

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	Note	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of depositors' funds	A25	2,066,271	1,598,921	2,066,271	1,598,921
Income derived from investment of investment account funds	A26	311,420	412,361	311,420	412,361
Income derived from investment of shareholder's funds	A27	79,039	81,630	79,039	81,630
Allowances for impairment losses on financing and advances, net	A28	(348,540)	(53,421)	(348,540)	(53,421)
Writeback of impairment losses on financial investments, net	A29	4,865	-	4,865	-
Writeback of impairment losses on other financial assets, net	A30	171	-	171	-
Total distributable income		2,113,226	2,039,491	2,113,226	2,039,491
Profit distributed to depositors	A31	(1,145,413)	(879,568)	(1,145,413)	(879,568)
Profit distributed to investment account holders		(183,574)	(262,733)	(183,574)	(262,733)
Total net income		784,239	897,190	784,239	897,190
Overhead expenses	A32	(355,410)	(340,983)	(355,410)	(340,983)
Finance cost	A33	(90,073)	(29,178)	(90,073)	(29,178)
Profit before taxation and zakat		338,756	527,029	338,756	527,029
Taxation	A34	(81,143)	(120,257)	(81,143)	(120,257)
Zakat	A34	(4,986)	(2,948)	(4,986)	(2,948)
Profit for the period		252,627	403,824	252,627	403,824
Profit attributable to :					
Equity holders of the parent		252,627	403,824	252,627	403,824
Earnings per share attributable to equity holder of the Bank - basic/diluted (sen)		89.73	143.43	89.73	143.43

(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
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Profit for the period	252,627	403,824	252,627	403,824
Other comprehensive income/(losses):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net gain on financial assets at fair value through other comprehensive income	12,276	-	12,276	-
Net gain on financial investments available-for-sale	-	16,837	-	16,837
Income tax relating to components of other comprehensive income	(2,946)	(4,035)	(2,946)	(4,035)
Other comprehensive income for the period, net of tax	9,330	12,802	9,330	12,802
Total comprehensive income for the period, net of tax	261,957	416,626	261,957	416,626
Total comprehensive income attributable to :				
Equity holders of the Bank	261,957	416,626	261,957	416,626

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	31 March 2018 RM'000	31 December 2017 RM'000
ASSETS			
Cash and short-term funds		19,787,951	17,134,359
Deposits and placements with banks and other financial institutions	A11	701,065	-
Financial assets at fair value through profit or loss	A12(i)	527,228	240,571
Financial assets at fair value through other comprehensive income	A12(ii)	12,571,331	-
Financial assets at amortised cost	A12(iii)	2,412,395	-
Financial investments available-for-sale	A12(iv)	-	9,882,004
Financial investments held-to-maturity	A12(v)	-	2,731,560
Financing and advances	A13	165,070,921	162,072,685
Derivative assets	A14	551,634	487,989
Other assets	A15	3,910,455	6,690,982
Statutory deposits with Bank Negara Malaysia		4,682,000	3,242,000
Deferred tax assets		321,977	12,903
TOTAL ASSETS		210,536,957	202,495,053
LIABILITIES			
Customers' funding:			
- Deposits from customers	A16	143,306,646	129,897,440
- Investment accounts of customers ¹	A17	21,841,949	24,555,445
Deposits and placements of banks and other financial institutions	A18	25,448,922	28,238,141
Bills and acceptances payable		24,973	8,854
Financial liabilities at fair value through profit or loss	A19	893,930	892,695
Derivative liabilities	A14	613,377	650,320
Other liabilities	A20	837,119	310,393
Provision for taxation and zakat		196,947	148,373
Term funding	A22	4,964,440	4,945,437
Subordinated sukuk	A23	2,539,699	2,534,105
Capital securities	A24	1,014,647	1,002,441
TOTAL LIABILITIES		201,682,649	193,183,644

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

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	31 March 2018 RM'000	31 December 2017 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Share capital		5,481,783	5,481,783
Retained profits		3,197,165	3,351,547
Other reserves		175,360	478,079
TOTAL SHAREHOLDER'S EQUITY		8,854,308	9,311,409
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		210,536,957	202,495,053
COMMITMENTS AND CONTINGENCIES	A35	54,287,549	53,463,406
<u>CAPITAL ADEQUACY</u>	A36		
The capital adequacy ratios of the Bank are as follows:			
CET1 capital ratio		12.821%	14.500%
Tier 1 capital ratio		14.408%	16.150%
Total capital ratio		18.895%	20.782%

(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 CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

<=====Non Distributable=====>

	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	Total equity RM'000
At 1 January 2018						
- as previously stated	5,481,783	1,697	(32,318)	508,700	3,351,547	9,311,409
- effect of adopting MFRS 9	-	-	8,169	(403,333)	(323,894)	(719,058)
At 1 January 2018, as restated	5,481,783	1,697	(24,149)	105,367	3,027,653	8,592,351
Profit for the period	-	-	-	-	252,627	252,627
Other comprehensive income	-	-	9,330	-	-	9,330
Total comprehensive income for the period	-	-	9,330	-	252,627	261,957
Reversal of PER under the previous guideline						-
Transfer to regulatory reserve	-	-	-	83,115	(83,115)	-
Total transactions with shareholder/ other equity movements	-	-	-	83,115	(83,115)	-
At 31 March 2018	5,481,783	1,697	(14,819)	188,482	3,197,165	8,854,308

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	<=====Non Distributable=====>						Distributable retained profits RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Equity contribution from the holding company RM'000	Statutory reserve RM'000	AFS reserve RM'000	Regulatory reserve RM'000		
At 1 January 2017	281,556	5,200,227	1,697	409,672	(55,264)	393,700	2,857,087	9,088,675
Profit for the period	-	-	-	-	-	-	403,824	403,824
Other comprehensive income	-	-	-	-	12,802	-	-	12,802
Total comprehensive income for the period	-	-	-	-	12,802	-	403,824	416,626
Transfer from regulatory reserve	-	-	-	-	-	(24,000)	24,000	-
Transfer to share capital	5,200,227	(5,200,227)	-	-	-	-	-	-
Total transactions with shareholder/ other equity movements	5,200,227	(5,200,227)	-	-	-	(24,000)	24,000	-
At 31 March 2017	5,481,783	-	1,697	409,672	(42,462)	369,700	3,284,911	9,505,301

(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 CASH FLOW STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	31 March 2018 RM'000	31 March 2017 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	338,756	527,029
Adjustments for non-operating and non-cash items:		
Allowances for losses on financing and advances	353,524	70,078
Amortisation of premium less accretion of discount	(16,545)	(28,447)
Unrealised gains on revaluation of derivatives	(1,613)	(1,191)
Unrealised losses/(gains) on revaluation of financial assets at fair value through profit or loss	(41)	24
Unrealised losses on revaluation of financial liabilities at fair value through profit or loss	(1,410)	(253)
Gains on disposal of financial investments available-for-sale	(2,634)	(895)
Gains on disposal of financial assets at fair value through profit or loss	345	8
Gains on foreign exchange translations	(21,844)	(7,958)
Share options granted under ESS	-	110
Finance cost	90,072	-
Operating profit before working capital changes	738,610	558,505
Change in deposits and placements with banks and other financial institutions	(701,065)	(51,934)
Change in cash and short-term funds with original maturity of more than three months	-	201,263
Change in financial investments portfolio	(2,625,669)	(2,409,659)
Change in financing and advances	(3,351,759)	(588,707)
Change in derivative assets and liabilities	(98,975)	16,547
Change in other assets	1,831,674	127,072
Change in statutory deposits with Bank Negara Malaysia	(1,440,000)	398,000
Change in deposits from customers	13,409,206	771,986
Change in investment accounts of customers	(2,713,496)	170,027
Change in deposits and placements of banks and other financial institutions	(2,767,374)	(3,138,302)
Change in financial liabilities at fair value through profit or loss	2,645	84,795
Change in bills and acceptances payable	16,119	(37,777)
Change in other liabilities	526,728	202,975
Cash generated from operating activities	2,826,644	(3,695,209)
Taxes and zakat paid	(119,780)	(98,068)
Net cash (used in)/generated from operating activities	2,706,864	(3,793,277)
Cash flows from financing activities		
Profit paid for subordinated sukuk	(23,441)	(23,441)
Issuance of term funding	(4,932)	49,731
Profit paid for term funding	(24,898)	(143)
Net cash used in investing activities	(53,271)	26,147
Net increase in cash and cash equivalents	2,653,593	(3,767,130)
Cash and cash equivalents at beginning of period	17,134,358	15,334,729
Cash and cash equivalents at end of period	19,787,951	11,567,599

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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

	31 March 2018 RM'000	31 March 2017 RM'000
Cash and cash equivalents comprise:		
Cash and short term funds	19,787,951	11,567,599
Deposits and placements with banks and other financial institutions	701,065	703,492
	<u>20,489,016</u>	<u>12,271,091</u>
Less:		
Cash and short-term funds and deposits and placements, with original maturity of more than three months	(701,065)	(703,492)
	<u>19,787,951</u>	<u>11,567,599</u>

(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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Explanatory Notes

Part A: Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

A1. Basis of preparation

The unaudited condensed interim financial statements for Maybank Islamic Berhad (“MIB” or “the Bank”) have been prepared under the historical cost convention except for the following assets and liabilities that are stated at fair values: financial investments available-for-sale, financial assets at fair value through profit or loss and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”), and the principles of Shariah.

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited financial statements for the year ended 31 December 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
 - (i) 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 Group's accounting policies:

(i) Classification and measurement

The Group and 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 and loss ("FVTPL") as summarised in below table:

Amortised Cost	Fair Value	
	FVOCI	FVTPL
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. • 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). 	<ul style="list-style-type: none"> • 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. • Equity instruments that were not elected for FVOCI will be measured at FVTPL.

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 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 Group and 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 Group and the Bank apply a three-stage approach based on the change in credit quality since initial recognition:

3 Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest/profit income	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 Group's and 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 Group and 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 Group's and 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 Group and 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 A39.

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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. The core principle of MFRS 15 is that, 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 will apply 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 Group and the Bank have 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 Group and 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 Group has presented these information in the Unaudited Statement of Changes in Equity and notes A13 - A14.

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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 ended 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 interest/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.

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 31 March 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 31 March 2018.

A7. Changes in estimates

There were no material changes in estimates during the financial period ended 31 March 2018.

A8. Changes in Debt and Equity Securities

There was no changes in debt and securities that were issued and redeemed by the Bank during the first quarter ended 31 March 2018.

A9. Dividends Paid/Payable

(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.

(b) The Directors do not recommend the payment of any dividend in respect of the first ended 31 March 2018.

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

	31 March 2018 RM'000	31 December 2017 RM'000
Licensed Islamic banks	200,970	-
Bank Negara Malaysia	500,092	-
	<u>701,062</u>	<u>-</u>
Accumulated impairment losses	3	-
	<u>701,065</u>	<u>-</u>

A12. Financial investments portfolio

	Note	31 March 2018 RM'000	31 December 2017 RM'000
Financial assets at fair value through profit or loss	(i)	527,228	240,571
Financial assets at fair value through other comprehensive income	(ii)	12,571,331	-
Financial assets at amortised cost	(iii)	2,412,395	-
Financial investments available-for-sale	(iv)	-	9,882,004
Financial investments held-to-maturity	(v)	-	2,731,560
		<u>15,510,954</u>	<u>12,854,135</u>

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

Financial assets held-for-trading are as follows:

	31 March 2018 RM'000	31 December 2017 RM'000
At fair value		
Unquoted securities:		
Foreign Islamic Corporate Sukuk	527,228	240,571
Total financial assets at fair value through profit or loss	<u>527,228</u>	<u>240,571</u>

(ii) Financial assets at fair value through other comprehensive income

	31 March 2018 RM'000	31 December 2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	7,932,721	-
Negotiable Islamic instruments of deposits	946,813	-
Khazanah bonds	148,888	-
	<u>9,028,422</u>	<u>-</u>

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A12. Financial investments portfolio (cont'd.)

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

	31 March 2018 RM'000	31 December 2017 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment losses		
Unquoted securities:		
Corporate Sukuk in Malaysia	3,485,435	-
Foreign Islamic Corporate Sukuk	15,646	-
Malaysian Government sukuk	41,078	-
Equity	750	-
	3,542,909	-
Total financial assets at fair value through other comprehensive income	12,571,331	-

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

	Stage 1	Stage 2	Stage 3	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
At 31 March 2018	RM'000	RM'000	RM'000	RM'000
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
Allowance made	1,743	37	-	1,780
Amount written back in respect of recoveries	(836)	-	-	(836)
Exchange differences	(2)	-	-	(2)
At 31 March 2018	2,036	192	-	2,228

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A12. Financial investments portfolio (cont'd.)

(iii) Financial assets at amortised cost

	31 March 2018 RM'000	31 December 2017 RM'000
At amortised cost		
Unquoted securities:		
Corporate Sukuk in Malaysia	<u>2,428,743</u>	-
Accumulated impairment losses	<u>(16,348)</u>	-
Total financial investments held-to-maturity	<u>2,412,395</u>	<u>-</u>

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

	Stage 1	Stage 2	Stage 3	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL
	RM'000	RM'000	RM'000	RM'000
At 31 March 2018				
At 1 January 2018				
- effect of adopting MFRS 9	<u>8,493</u>	<u>13,664</u>	-	<u>22,157</u>
At 1 January 2018, as restated	<u>8,493</u>	<u>13,664</u>	-	<u>22,157</u>
Amount written back in respect of recoveries	<u>(5,128)</u>	<u>(681)</u>	-	<u>(5,809)</u>
At 31 March 2018	<u>3,365</u>	<u>12,983</u>	<u>-</u>	<u>16,348</u>

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A12. Financial investments portfolio (cont'd.)

(iv) Financial investments available-for-sale

	31 March 2018 RM'000	31 December 2017 RM'000
At fair value		
Money market instruments:		
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>
Unquoted securities:		
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>
Total financial investments available-for-sale	<u>-</u>	<u>9,882,004</u>

(v) Financial investments held-to-maturity

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

A13. Financing and advances

	31 March 2018 RM'000	31 December 2017 RM'000
Financing and advances:		
- Financing and advances at fair value through other comprehensive income	379,516	-
- Financing and advances at amortised cost	167,379,817	163,555,048
Gross financing and advances	<u>167,759,333</u>	<u>163,555,048</u>
Allowances for impaired financing and advances:		
- Stage 1 - 12 Months ECL	(383,167)	-
- Stage 2 - Lifetime ECL not credit impaired	(1,010,231)	-
- Stage 3 - Lifetime ECL credit impaired	(1,295,014)	-
- Individual allowance	-	(661,180)
- Collective allowance	-	(821,183)
Net financing and advances	<u>165,070,921</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:

At 31 March 2018	Bai[^] RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al- Bai (AITAB) RM'000	Ijarah RM'000	Istisna' RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	5,754,997	-	-	-	432	-	5,755,429
Term financing								
- House financing	17,282,065	63,766,701	2,843,222	-	-	-	-	83,891,988
- Syndicated financing	138,856	1,124,731	-	-	-	-	-	1,263,587
- Hire purchase receivables	-	29,490	-	37,251,826	-	-	-	37,281,316
- Other term financing	20,884,897	86,938,028	571,821	-	126,742	131,421	9,303	108,662,212
Bills receivable	-	-	-	-	-	-	299	299
Trust receipts	-	160,666	-	-	-	-	-	160,666
Claims on customers under acceptance credits	-	4,519,906	-	-	-	-	-	4,519,906
Staff financing	573,704	1,549,753	7,709	152,102	-	-	47,384	2,330,652
Credit card receivables	-	-	-	-	-	-	1,017,070	1,017,070
Revolving credit	-	18,595,625	-	-	-	-	-	18,595,625
Financing to:								
- Directors of related companies	2,234	3,695	-	1,453	-	-	8	7,390
	38,881,756	182,443,592	3,422,752	37,405,381	126,742	131,853	1,074,064	263,486,140
Unearned income								(95,726,807)
Gross financing and advances ^{^^}								167,759,333
Allowances for impaired financing and advances:								
- Stage 1 - 12 Months ECL								(383,167)
- Stage 2 - Lifetime ECL not credit impaired								(1,010,231)
- Stage 3 - Lifetime ECL credit impaired								(1,295,014)
Net financing and advances								165,070,921

[^] Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

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

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A13. Financing and advances (cont'd.)

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

At 31 December 2017	Bai[^] RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al- Bai (AITAB) RM'000	Ijarah RM'000	Istisna' RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	5,600,032	-	-	-	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 ^{^^}								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>

[^] Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

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

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A13. Financing and advances (cont'd.)

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

	31 March 2018 RM'000	31 December 2017 RM'000
Domestic non-banking institutions	4,470,166	4,979,718
Domestic business enterprises		
- Small and medium enterprises	28,026,602	15,290,943
- Others	20,779,031	30,882,117
Government and statutory bodies	14,239,090	14,501,853
Individuals	98,450,353	96,184,530
Other domestic entities	24,584	25,455
Foreign entities in Malaysia	1,769,507	1,690,432
Gross financing and advances	<u>167,759,333</u>	<u>163,555,048</u>

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

	31 March 2018 RM'000	31 December 2017 RM'000
Fixed rate		
- House financing	1,169,392	1,197,274
- Hire purchase receivables	32,338,148	32,249,261
- Other financing	29,046,324	27,144,518
Floating rate		
- House financing	36,540,727	35,279,803
- Other financing	68,664,742	67,684,192
Gross financing and advances	<u>167,759,333</u>	<u>163,555,048</u>

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

	31 March 2018 RM'000	31 December 2017 RM'000
Purchase of securities	21,237,165	20,351,945
Purchase of transport vehicles	32,304,517	32,223,683
Purchase of landed properties		
- residential	37,133,361	35,968,890
- non-residential	11,372,355	11,223,437
Purchase of fixed assets (exclude landed properties)	40,873	40,451
Personal use	3,687,254	3,540,216
Consumer durables	336	330
Construction	3,477,092	3,627,019
Working capital	57,486,643	55,550,728
Credit/charge card	1,019,737	1,028,349
Gross financing and advances	<u>167,759,333</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:

	31 March 2018 RM'000	31 December 2017 RM'000
Within one year	34,816,157	33,360,524
One year to three years	6,602,285	6,833,097
Three years to five years	13,497,797	13,228,752
After five years	112,843,094	110,132,675
Gross financing and advances	<u>167,759,333</u>	<u>163,555,048</u>

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

	31 March 2018 RM'000	31 December 2017 RM'000
At beginning of the period/year		
- as previously stated	1,710,533	1,489,286
- effect of adopting MFRS 9	121,439	-
Gross impaired financing and advances at 1 January, as restated	<u>1,831,972</u>	<u>1,489,286</u>
Impaired during the financial year	831,144	1,289,639
Reclassified as non-impaired	(49,135)	(531,863)
Amount recovered	(235,105)	(396,623)
Amount written off	(45,479)	(139,906)
Gross impaired financing and advances at 31 March 2018/ 31 December 2017	<u>2,333,397</u>	<u>1,710,533</u>
Less: Stage 3 - Lifetime ECL credit impaired	(1,295,014)	-
Less: Individual allowance	-	(661,180)
Net impaired financing and advances	<u>1,038,383</u>	<u>1,049,353</u>

Calculation of ratio of net impaired financing and advances:

Gross impaired financing and advances at 31 March 2018/ 31 December 2017 (excluding financing funded by RPSIA and IA)*	2,259,513	1,644,569
Less: Stage 3 - Lifetime ECL credit impaired	(1,295,014)	-
Less: Individual allowance	-	(661,180)
Net impaired financing and advances	<u>964,499</u>	<u>983,389</u>

Gross financing and advances (excluding financing funded by RPSIA and IA)	127,357,432	122,304,503
Less: Stage 3 - Lifetime ECL credit impaired	(1,295,014)	-
Less: Individual allowance	-	(661,180)
Net financing and advances	<u>126,062,418</u>	<u>121,643,323</u>

Net impaired financing and advances as a percentage of net financing and advances	<u>0.77%</u>	<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:

	31 March 2018 RM'000	31 December 2017 RM'000
Purchase of securities	11,330	10,490
Purchase of transport vehicles	202,909	149,452
Purchase of landed properties		
- residential	229,239	158,635
- non-residential	125,649	91,046
Personal use	281	20,548
Credit/charge cards	11,718	10,718
Consumer durables	9	8
Construction	348,190	349,422
Working capital	1,404,072	920,214
Gross impaired financing and advances	<u>2,333,397</u>	<u>1,710,533</u>

(viii) Movement in the allowance for impaired financing and advances 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
At 31 March 2018	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				
- effect of adopting MFRS 9	335,702	1,012,992	1,041,209	2,389,903
At 1 January 2018, as restated	335,702	1,012,992	1,041,209	2,389,903
Transfer to Stage 1	103,504	(99,426)	(4,078)	-
Transfer to Stage 2	(19,494)	34,868	(15,374)	-
Transfer to Stage 3	(772)	(66,724)	67,496	-
Allowance made / (writeback)*	(7,558)	(26,217)	(15,269)	(49,044)
New financial assets originated or purchased	69,537	32,762	101,523	203,822
Financial assets derecognised	(21,508)	(35,338)	(40,500)	(97,346)
Changes due to change in credit risk	(80,257)	113,383	180,672	213,798
Modifications to contractual cash flows of financial asset	(22)	1,443	19,487	20,908
Amount written-off/realised	(34)	(1,345)	(41,540)	(42,919)
Changes in models	8,477	(8,644)	-	(167)
Changes in risk parameters	(1,346)	61,707	-	60,361
Other movements	(3,062)	(9,230)	1,388	(10,904)
At 31 March 2018	<u>383,167</u>	<u>1,010,231</u>	<u>1,295,014</u>	<u>2,688,412</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.):

	31 March 2018 RM'000	31 December 2017 RM'000
<u>Individual Allowance</u>		
At 1 January 2018/2017		
- as previously stated	661,180	617,350
- effect of adopting MFRS 9	(661,180)	-
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 31 March 2018/31 December 2017	-	661,180
	31 March 2018 RM'000	31 December 2017 RM'000
<u>Collective Allowance</u>		
At 1 January 2018/2017		
- as previously stated	821,183	752,826
- effect of adopting MFRS 9	(821,183)	-
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 31 March 2018/31 December 2017	-	821,183
As a % of gross financing and advances (excluding financing funded by RPSIA and IA) less individual allowance (including Regulatory Reserve)		1.20%

* As at 31 March 2018, the gross exposure of the financing funded by RPSIA is RM18,559.7 million (31 December 2017: RM16,695.1 million). The expected credit loss relating to these financing amounting to RM212.8 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 31 March 2018 was RM21,842.0 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.

	31 March 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
Trading derivatives						
<u>Foreign exchange related contracts</u>						
Currency forwards:						
- Less than one year	4,560,321	14,432	(265,434)	3,978,004	8,805	(223,594)
- One year to three years	554,637	24,447	(31,942)	623,903	8,534	(18,294)
Currency swaps:						
- Less than one year	4,811,312	254,692	(43,489)	5,451,419	229,285	(152,482)
Currency spot:						
- Less than one year	494,122	716	(782)	270,312	10	(872)
Cross currency profit rate swaps:						
- One year to three years	616,970	14,239	(13,614)	632,421	33,862	(33,039)
- More than three years	1,968,700	127,162	(127,162)	2,013,315	65,553	(65,553)
<u>Profit rate related contracts</u>						
Profit rate options:						
- More than three years	1,490,000	5,792	(17,762)	1,490,000	5,463	(16,789)
Profit rate swaps:						
- One year to three years	850,000	1,345	(1,292)	850,000	1,849	(1,789)
- More than three years	2,791,360	20,026	(12,741)	2,900,620	18,451	(10,341)
	18,137,422	462,851	(514,218)	18,209,994	371,812	(522,753)
Hedging derivatives						
<u>Foreign exchange related contracts</u>						
Cross currency profit rate swaps						
- Less than one year	579,263	2,164	(2,020)	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	170,607	-	(10,512)	-	-	-
- One year to three years	1,492,661	86,619	(86,627)	607,500	1,256	(1,026)
	2,242,531	88,783	(99,159)	2,292,961	116,177	(127,567)
Total derivative assets/(liabilities)	20,379,953	551,634	(613,377)	20,502,955	487,989	(650,320)

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A15. Other assets

	31 March 2018 RM'000	31 December 2017 RM'000
Amount due from holding company	3,433,142	6,224,345
Handling fees	170,343	171,802
Prepayments and deposits	268,639	269,701
Others debtors	38,331	25,134
	3,910,455	6,690,982

A16. Deposits from customers

(i) By type of deposits

	31 March 2018 RM'000	31 December 2017 RM'000
Savings deposits		
Qard	15,708,060	14,629,050
Demand deposits		
Qard	17,726,316	18,641,198
Term deposits		
Murabahah	108,405,497	94,301,452
Qard	1,466,773	2,325,740
	143,306,646	129,897,440

(ii) By type of customers

	31 March 2018 RM'000	31 December 2017 RM'000
Business enterprises	61,251,515	53,763,542
Individuals	42,533,975	41,154,362
Government and statutory bodies	23,241,425	19,292,571
Others	16,279,731	15,686,965
	143,306,646	129,897,440

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A17. Investment accounts of customers

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

	31 March 2018 RM'000	31 December 2017 RM'000
Business enterprises	8,761,671	9,841,269
Individuals	11,786,194	13,255,076
Government and statutory bodies	179,711	218,371
Others	1,114,373	1,240,729
	21,841,949	24,555,445

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

	31 March 2018 RM'000	31 December 2017 RM'000
Unrestricted investment accounts		
<u>Mudharabah</u>		
- without maturity	9,404,067	9,948,920
- with maturity		
Due within six months	9,167,740	12,053,210
Six months to one year	3,251,611	2,532,512
One year to three years	2,462	2,563
Three years to five years	16,069	18,240
	12,437,882	14,606,525
Total investment accounts of customers	21,841,949	24,555,445

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

	31 March 2018 RM'000	31 December 2017 RM'000
Unrestricted Investment		
Retail financing	21,841,146	24,554,642
Non-retail financing	803	803
Total investment	21,841,949	24,555,445

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

	31 March 2018		31 December 2017	
	Investment account holder ("IAH")			
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment accounts of customers	60%	3.05%	60%	3.07%

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A18. Deposits and placements of banks and other financial institutions

	31 March 2018 RM'000	31 December 2017 RM'000
<u>Mudharabah Fund</u>		
Licensed banks*	19,511,150	18,068,219
	19,511,150	18,068,219
<u>Non-Mudharabah Fund</u>		
Licensed banks	3,473,738	5,261,204
Licensed islamic banks	180,030	1,873,521
Licensed investment banks	85,015	199,034
Other financial institutions	2,198,989	2,836,163
	5,937,772	10,169,922
	25,448,922	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 RM18,259.6 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

	31 March 2018 RM'000	31 December 2017 RM'000
Structured deposits	893,930	892,695

The carrying amount of structured deposits designated at fair value through profit or loss of the Bank as at 31 March 2018 was RM900,826,000 (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

	31 March 2018 RM'000	31 December 2017 RM'000
Sundry creditors	318,733	100,133
Deposit on trade financing	16,137	10,715
Provisions and accruals	36,270	18,033
Margin account with holding company	376,660	164,420
Others	89,319	17,092
	837,119	310,393

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A21. Sources and uses of charity funds

	31 March 2018 RM'000	31 December 2017 RM'000
Sources of charity funds		
Shariah non-compliant/prohibited income	-	1
Income earned from late payment charges	-	-
Total sources of charity funds during the period/year	-	1
Uses of charity funds		
Contribution to non-profit organisation	-	1
Total uses of charity funds during the period/year	-	1
Undistributed charity funds as at 31 March 2018/ 31 December 2017	-	-

A22. Term Funding

	31 March 2018 RM'000	31 December 2017 RM'000
Unsecured term funding:		
(a) Commercial Paper		
- Less than one year	2,453,393	2,459,845
(b) Medium Term Notes		
- Less than one year	487,113	482,370
- More than one year	2,023,934	2,003,222
	2,511,047	2,485,592
Total term funding	4,964,440	4,945,437

A23. Subordinated Sukuk

	31 March 2018 RM'000	31 December 2017 RM'000
Subordinated Sukuk		
RM1,500 million Tier 2 Islamic Subordinated Sukuk due in 2024	1,533,966	1,516,397
RM1,000 million Tier 2 Islamic Subordinated Sukuk due in 2026	1,005,733	1,017,708
	2,539,699	2,534,105

A24. Capital Securities

	31 March 2018 RM'000	31 December 2017 RM'000
Capital Securities		
RM1,000.0 million 4.95% Additional Tier 1 Sukuk Wakalah	1,014,647	1,002,441

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A25. Income derived from investment of depositors' funds

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of:				
i) General investment deposits	1,584,196	1,116,297	1,584,196	1,116,297
ii) Other deposits	482,075	482,624	482,075	482,624
	2,066,271	1,598,921	2,066,271	1,598,921

i) Income derived from investment of general investment deposits

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Financing and advances	1,267,138	918,143	1,267,138	918,143
Money at call and deposit with financial institutions	124,716	71,028	124,716	71,028
Financial assets at fair value through other comprehensive income	67,829	-	67,829	-
Financial assets at amortised cost	26,342	-	26,342	-
Financial investments available-for-sale	-	40,187	-	40,187
Financial investments held-to-maturity	-	4,096	-	4,096
Financial assets at fair value through profit or loss	1,937	1,554	1,937	1,554
	1,487,962	1,035,008	1,487,962	1,035,008
Amortisation of premium less accretion of discounts	12,218	18,896	12,218	18,896
Total finance income and hibah	1,500,180	1,053,904	1,500,180	1,053,904
Other operating income :				
Fee income				
- Processing fees	4,320	6,359	4,320	6,359
- Commissions	24,799	20,470	24,799	20,470
- Service charges and other fees	32,333	26,668	32,333	26,668
Gains on sale of financial assets at fair value through other comprehensive income	1,945	-	1,945	-
Gains on sale of financial investments available-for-sale	-	595	-	595
Gains on sale of financial assets at fair value through profit or loss	(255)	(6)	(255)	(6)
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	30	(16)	30	(16)
- Financial liabilities at fair value through profit or loss	1,041	168	1,041	168
- Derivatives	1,191	791	1,191	791
(Losses)/gain on foreign exchange:				
- Realised	(119,757)	6,409	(119,757)	6,409
- Unrealised	135,888	(1,122)	135,888	(1,122)
Realised gain on derivatives	2,481	2,077	2,481	2,077
	1,584,196	1,116,297	1,584,196	1,116,297

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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 RM4.9 million (31 March 2017: RM6.2 million).

ii) Income derived from investment of other deposits

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Financing and advances	385,593	396,953	385,593	396,953
Money at call and deposit with financial institutions	37,951	30,708	37,951	30,708
Financial assets at fair value through other comprehensive income	20,641	-	20,641	-
Financial assets at amortised cost	8,016	-	8,016	-
Financial investments available-for-sale	-	17,375	-	17,375
Financial investments held-to-maturity	-	1,771	-	1,771
Financial assets at fair value through profit or loss	589	672	589	672
	452,790	447,479	452,790	447,479
Amortisation of premium less accretion of discounts	3,718	8,169	3,718	8,169
Total finance income and hibah	456,508	455,648	456,508	455,648
Other operating income :				
Fee income				
- Processing fees	1,315	2,749	1,315	2,749
- Commissions	7,546	8,850	7,546	8,850
- Service charges and other fees	9,839	11,530	9,839	11,530
Gains on sale of financial assets at fair value through other comprehensive income	592	-	592	-
Gains on sale of financial investments available-for-sale	-	257	-	257
Gains on sale of financial assets at fair value through profit or loss	(78)	(2)	(78)	(2)
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	9	(7)	9	(7)
- Financial liabilities at fair value through profit or loss	317	73	317	73
- Derivatives	363	342	363	342
(Losses)/gain on foreign exchange:				
- Realised	(36,442)	2,771	(36,442)	2,771
- Unrealised	41,351	(485)	41,351	(485)
Realised gain on derivatives	755	898	755	898
	482,075	482,624	482,075	482,624

Included in finance income were income on impaired assets amounting to RM1.5 million (31 March 2017: RM2.7 million).

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A26. Income derived from investment of investment account funds

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Financing and advances	305,229	411,315	305,229	411,315
Total finance income and hibah	<u>305,229</u>	<u>411,315</u>	<u>305,229</u>	<u>411,315</u>
Other operating income :				
Fee income				
- Commissions	680	254	680	254
- Service charges and other fees	5,511	792	5,511	792
	<u>311,420</u>	<u>412,361</u>	<u>311,420</u>	<u>412,361</u>

A27. Income derived from investment of shareholder's funds

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Financing and advances	63,220	67,138	63,220	67,138
Money at call and deposit with financial institutions	6,222	5,194	6,222	5,194
Financial assets at fair value through other comprehensive income	3,384	-	3,384	-
Financial assets at amortised cost	1,314	-	1,314	-
Financial investments available-for-sale	-	2,939	-	2,939
Financial investments held-to-maturity	-	300	-	300
Financial assets at fair value through profit or loss	97	114	97	114
	<u>74,237</u>	<u>75,685</u>	<u>74,237</u>	<u>75,685</u>
Amortisation of premium less accretion of discounts	610	1,382	610	1,382
Total finance income and hibah	<u>74,847</u>	<u>77,067</u>	<u>74,847</u>	<u>77,067</u>
Other operating income :				
Fee income				
- Processing fees	216	465	216	465
- Commissions	1,237	1,497	1,237	1,497
- Service charges and other fees	1,613	1,950	1,613	1,950
Gains on sale of financial assets at fair value through other comprehensive income	97	-	97	-
Gains on sale of financial investments available-for-sale	-	43	-	43
Gains on sale of financial assets at fair value through profit or loss	(13)	-	(13)	-
Unrealised gains/(losses) on revaluation of:				
- Financial assets at fair value through profit or loss	2	(1)	2	(1)
- Financial liabilities at fair value through profit or loss	52	12	52	12
- Derivatives	59	58	59	58
(Losses)/gain on foreign exchange:				
- Realised	(5,975)	469	(5,975)	469
- Unrealised	6,780	(82)	6,780	(82)
Realised gain on derivatives	124	152	124	152
	<u>79,039</u>	<u>81,630</u>	<u>79,039</u>	<u>81,630</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 RM0.2 million (31 March 2017: RM0.4 million).

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

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Allowances for/(writeback of) impairment losses on financing and advances:				
- Stage 1 - 12 months ECL, net	50,166	-	50,166	-
- Stage 2 - Lifetime ECL not credit impaired, net	5,248	-	5,248	-
- Stage 3 - Lifetime ECL credit impaired, net	295,346	-	295,346	-
- collective allowance made	-	66,244	-	66,244
- individual allowance made	-	36,551	-	36,551
- individual allowance written back	-	(34,399)	-	(34,399)
Impaired financing and advances written off	2,471	1,743	2,471	1,743
Impaired financing and advances recovered	(4,984)	(16,657)	(4,984)	(16,657)
Allowances for/(writeback of) impairment losses on other debts	293	(61)	293	(61)
	348,540	53,421	348,540	53,421

A29. Allowances for impairment losses on financial investments, net

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Financial assets at fair value through other comprehensive income				
- Stage 1 - 12 months ECL, net	907	-	907	-
- Stage 2 - Lifetime ECL not credit impaired, net	37	-	37	-
	944	-	944	-
Financial assets at amortised cost				
- Stage 1 - 12 months ECL, net	(5,128)	-	(5,128)	-
- Stage 2 - Lifetime ECL not credit impaired, net	(681)	-	(681)	-
	(5,809)	-	(5,809)	-
Net	(4,865)	-	(4,865)	-

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A30. Allowances for impairment losses on other financial assets, net

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Deposits and placements with banks and other financial institutions				
- Stage 1 - 12 months ECL, net	(171)	-	(171)	-
	<u>(171)</u>	<u>-</u>	<u>(171)</u>	<u>-</u>

A31. Profit distributed to depositors

	First Quarter Ended		Cumulative 3 Months	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Deposits from customers				
- Non-Mudharabah fund	910,612	652,654	910,612	652,654
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	178,560	148,245	178,560	148,245
- Non-Mudharabah fund	47,196	78,669	47,196	78,669
	<u>225,756</u>	<u>226,914</u>	<u>225,756</u>	<u>226,914</u>
Financial liabilities at fair value through profit or loss				
- Non-Mudharabah fund	9,045	-	9,045	-
	<u>1,145,413</u>	<u>879,568</u>	<u>1,145,413</u>	<u>879,568</u>

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A32. Overhead expenses

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Personnel expenses	9,961	10,240	9,961	10,240
- Salaries, allowances and bonuses	7,220	7,217	7,220	7,217
- Pension costs - defined contribution plan	1,158	1,112	1,158	1,112
- Shares/Options granted under Employee's Shares Scheme	-	110	-	110
- Other staff related expenses	1,583	1,801	1,583	1,801
Establishment costs	474	1,154	474	1,154
- Rental of premises	428	429	428	429
- Repairs, servicing and maintenance	34	3	34	3
- Information technology expenses	12	722	12	722
Marketing costs	2,265	2,068	2,265	2,068
- Advertisement and publicity	112	234	112	234
- Others	2,153	1,834	2,153	1,834
Administration and general expenses	342,710	327,521	342,710	327,521
- Fees and brokerage	14,328	14,842	14,328	14,842
- Administrative expenses	305	348	305	348
- General expenses	18,766	19,390	18,766	19,390
- Shared service cost paid/payable to Maybank	309,311	292,941	309,311	292,941
Total	355,410	340,983	355,410	340,983

A33. Finance cost

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Subordinated sukuk	41,240	29,034	41,240	29,034
Term funding	48,833	144	48,833	144
	90,073	29,178	90,073	29,178

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A34. Taxation and zakat

The analysis of the taxation and zakat expense for the financial period ended 31 March 2018 are as follows:

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Malaysian income tax	163,368	120,279	163,368	120,279
Deferred tax				
- Relating to origination and reversal of temporary differences	(82,225)	(22)	(82,225)	(22)
Tax expense for the financial period	81,143	120,257	81,143	120,257
Zakat	4,986	2,948	4,986	2,948
	86,129	123,205	86,129	123,205

A35. 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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A36. 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 31 March 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
<u>Contingent liabilities</u>						
Direct credit substitutes	1,386,580	1,342,285	1,183,245	1,483,863	1,438,157	1,292,069
Certain transaction-related contingent items	3,404,597	1,680,067	1,252,262	3,485,433	1,717,826	1,278,929
Short-term self-liquidating trade-related contingencies	253,752	48,092	31,297	188,659	36,697	28,596
	5,044,929	3,070,444	2,466,804	5,157,955	3,192,680	2,599,594
<u>Commitments</u>						
Irrevocable commitments to extend credit:						
- maturity within one year	20,784,557	4,102,396	2,413,378	19,981,036	4,218,895	2,330,534
- maturity more than one year	7,931,288	3,466,728	1,653,209	7,694,750	2,676,066	1,093,008
	28,715,845	7,569,124	4,066,587	27,675,786	6,894,961	3,423,542
Miscellaneous commitments and contingencies	146,823	-	-	126,710	-	-
Total credit-related commitments and contingencies	33,907,597	10,639,568	6,533,391	32,960,451	10,087,641	6,023,136

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A36. 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	10,036,362	448,033	96,732	9,870,342	407,037	83,392
- one year to less than five years	4,632,967	187,805	110,685	4,784,493	182,470	103,359
Profit rate related contracts:						
- less than one year	579,263	-	-			
- one year to less than five years	2,907,235	648,709	251,314	3,808,120	683,383	284,177
- more than five years	2,224,125	61,865	35,609	2,040,000	72,276	41,970
Total treasury-related commitments and contingencies	20,379,952	1,346,412	494,340	20,502,955	1,345,166	512,898

Total commitments and contingencies	54,287,549	11,985,980	7,027,731	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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A37. 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:

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

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

- (ii) Total RWA is calculated as the sum of credit RWA, market RWA, operational RWA and large exposure risk requirements as determined in accordance with 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 risk weighted assets 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:

	31 March 2018	31 December 2017
Capital ratios		
CET1 capital ratio	12.821%	14.500%
Tier 1 capital ratio	14.408%	16.150%
Total capital ratio	18.895%	20.782%

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A37. Capital Adequacy (cont'd.)

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

	31 March 2018 RM '000	31 December 2017 RM'000
CET1/Tier 1 capital		
Share capital	5,481,783	5,481,783
Retained profits	2,944,538	3,351,547
Other reserves	165,790	478,079
CET1 capital before regulatory adjustments	8,592,111	9,311,409
Less: Regulatory adjustment applied in CET1 capital		
Deferred tax assets	(321,977)	(12,903)
Regulatory reserve	(188,482)	(508,700)
Total CET1 Capital	8,081,652	8,789,806
Additional Tier 1 Capital		
Capital securities	1,000,000	1,000,000
Total Tier 1 capital	9,081,652	9,789,806
Tier 2 capital instruments		
Tier 2 capital instruments	2,500,000	2,500,000
General provision ¹	32,006	-
Collective allowance ²	-	20,923
Surplus of eligible provision over expected loss	296,725	287,154
Total Tier 2 capital	2,828,731	2,808,077
Total Capital	11,910,383	12,597,883

¹ 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.

² 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:

	31 March 2018 RM'000	31 December 2017 RM'000
Standardised Approach exposure	9,000,597	8,796,181
Internal Ratings-Based Approach exposure after scaling factor	60,853,863	60,246,868
Total risk-weighted asset for credit risk	69,854,460	69,043,049
Total risk-weighted asset for credit risk absorbed by the holding company and Investment Account Holder (IAH) [^]	(14,727,122)	(15,855,390)
Total risk-weighted asset for market risk	1,195,651	939,674
Total risk-weighted asset for operational risk	6,709,970	6,490,748
Total risk-weighted assets	63,032,959	60,618,081

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

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A38. Fair Value Measurements of Financial Instruments

Fair value hierarchy

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

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

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

- (b) Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data data

Refers to inputs other than quoted prices included those within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds and less liquid equities.

- (c) Level 3: Valuation techniques for which significant inputs are not based on observable market data

Refers to financial instruments where fair value is measured using significant unobservable inputs. The valuation techniques used are consistent with the Level 2 but incorporates the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

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A38. 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 31 March 2018 and 31 December 2017.

At 31 March 2018	<u>Valuation technique using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
Financial assets measured at fair value:				
Financial assets held-for-trading	-	527,228	-	527,228
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	527,228	-	527,228
Financial investments				
available-for-sale	-	12,570,581	750	12,571,331
<i>Money market instruments</i>	-	9,028,422	-	9,028,422
<i>Non-money market instruments</i>	-	3,542,159	750	3,542,909
Derivative assets	-	551,634	-	551,634
<i>Foreign exchange related contracts</i>	-	437,852	-	437,852
<i>Profit rate related contracts</i>	-	113,782	-	113,782
	-	13,649,443	750	13,650,193
Financial liabilities measured at fair value:				
Financial liabilities at fair value				
through profit or loss	-	893,930	-	893,930
<i>Structured deposits</i>	-	893,930	-	893,930
Derivative liabilities	-	613,377	-	613,377
<i>Foreign exchange related contracts</i>	-	484,443	-	484,443
<i>Profit rate related contracts</i>	-	128,934	-	128,934
	-	1,507,307	-	1,507,307

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A38. Fair value of financial instruments (cont'd.)

	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	
At 31 December 2017				
Financial assets measured at fair value:				
Financial assets held-for-trading	-	240,571	-	240,571
<i>Money market instruments</i>	-	-	-	-
<i>Non-money market instruments</i>	-	240,571	-	240,571
Financial investments available-for-sale	-	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
Derivative assets	-	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
Financial liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss	-	892,695	-	892,695
<i>Structured deposits</i>	-	892,695	-	892,695
Derivative liabilities	-	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 assets held-for-trading and financial investments available-for-sale

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent broker quotations.

Financial liabilities designated at fair value through profit or loss

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

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A38. 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	Total realised gains/(losses) recognised in income statements* RM'000	Total unrealised gains/(losses) recognised in income statements* RM'000	Purchases RM'000	Sales RM'000	Settlements RM'000	At 31 March 2018 RM'000
At 31 March 2018							
Financial investments available-for-sale							
<i>Non-money market instruments</i>	750	-	-	-	-	-	750
Derivative assets							
<i>Profit rate related contracts</i>	-	-	-	-	-	-	-
Total Level 3 financial assets	750	-	-	-	-	-	750
Financial liabilities at fair value through profit or loss							
<i>Structured deposits</i>	-	-	-	-	-	-	-
Derivative liabilities							
<i>Profit rate related contracts</i>	-	-	-	-	-	-	-
Total Level 3 financial liabilities	-	-	-	-	-	-	-
Total net Level 3 financial assets/(liabilities)	750	-	-	-	-	-	750

* Included within 'Other operating income'.

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A38. 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	Total realised gains/(losses) recognised in income statements* RM'000	Total unrealised gains/(losses) recognised in income statements* RM'000	Purchases RM'000	Sales RM'000	Settlements RM'000	At 31 December 2017 RM'000
At 31 December 2017							
Financial investments available-for-sale							
<i>Non-money market instruments</i>	750	-	-	-	-	-	750
Derivative assets							
<i>Profit rate related contracts</i>	-	-	-	-	-	-	-
Total Level 3 financial assets	<u>750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>
Derivative liabilities							
<i>Profit rate related contracts</i>	-	-	-	-	-	-	-
Total Level 3 financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net Level 3 financial assets/(liabilities)	<u>750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>

* Included within 'Other operating income'.

The Bank's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the end of the reporting period.

There were no transfers between Level 1 and Level 2 for the Bank during the financial period ended 31 March 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 31 March 2018.

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A39. 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	Classification and measurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
ASSETS				
Cash and short-term funds	17,134,359	-	(173)	17,134,186
Deposits and placements with banks and other financial institutions	-	-	-	-
Financial assets at fair value through profit or loss	240,571	-	-	240,571
Financial assets at fair value through other comprehensive income	-	9,882,004	-	9,882,004
Financial assets at amortised cost	-	2,731,560	(22,159)	2,709,401
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)	(901,259)	161,170,823
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
TOTAL ASSETS	202,495,053	(458)	(693,940)	201,800,655
LIABILITIES				
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
TOTAL LIABILITIES	193,183,644	-	24,660	193,208,304

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A39. 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	Classification and measurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK				
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)	8,627	(22,452)
TOTAL SHAREHOLDER'S EQUITY	9,311,409	(458)	(718,600)	8,592,351
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	202,495,053	(458)	(693,940)	201,800,655

- (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
Regulatory reserve	
Closing balance at 31 December 2017	508,700
- Transfer to retained profits	(403,333)
Opening balance at 1 January 2018	<u>105,367</u>
Reserves	
Closing balance at 31 December 2017	(30,621)
- Recognition of expected credit loss	8,627
- 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>(22,452)</u>
Retained profits	
Closing balance at 31 December 2017	3,351,547
Transfer from regulatory reserve	403,333
Recognition of expected credit loss	(956,878)
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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A39. 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

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

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PART B – Review of Performance & Current Year Prospects

B1. Performance Review

The Bank posted profit before tax and zakat of RM338.8 million for the financial period ended 31 March 2018, a decrease of RM188.3 million or 35.7% compared to the previous corresponding period.

The Bank's allowance for impairment on financing and advances increased by RM295.1 million to RM348.5 million due to higher allowances made during the financial period ended 31 March 2018. The Bank's financing loss reserve coverage ratio with Regulatory Reserve stood at 128.1% as at 31 March 2018.

Total income grew by RM363.8 million or 17.4% to RM2,456.7 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 RM2,066.3 million, RM311.4 million and RM79.0 million respectively.

The Bank's gross financing and advances increased by RM4.2 billion to RM167.8 billion as compared to RM163.6 billion recorded in last financial year. As at 31 March 2018, total customer funding increased by 6.9% contributed by customer deposits which grew by 10.3%, recorded at RM143.3 billion against RM129.9 billion in last financial year. Investment Account decreased by RM2.7 billion to close at RM21.8 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 12.821%, 14.408% and 18.895% respectively.

B2. Prospects

Malaysia's real GDP growth for 2018 is expected to expand by 5.3% (2017: 5.9%) underpinned by continued growth in consumer spending and stronger net external demand. Exports and imports of goods and services will expand further in 2018 on the back of the sustained global and domestic growth momentum, but the pace of growth is expected to moderate after the high base in 2017. 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.