the high growth experience in 2017. Reviews of major infrastructure projects may affect investment growth, while the Bank's financing growth is expected to be in-line with industry growth, as it focuses on opportunities within the consumer, retail SME and corporate financing segments.

The Bank will continue to focus on cementing its leadership position by further enhancing its financial profitability, increased global visibility, playing a lead role in innovation and contributing further to the development of the Islamic Finance industry through its Centre of Excellence initiatives for 2018. Moreover, as the digital revolution gathers pace, the Bank intends to capture the opportunities in digital innovation within the realm of Islamic Finance, pioneering ideas that will enhance its social and economic platforms.