

Leading Asia



ANNUAL REPORT 2018
FINANCIAL STATEMENTS



**INSPIRING
ASEAN**

> RM8.11 billion Net Profit
• Exceeds RM8 billion mark

> 15.029% CET1 Capital Ratio
• One of the strongest in the region

> RM806.99 billion in Assets
• Strong total assets base

Inside

this report

OUR PERFORMANCE

02-08



- 02 Highlights of 2018
- 03 How We Distribute Value Created
- 04 Financial Performance
 - 04 Five-Year Group Financial Summary
 - 06 Simplified Group Statements of Financial Position
 - 06 Group Quarterly Financial Performance
 - 07 Key Interest Bearing Assets and Liabilities
 - 07 Statement of Value Added
 - 07 Distribution of Value Added
 - 08 Segmental Information

THE FINANCIALS

09-318



- 10 Statement of Directors' Responsibility
- 11 Analysis of Financial Statements
- 16 Financial Statements

Highlights of 2018

RM8.11 billion

Record Net Profit



The Group broke the RM8 billion mark by achieving a record high net profit for FY2018, driven by growth in net operating income and disciplined cost management.

Maybank Singapore Limited

Locally Incorporated



We cemented our foothold in Singapore by locally incorporating Maybank Singapore Limited, which now houses our Singapore Community Financial Services business effective 5 November 2018.

57 sen

Total Dividend per Share



This translates to a dividend payout ratio of 77.3% and a 6.0% dividend yield – one of the highest among banking stocks in the region.

First Bank in Malaysia to Roll-Out a Digital Upskilling Programme for Staff



We introduced our FutureReady Digital Upskilling Programme to increase employees' digital literacy in line with the Group's aspiration to be The Digital Bank of Choice.

Maybank is a Top 500 Most Valuable Global Brand



We are the first Malaysian bank to break into the Global 500 Brands list by Brand Finance, with a brand value of USD4.2 billion.

Constantly Creating New Digital Firsts

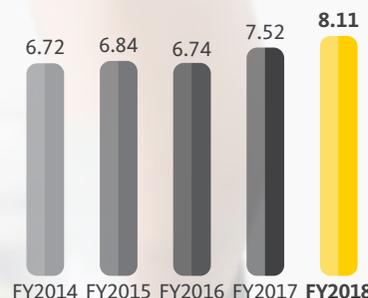


We are the first bank in Malaysia to introduce a cashless payment solution via QRPay. Meanwhile, the refreshed and optimised Maybank2u website also includes a first-of-its-kind digital financial planner.

FINANCIAL HIGHLIGHTS

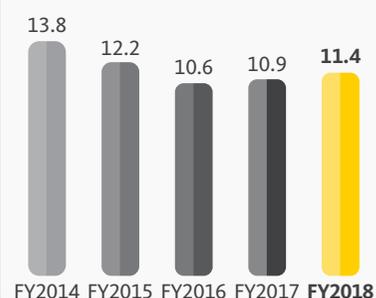
Net Profit* (RM' billion)

RM8.11 billion



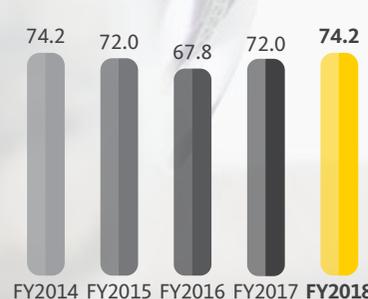
Return on Equity (%)

11.4%



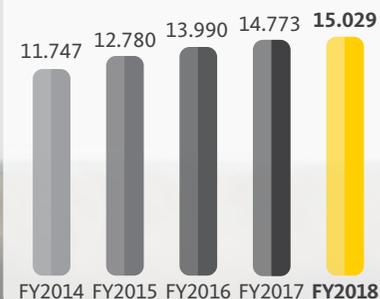
Earnings per Share (sen)

74.2 sen



CET1 Capital Ratio (%)

15.029%



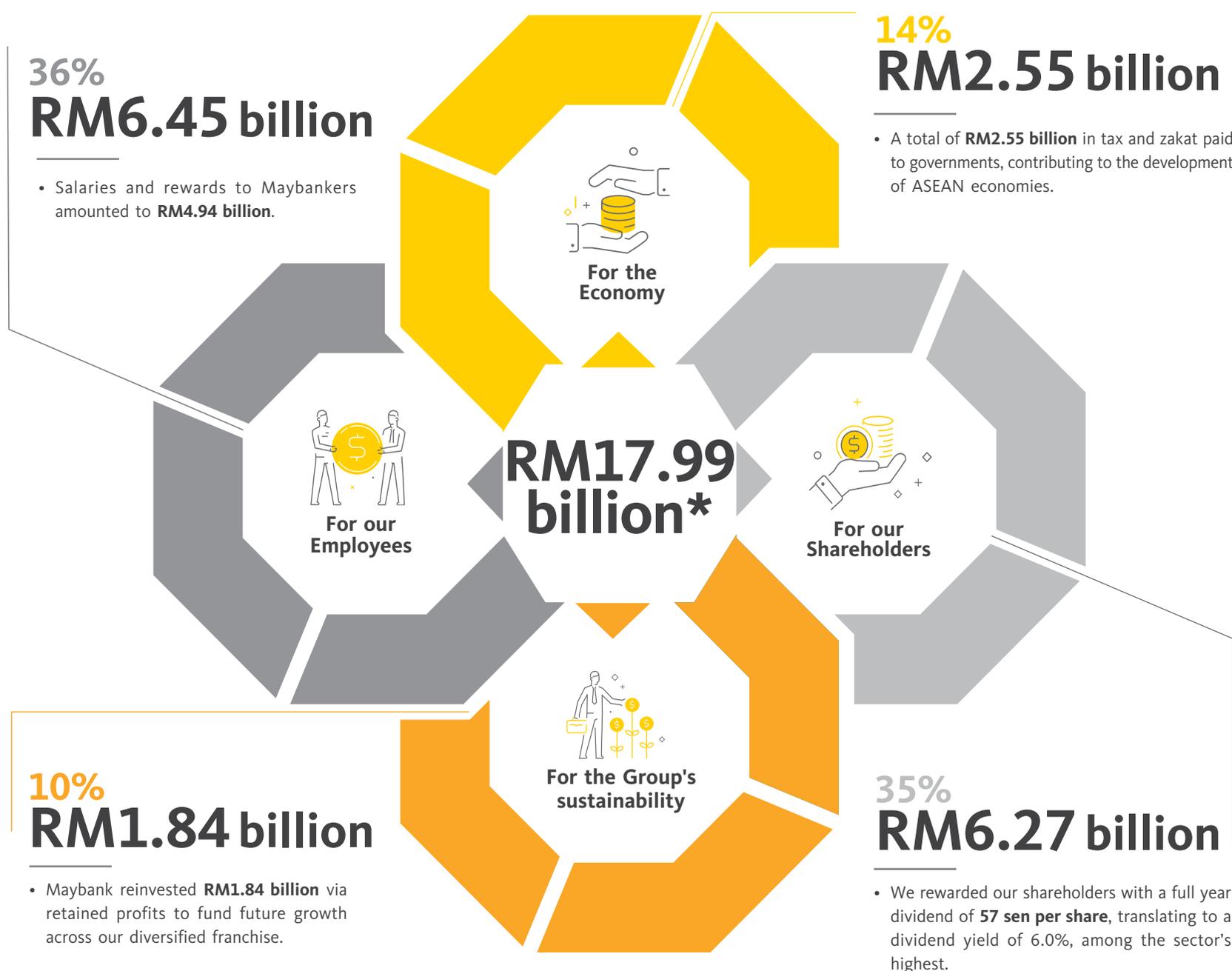
* Net profit is equivalent to profit attributable to equity holders of the Bank.



How We Distribute Value Created

In fulfilling our promise to our stakeholders, Maybank Group distributes the value created in relevant and meaningful ways – and for some stakeholder groups, beyond financial means. Stakeholders receive intangible benefits ranging from employee upskilling programmes to diverse community initiatives, in our effort to enable a more sustainable future.

Value created in 2018 was distributed as follows:



* Includes non-controlling interests, as well as depreciation and amortisation which represent the combined 5% not illustrated above.

Financial Performance

FIVE-YEAR GROUP FINANCIAL SUMMARY

	Group FY 31 Dec					Bank FY 31 Dec	
	2014	2015	2016	2017	2018	2017	2018
OPERATING RESULT (RM' million)							
Operating revenue	35,712	40,556	44,658	45,580	47,320	24,841	26,681
Pre-provisioning operating profit ("PPOP") ¹	9,419	10,953	11,686	11,911	12,416	8,514	9,491
Operating profit	8,948	8,940	8,671	9,883	10,803	7,353	8,748
Profit before taxation and zakat	9,112	9,152	8,844	10,098	10,901	7,353	8,748
Profit attributable to equity holders of the Bank	6,716	6,836	6,743	7,521	8,113	6,123	7,308
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)							
Total assets	640,300	708,345	735,956	765,302	806,992	509,667	456,613
Financial investments portfolio ²	115,911	122,166	130,902	154,373	177,952	114,947	121,354
Loans, advances and financing	403,513	453,493	477,775	485,584	507,084	290,998	230,367
Total liabilities	585,559	644,831	665,481	690,118	729,254	447,414	391,024
Deposits from customers	439,569	478,151	485,524	502,017	532,733	328,939	255,160
Investment accounts of customers	-	17,658	31,545	24,555	23,565	-	-
Commitments and contingencies	551,960	719,952	766,439	811,374	872,955	761,441	780,161
Paid-up capital/Share capital ³	9,319	9,762	10,193	44,250	46,747	44,250	46,747
Share premium ³	22,748	25,900	28,879	-	-	-	-
Shareholders' equity	52,975	61,695	68,516	72,989	75,330	62,253	65,589
SHARE INFORMATION							
Per share (sen)							
Basic earnings	74.2	72.0	67.8	72.0	74.2	58.7	66.8
Diluted earnings	74.1	72.0	67.8	72.0	74.2	58.6	66.8
Gross dividend	57.0	54.0	52.0	55.0	57.0	55.0	57.0
Net assets (sen)	568.5	632.0	672.2	676.9	681.7	577.3	593.6
Share price as at 31 Dec (RM)	9.17	8.40	8.20	9.80	9.50	-	-
Market capitalisation (RM' million)	85,455	81,999	83,584	105,671	104,972	-	-
FINANCIAL RATIOS (%)							
Profitability Ratios/Market Share							
Net interest margin on average interest-earning assets	2.3	2.4	2.3	2.4	2.3	1.9	2.0
Net interest on average risk-weighted assets	3.9	4.1	4.1	4.5	4.6	3.3	3.6
Net return on average shareholders' funds	13.8	12.2	10.6	10.9	11.4	10.6	11.9
Net return on average assets	1.1	1.0	0.9	1.0	1.0	1.2	1.5
Net return on average risk-weighted assets	2.0	1.9	1.8	2.0	2.2	2.3	3.0
Cost to income ratio ⁴	48.9	48.2	47.1	48.6	47.4	40.9	38.0
Domestic market share in:							
Loans, advances and financing	18.4	18.0	18.2	18.3	18.1	18.3	18.1
Deposits from customers – Savings Account	27.6	25.4	25.3	25.7	26.1	25.7	26.1
Deposits from customers – Current Account	21.1	19.9	20.4	19.4	19.3	19.4	19.3
CAPITAL ADEQUACY RATIOS (%)							
CET1 Capital Ratio	11.747	12.780	13.990	14.773	15.029	15.853	13.757
Tier 1 Capital Ratio	13.539	14.471	15.664	16.459	15.983	17.950	14.871
Total Capital Ratio	16.235	17.743	19.293	19.383	19.024	19.313	18.266
ASSET QUALITY RATIOS							
Net impaired loans (%)	1.04	1.43	1.60	1.58	1.28	1.72	1.73
Loan loss coverage (%)	95.6	72.0	72.0	71.5	83.6	72.3	74.3
Loan-to-deposit ratio (%) ⁵	93.2	92.7	93.9	93.8	92.7	84.6	85.8
Deposits to shareholders' fund (times) ⁶	8.3	8.0	7.5	7.2	7.4	5.3	3.9
VALUATIONS ON SHARE							
Gross dividend yield (%)	6.2	6.4	6.3	5.6	6.0	-	-
Dividend payout ratio (%)	78.5	76.3	78.1	78.5	77.3	-	-
Price to earnings multiple (times)	12.4	11.7	12.1	13.6	12.8	-	-
Price to book multiple (times)	1.6	1.3	1.2	1.4	1.4	-	-

¹ PPOP is equivalent to operating profit before impairment losses as stated in the income statements of the financial statements.

² Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments held-for-trading, financial investments at fair value through other comprehensive income, financial investments available-for-sale, financial investments at amortised cost and financial investments held-to-maturity.

³ Pursuant to Companies Act 2016, the share capital will cease to have par or nominal value, and share premium become part of the share capital.

⁴ Cost to income ratio is computed using total cost over the net operating income. The total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank Maybank Indonesia Tbk and Maybank Kim Eng Holdings Limited.

⁵ Loan-to-deposit ratio for December 2018, December 2017, December 2016 and December 2015 is computed using gross loans, advances and financing over deposits from customers and investment accounts of customers.

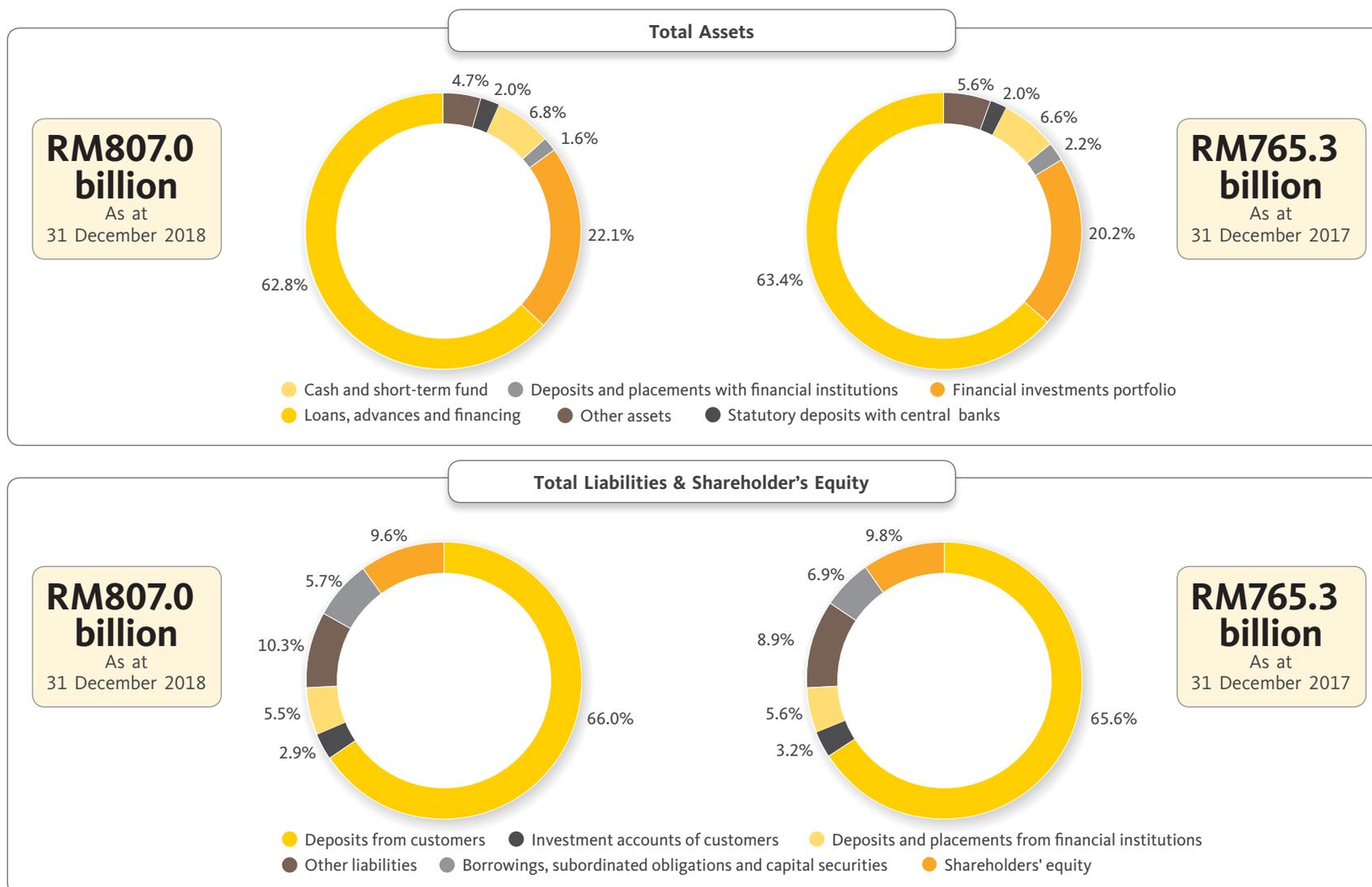
⁶ Deposits to shareholders' fund for December 2018, December 2017, December 2016 and December 2015 is including investment accounts of customers.



¹ Share capital for FY2016, FY2015 and FY2014 is inclusive of share premium.

Financial Performance

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION



GROUP QUARTERLY FINANCIAL PERFORMANCE

RM' million	FY 31 Dec 2018				
	Q1	Q2	Q3	Q4	YEAR
Operating revenue	11,515	11,509	12,062	12,234	47,320
Net interest income (including income from Islamic Banking Scheme operations)	4,368	4,320	4,388	4,608	17,684
Net earned insurance premiums	1,511	1,490	1,430	1,502	5,933
Other operating income	1,302	1,008	1,448	1,161	4,919
Total operating income	7,181	6,818	7,267	7,271	28,537
Operating profit	2,548	2,577	2,608	3,070	10,803
Profit before taxation and zakat	2,557	2,609	2,639	3,096	10,901
Profit attributable to equity holders of the Bank	1,871	1,959	1,957	2,326	8,113
Earnings per share (sen)	17.3	17.9	17.9	21.1	74.2
Dividend per share (sen)	-	25.00	-	32.00	57.00

RM' million	FY 31 Dec 2017				
	Q1	Q2	Q3	Q4	YEAR
Operating revenue	11,278	10,922	11,594	11,786	45,580
Net interest income (including income from Islamic Banking Scheme operations)	4,249	4,231	4,309	4,258	17,047
Net earned insurance premiums	1,254	1,256	1,307	1,434	5,251
Other operating income	1,405	1,527	1,497	1,598	6,027
Total operating income	6,908	7,014	7,113	7,290	28,325
Operating profit	2,208	2,179	2,602	2,894	9,883
Profit before taxation and zakat	2,249	2,245	2,678	2,926	10,098
Profit attributable to equity holders of the Bank	1,703	1,659	2,027	2,132	7,521
Earnings per share (sen)	16.7	16.1	19.2	19.9	72.0
Dividend per share (sen)	-	23.00	-	32.00	55.00



KEY INTEREST BEARING ASSETS AND LIABILITIES

	FY 31 Dec 2017			FY 31 Dec 2018		
	As at 31 December RM' million	Effective Interest Rate %	Interest Income/ Expense RM' million	As at 31 December RM' million	Effective Interest Rate %	Interest Income/ Expense RM' million
<u>Interest earning assets</u>						
Loans, advances and financing	485,584	4.86	24,010	507,084	5.46	25,493
Cash and short-term funds & deposits and placements with financial institutions	67,323	2.26	1,265	67,528	2.38	1,314
Financial assets at fair value through profit or loss	25,117	3.70	964	29,969	2.70	1,092
Financial investments available-for-sale	109,070	3.28	3,372	-	-	-
Financial investments held-to-maturity	20,185	5.37	704	-	-	-
Financial investments at fair value through other comprehensive income	-	-	-	120,914	3.36	3,647
Financial investments at amortised cost	-	-	-	27,069	5.55	1,007
<u>Interest bearing liabilities</u>						
Customers' funding:						
- Deposits from customers	502,017	2.38	9,613	532,733	2.32	11,300
- Investment accounts of customers	24,555	3.00	913	23,565	2.79	598
Deposits and placements from financial institutions	42,598	2.25	1,644	43,851	2.59	2,125
Borrowings	34,506	3.20	1,097	31,600	3.33	1,061
Subordinated obligations	11,979	4.74	855	10,717	4.62	915
Capital securities	6,284	6.06	395	3,531	5.25	342

STATEMENT OF VALUE ADDED

	FY 31 Dec 2017 RM'000	FY 31 Dec 2018 RM'000
Net interest income	12,147,041	12,072,906
Income from Islamic Banking Scheme operations	4,900,251	5,611,704
Net earned insurance premiums	5,250,890	5,933,563
Other operating income	6,027,304	4,918,997
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(5,087,342)	(4,907,529)
Overhead expenses excluding personnel expenses, depreciation and amortisation	(4,506,244)	(4,127,081)
Allowances for impairment losses on loans, advances and financing and other debts, net	(1,959,060)	(1,591,256)
Allowances for impairment losses on financial investments, net	(68,762)	(47,685)
Writeback of impairment losses on other financial assets, net	-	26,028
Share of profits in associates and joint ventures	214,620	98,285
Value added available for distribution	16,918,698	17,987,932

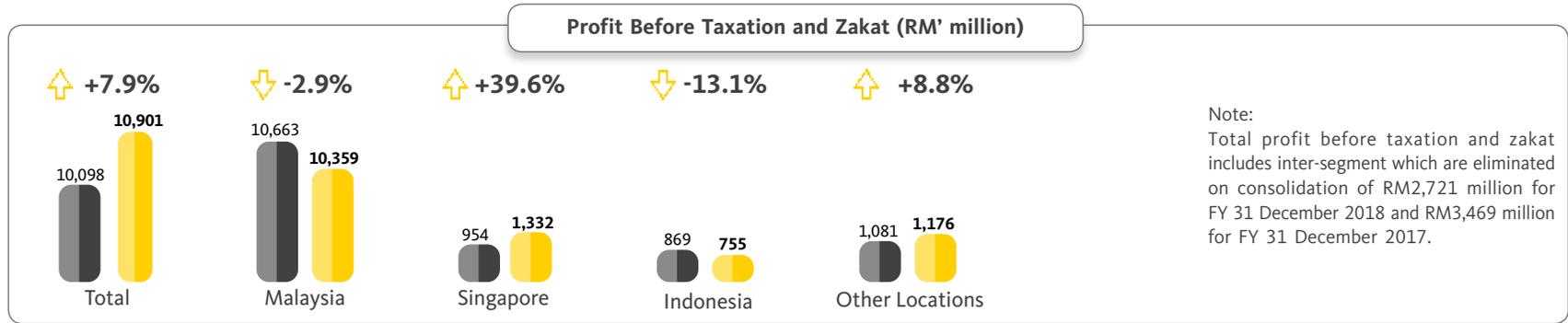
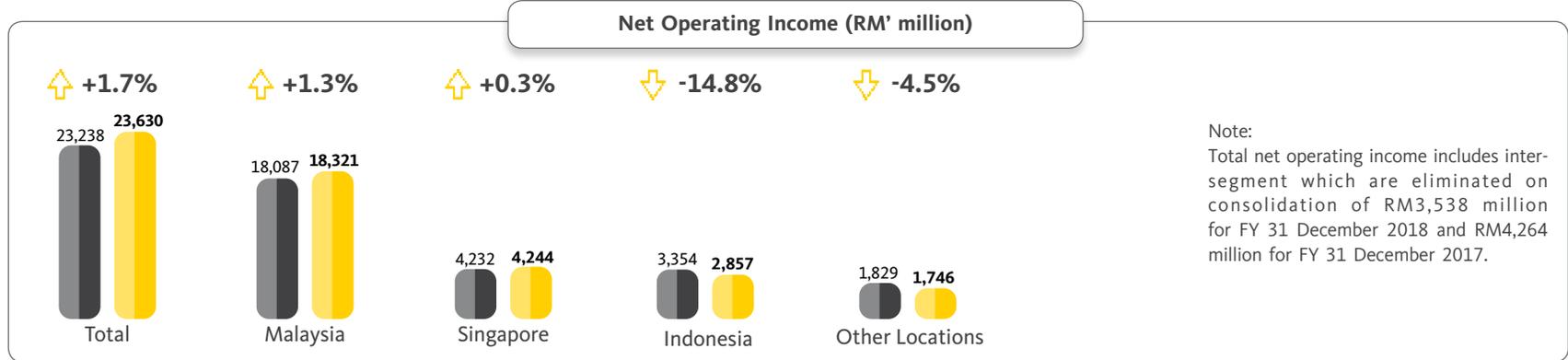
DISTRIBUTION OF VALUE ADDED

	FY 31 Dec 2017 RM'000	FY 31 Dec 2018 RM'000
To employees:		
Personnel expenses	6,128,012	6,449,524
To the Government:		
Taxation	2,301,222	2,545,410
To providers of capital:		
Dividends to shareholders	5,887,471	6,272,198
Non-controlling interests	276,332	242,676
To reinvest to the Group:		
Depreciation and amortisation	692,590	637,062
Retained profits	1,633,071	1,841,062
Value added available for distribution	16,918,698	17,987,932

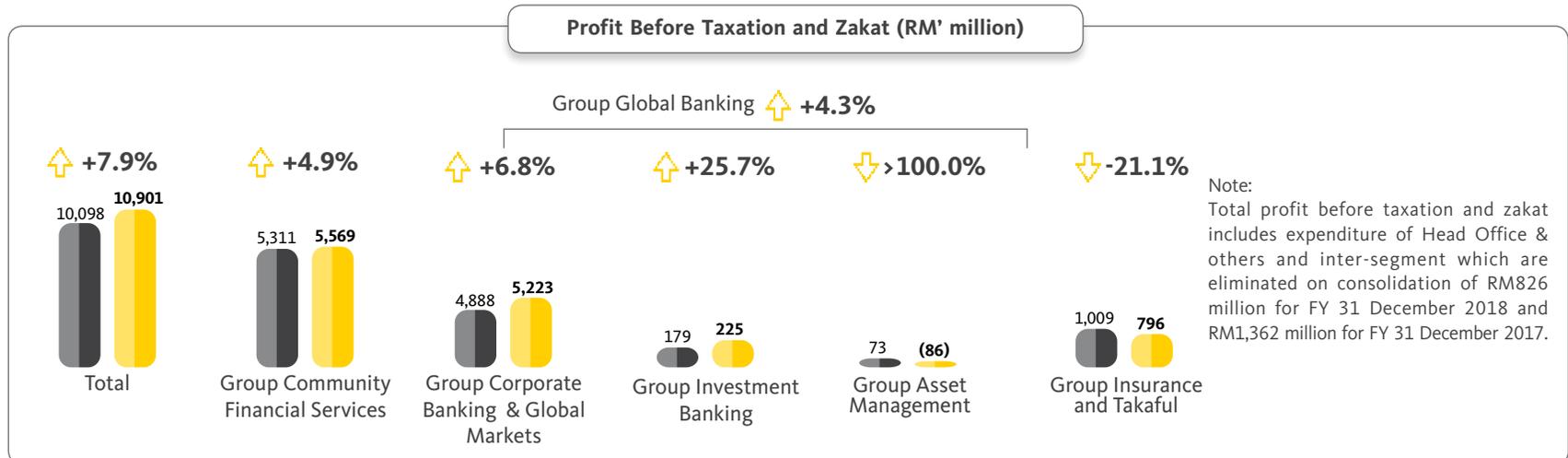
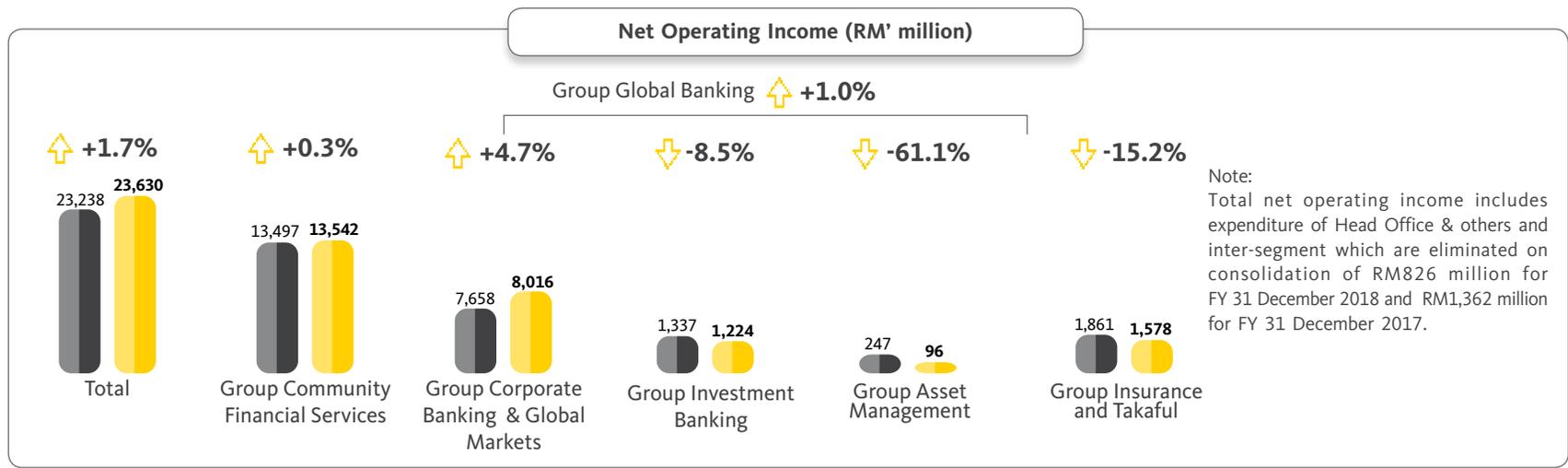
Financial Performance

SEGMENTAL INFORMATION

ANALYSIS BY GEOGRAPHICAL LOCATIONS



ANALYSIS BY BUSINESS SEGMENTS



● FY 31 Dec 2017 ● FY 31 Dec 2018



Financial Statements

10	Statement of Directors' Responsibility	36	Statements of Comprehensive Income
11	Analysis of Financial Statements	37	Consolidated Statement of Changes in Equity
16	Directors' Report	39	Statement of Changes in Equity
28	Statement by Directors	41	Statements of Cash Flows
28	Statutory Declaration	43	Notes to the Financial Statements
29	Independent Auditors' Report		
33	Index to the Financial Statements		
34	Statements of Financial Position		
35	Income Statements		

Statement of Directors' Responsibility

in respect of the Audited Financial Statements for the Financial Year Ended 31 December 2018

The directors are responsible for ensuring that the annual audited financial statements of the Group and of the Bank are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Bank are prepared with reasonable accuracy from the accounting records of the Group and of the Bank so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended.

In preparing the annual audited financial statements, the directors have:

- considered the applicable approved accounting standards in Malaysia;
- adopted and consistently applied appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the financial statements on a going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future.

The directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.

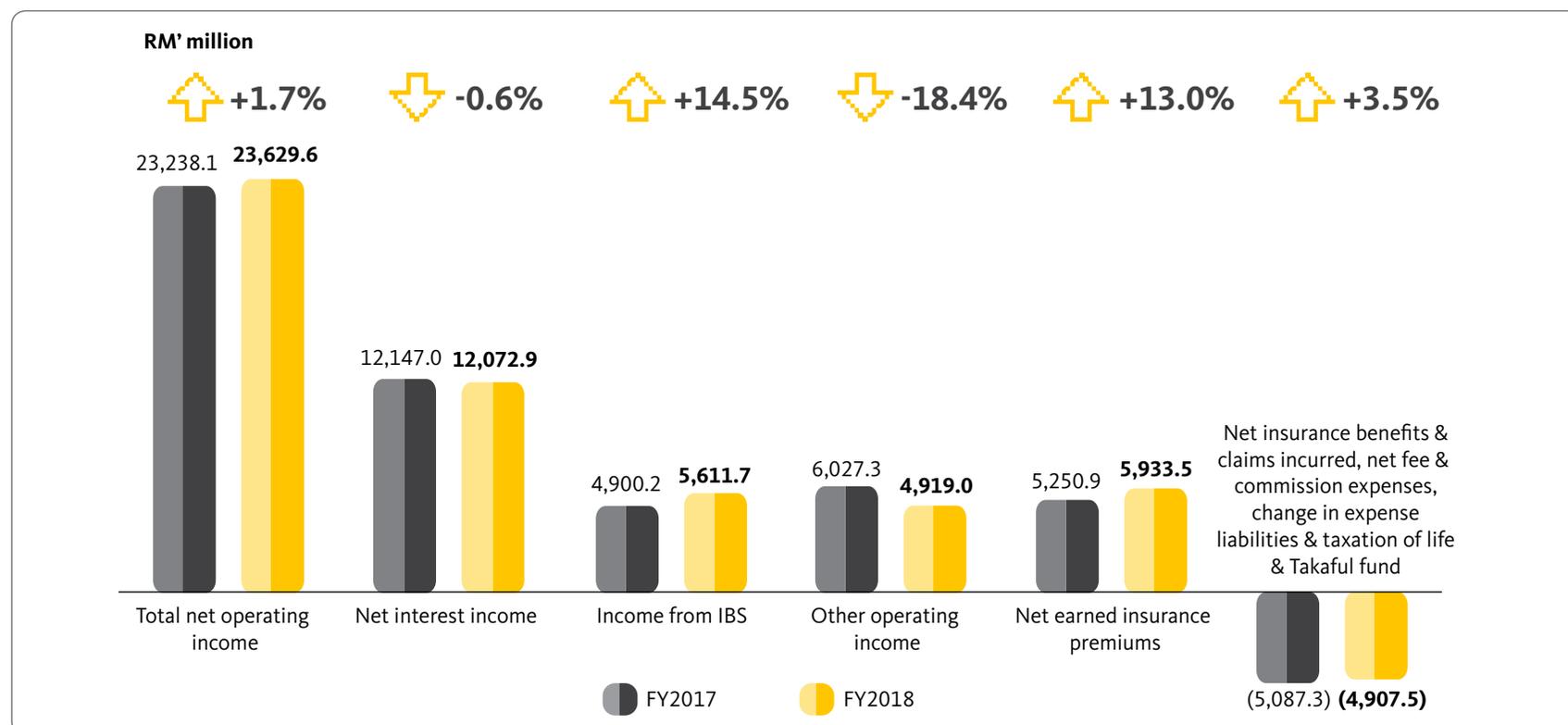


Analysis of Financial Statements

REVIEW OF FY2018 FINANCIAL RESULTS

Maybank Group continues to deliver value by achieving the highest profit attributable to equity holders of the Bank ("net profit") to date of RM8,113.3 million, up 7.9% from last year's RM7,520.5 million. This new record is driven by a 14.5% increase in income for Islamic Banking Scheme Operations ("IBS") of RM711.5 million, 13.0% increase in net earned insurance premium of RM682.6 million and further supported by a 20.5% reduction in allowances for net impairment losses of RM414.9 million.

NET OPERATING INCOME



NET INTEREST INCOME

Net interest income ("NII") contracted slightly by 0.6% as the Group's interest expense increased higher than the increase in interest income. Interest expense saw a 12.2% increase mainly from interest expense on deposits from customers of RM619.2 million and deposits and placements from financial institution of RM509.5 million and financial liabilities at fair value through profit and loss of RM205.8 million. However, this was mitigated by an increase in interest income from loans, advances and financing of RM437.5 million, financial investments portfolio of RM417.4 million, other interest income of RM209.2 million (mainly due to higher net accretion of discounts of RM209.2 million) and lower interest expense on borrowings, subordinated notes and bonds and capital securities of RM234.6 million.

RM' million	FY2017	FY2018	Variance	% Change
Interest Income				
Loans, advances and financing	16,465.3	16,902.8	437.5	2.7%
Money at call and deposits and placements with financial institutions	781.9	804.4	22.5	2.9%
Financial assets purchased under resale agreements	119.2	170.0	50.8	42.6%
Financial investments portfolio	4,635.7	5,053.1	417.4	9.0%
Other interest income	54.2	263.4	209.2	386.0%
	22,056.3	23,193.7	1,137.4	5.2%
Interest Expense				
Deposits and placements from financial institutions	671.1	1,180.6	509.5	75.9%
Deposits from customers	6,636.2	7,255.4	619.2	9.3%
Borrowings, subordinated notes and bonds and capital securities	2,209.7	1,975.1	(234.6)	(10.6%)
Financial liabilities at fair value through profit and loss	134.7	340.5	205.8	152.8%
Structured deposits	108.8	127.8	19.0	17.5%
Other interest expense	148.8	241.4	92.6	62.2%
	9,909.3	11,120.8	1,211.5	12.2%
Net interest income	12,147.0	12,072.9	(74.1)	(0.6%)

Analysis of Financial Statements

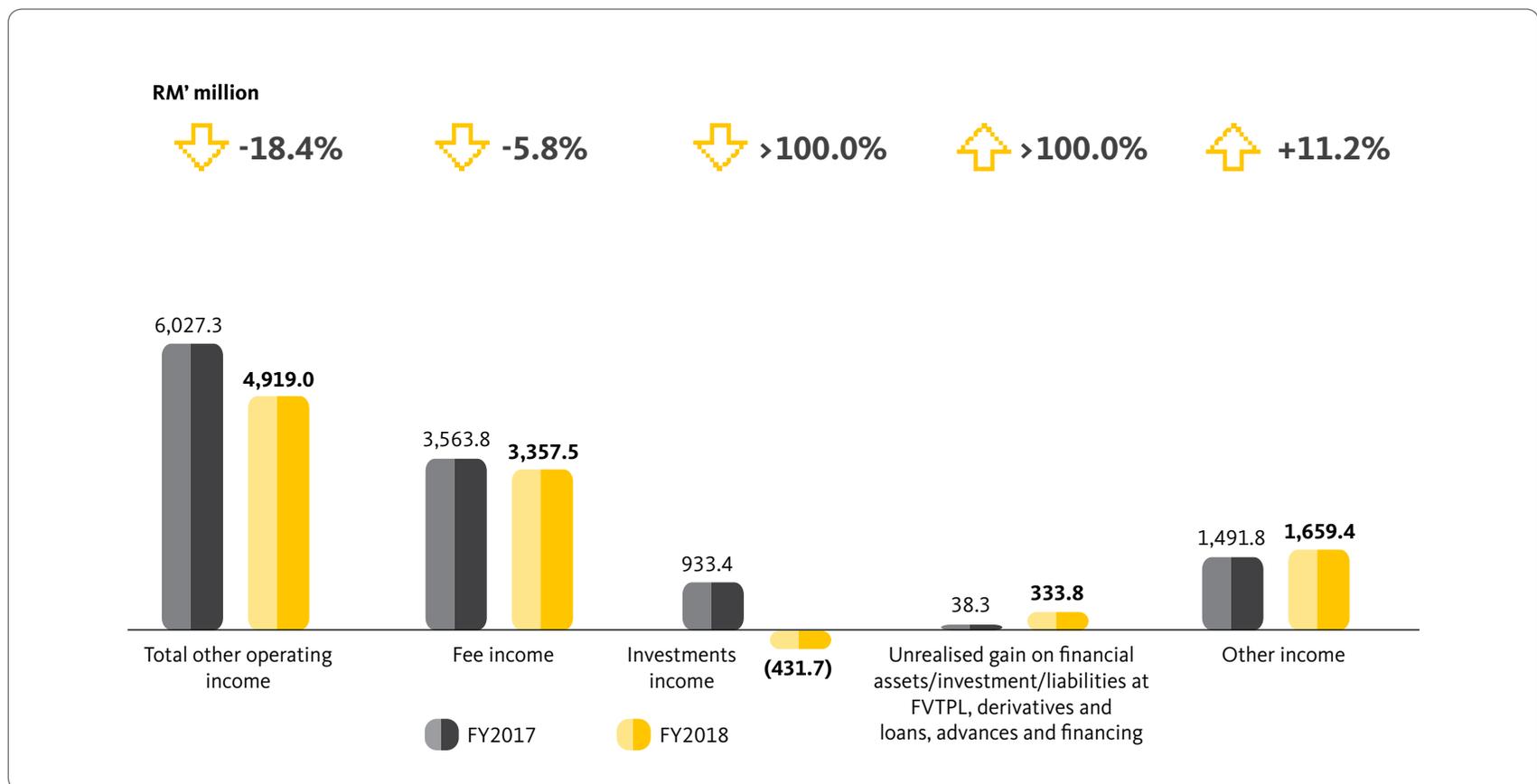
INCOME FOR ISLAMIC BANKING SCHEME OPERATIONS (“IBS”)

Income for Islamic Banking Scheme Operations (“IBS”) increased by RM711.5 million due to positive growth in fund based income of RM582.3 million and fee based income of RM129.1 million. Year-on-year growth in fund based income was mainly attributable to increase in income from financing and advances of RM1,047.3 million and financial investments portfolio of RM287.9 million. These were offset by increase in profit distributed to depositors and investment account holders of RM752.9 million.

The increase in fee based income was mainly due to gain on foreign exchange of RM135.8 million in the current year as compared to loss in a year earlier of RM11.8 million. This was offset by a decrease in fee income of RM23.1 million which attributable to decrease in service charges and fees of RM12.0 million and commission income of RM10.5 million.

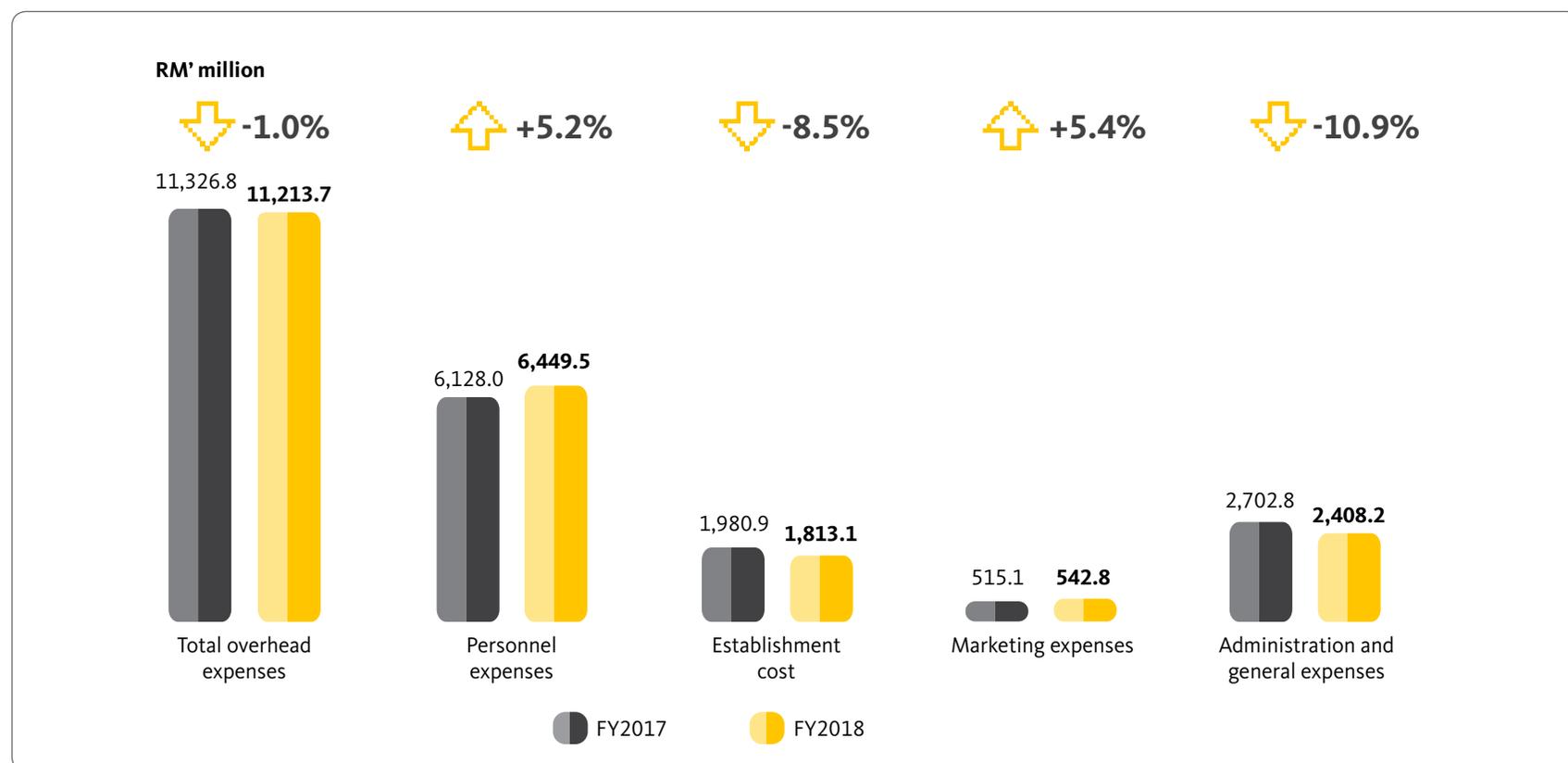
OTHER OPERATING INCOME

Other operating income of the Group for FY2018 stood at RM4,919.0 million, a decrease of RM1,108.3 million or 18.4% from RM6,027.3 million in FY2017. The decrease was mainly due to net loss in investment income of RM431.7 million for the FY2018 as compared to net gain in investment income of RM933.4 million in FY2017, lower fee income of RM206.3 million, lower gain on disposal of property, plant and equipment of RM130.4 million, lower realised gain on derivatives of RM29.5 million and lower gross dividend income of RM9.7 million compared to FY2017. The decrease was, however, mitigated by higher foreign exchange gain of RM283.4 million and higher unrealised mark-to-market gain on revaluation of financial assets/liabilities at FVTPL, derivatives and loans, advances and financing of RM295.5 million.



OVERHEAD EXPENSES

The Group's overhead expenses decreased by RM113.2 million which resulted in cost to income ratio of 47.4%, below the Group's guidance of 48%. The decrease in overhead expenses was mainly attributable to decrease in administration and general expenses of RM294.6 million and establishments costs of RM167.8 million. However, these were offset by increase in personnel expenses of RM321.5 million and marketing expenses of RM27.7 million.



Personnel expenses increased by RM321.5 million mainly due to the increase in salaries, allowances and bonuses of RM253.2 million, pension costs of RM64.0 million and other staff incentives of RM20.6 million.

Establishment costs decreased by RM167.8 million mainly due to lower fair value adjustments on investment properties of RM92.2 million, rental of leasehold land and premises of RM27.1 million and amortisation of computer software of RM24.5 million. However, information technology expenses increased by RM15.4 million as the Group continues adapting to new technological advances.

Administration and general expenses decreased by RM294.6 million mainly due to lower general expenses of RM165.9 million, other expenses of RM129.0 million and administrative expenses of RM16.5 million. However, these were offset by an increase in fees and brokerage of RM16.8 million.

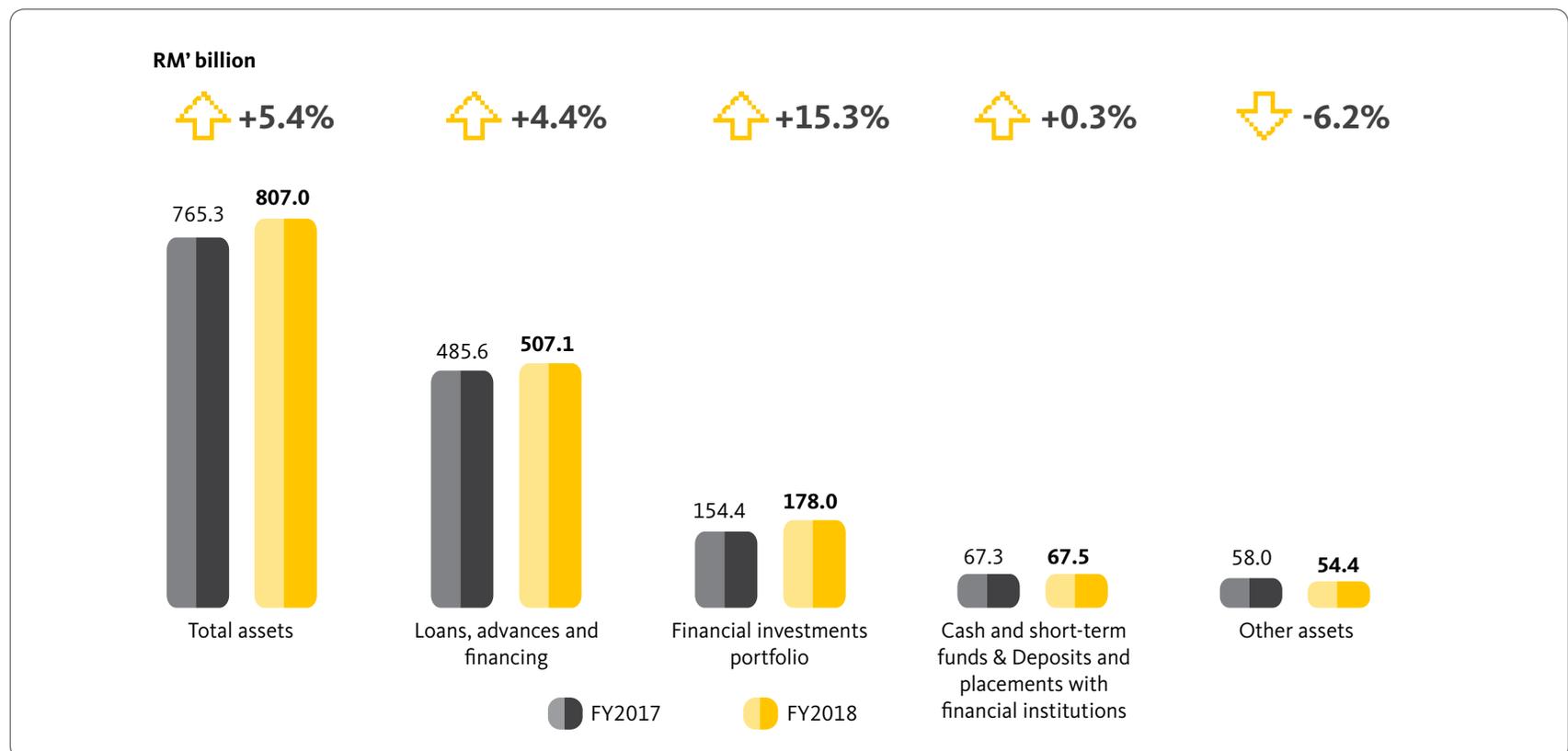
ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES, FINANCING AND OTHER DEBTS, NET

The Group's allowances for impairment losses on loans, advances, financing and other debts decreased by RM367.8 million to RM1,591.3 million for FY2018. The decrease was mainly due to lower allowance made in FY2018.

Analysis of Financial Statements

TOTAL ASSETS

Total assets increased to RM807.0 billion as at 31 December 2018 from RM765.3 billion as at 31 December 2017. The continued growth is mainly spurred by a 15.3% increase in financial investments portfolio of RM23.6 billion and a 4.4% increase in loans, advances and financing of RM21.5 billion. These were offset by decrease in other assets of RM3.6 billion and mainly arising from decrease in financial assets purchased under resale agreements.



LOANS, ADVANCES AND FINANCING

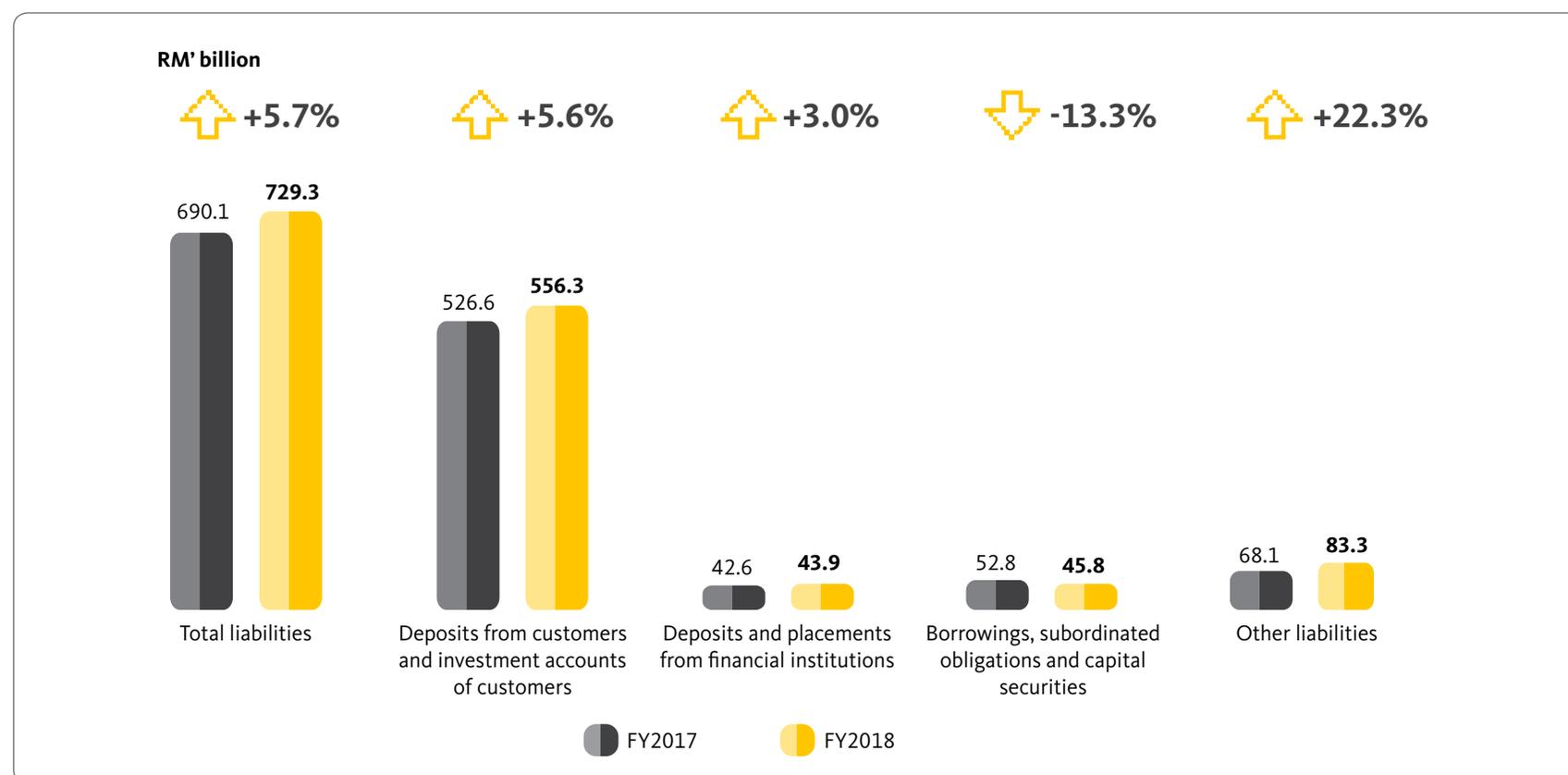
The Group's loans, advances and financing increased by 4.4% or RM21.5 billion to RM507.1 billion as at 31 December 2018, due to healthy growth recorded across home markets.

FINANCIAL INVESTMENTS PORTFOLIO

The Group's financial investments portfolio grew by 15.3% or RM23.6 billion to RM178.0 billion as at 31 December 2018, supported by growth in financial investments at fair value through other comprehensive income of RM11.8 billion, financial investments at amortised cost of RM6.9 billion, financial assets designated upon initial recognition at fair value through profit or loss of RM2.5 billion and financial investments at fair value through profit or loss of RM2.3 billion.

TOTAL LIABILITIES

The Group's total liabilities increased to RM729.3 billion as at 31 December 2018 from RM690.1 billion as at 31 December 2017. The change was attributed growth in deposits from customers and investment accounts of customers of RM29.7 billion and other liabilities of RM15.2 billion.



DEPOSITS FROM CUSTOMERS AND INVESTMENT ACCOUNTS OF CUSTOMERS

The Group's deposits from customers and investment accounts of customers increased by 5.6% or RM29.7 billion to RM556.3 billion mainly from Malaysia operations of RM26.0 billion.

BORROWINGS, SUBORDINATED OBLIGATIONS AND CAPITAL SECURITIES

The Group's borrowings, subordinated obligations and capital securities decreased by 13.3% or RM7.0 billion to RM45.8 billion as at 31 December 2018.

Directors' Report

The Board of Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and related financial services.

The subsidiaries of the Bank are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stockbroking, underwriting of general and life insurance, general and family takaful, trustee and nominee services and asset management. Further details of the subsidiaries are described in Note 68(a) to the financial statements.

There were no significant changes in these principal activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	10,901,346	8,748,426
Taxation and zakat	(2,545,410)	(1,440,615)
Profit for the financial year	8,355,936	7,307,811
Attributable to:		
Equity holders of the Bank	8,113,260	7,307,811
Non-controlling interests	242,676	–
	8,355,936	7,307,811

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those as disclosed in Notes 5, 6, 7, 11, 12, 13, 14, 15, 17, 18, 20, 29, 48, 49 and 50 and the statements of changes in equity to the financial statements.

In the opinion of the Board of Directors, the results of the operations of the Group and of the Bank during the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2017 (as disclosed in Note 55(c) to the financial statements) were as follows:

	RM'000
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
Final dividend of 32 sen single-tier dividend consists of cash portion of 18 sen single-tier dividend per ordinary share and an electable portion of 14 sen per ordinary share, on 10,943,266,994 ordinary shares, approved on 12 April 2018.	3,501,845
On 2 July 2018, Maybank announced that Board of Directors has resolved to exercise its rights not to proceed with the implementation of the 16th DRP in view of the softer equities market which has also affected its share price and paid the dividend on 6 July 2018.	
In respect of the financial year ended 31 December 2018:	
A single-tier interim dividend of 25 sen consists of cash portion of 15 sen per ordinary share and an electable portion of 10 sen per ordinary share, on 10,945,196,194 ordinary shares, declared on 30 August 2018 and paid on 30 October 2018.	2,736,299
	6,238,144

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2018 of 32 sen single-tier dividend per ordinary share amounting to a net dividend payable of RM3,535,898,553 (based on 11,049,682,979 ordinary shares issued as at 31 December 2018) will be proposed for the shareholders' approval.

The proposed final single-tier dividend consists of cash portion of 15 sen per ordinary share to be paid in cash amounting to RM1,657,452,447 and an electable portion of 17 sen per ordinary share amounting to RM1,878,446,106.

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 36(b) to the financial statements and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year ended 31 December 2018 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2019.



MAYBANK GROUP EMPLOYEES' SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE GRANT PLAN ("CESGP")

The Group and the Bank have implemented a new employee's share scheme named as the Maybank Group Employees' Share Grant Plan ("ESGP") and the scheme was awarded to the participating Maybank Group who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

Details on the key features of the ESGP and CESGP are disclosed in Note 36(c) to the financial statements.

Details of shares awarded under the ESGP Shares and CESGP are as follows:

(a) ESGP Shares

Award date	Number of ESGP Shares awarded '000	Vesting date
14.12.2018 – First Grant	12,392 [#]	Based on 3-year cliff vesting from grant date and performance metrics

[#] Total shares awarded to eligible employees at award date are based on assumptions that the Group and eligible employees have met average performance targets. The eligible employees were given thirty (30) days from award date to accept the ESGP grant. As at 31 December 2018, a total of 10,018,000 units of ESGP Shares were accepted by the eligible employees.

(b) CESGP

Award date	Number of CESGP awarded '000	Vesting date
14.12.2018 – First Grant	3,324 [#]	Based on 3-year cliff vesting from grant date and CESGP vesting conditions

[#] The number of shares awarded are based on the assumptions that the Group and eligible employees have met average performance targets.

The maximum number of ordinary shares in the Bank available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme.

Directors' Report

MAYBANK GROUP EMPLOYEES' SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE GRANT PLAN ("CESGP") (CONT'D.)

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been awarded the ESGP Shares and CESGP for less than 104,000 shares during the financial year ended 31 December 2018.

The names of employees who have been awarded with the ESGP Shares and CESGP of 104,000 shares and above during the financial year ended 31 December 2018 are as follows:

Name	Award date	Number of ESGP Shares awarded '000	Number of CESGP awarded '000
Datuk Abdul Farid bin Alias	14.12.2018	300	-
Dato' Amirul Feisal bin Wan Zahir	14.12.2018	104	-
Dato' John Chong Eng Chuan	14.12.2018	104	-
Dato' Muzaffar bin Hisham	14.12.2018	104	-
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	14.12.2018	104	-
Datuk Hamirullah bin Boorhan	14.12.2018	104	-
Dr John Lee Hin Hock	14.12.2018	-	104
Hon Kah Cho	14.12.2018	104	-
Normala binti A. Manaf	14.12.2018	104	-
Kamaludin bin Ahmad	14.12.2018	104	-
Mohd Suhail Amar Suresh bin Abdullah	14.12.2018	104	-
Gilbert August Alfred Kohnke	14.12.2018	104	-
Foong Seong Yew	14.12.2018	104	-

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS")

Maybank Group ESS has expired on 23 June 2018. The ESS was governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It was in force for a maximum period of seven (7) years from the effective date and was administered by the ESS Committee. The ESS consisted of two (2) types of performance-based awards in the form of Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU").

The ESS Committee may, from time to time, during the ESS period, make further RSU grants designated as Supplemental RSU ("SRSU") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such SRSU grants may contain terms and conditions which may vary from earlier RSU grants made available to selected senior management.

The CESS was governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The CESS comprised of Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and were made available at the appropriate time to the eligible employees of overseas branches and subsidiaries of the Bank which include PT Bank Maybank Indonesia Tbk, PT Bank Maybank Syariah Indonesia and Maybank Philippines Incorporated, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries.

The aggregate maximum allocation of share options under ESS to Chief Executive Officer and senior management of the Group and of the Bank shall not exceed 50% of the Maximum Allowable Scheme Shares. The actual allocation of share options to Chief Executive Officer and senior management is 19.3% as at 31 December 2018 (2017: 19.4%).

Details on the key features of the ESS and CESS are disclosed in Note 36(d) to the financial statements.



MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

Details of share options granted, vested and exercised under the ESS and CESS are as follows:

(a) ESOS Granted

Grant date	Number of share options '000	Original exercise price RM/option	Exercise period
23.6.2011 – ESOS First Grant	405,309 [#]	8.82*	30.6.2011 – 22.6.2018
30.4.2012 – ESOS Second Grant	62,339 [#]	8.83*	7.5.2012 – 22.6.2018
30.4.2013 – ESOS Third Grant	53,594 [#]	9.61*	21.5.2013 – 22.6.2018
30.4.2014 – ESOS Fourth Grant	54,028 [#]	9.91*	21.5.2014 – 22.6.2018
30.4.2015 – ESOS Fifth Grant	48,170 [#]	9.35*	21.5.2015 – 22.6.2018
30.9.2015 – ESOS Special Grant	992 [#]	8.39*	21.10.2015 – 22.6.2018

[#] The number of share options granted are based on the assumptions that the eligible employees met average performance targets.

* The ESS Committee approved the reduction of the ESOS exercise prices following the issuances of new ordinary shares pursuant to the implementation of DRP.

Following the issuance of new ordinary shares pursuant to the implementation of DRP, the revisions to the exercise prices are as follows:

Grant date	Exercise price RM/option	Exercise period
23.6.2011 – ESOS First Grant	8.82	30.6.2011 – 28.12.2011
	8.78	29.12.2011 – 4.6.2012
	8.76	5.6.2012 – 28.10.2012
	8.75	29.10.2012 – 5.6.2016
	8.74	6.6.2016 – 31.10.2016
	8.71	1.11.2016 – 22.6.2018
30.4.2012 – ESOS Second Grant	8.83	7.5.2012 – 28.10.2012
	8.82	29.10.2012 – 5.6.2016
	8.81	6.6.2016 – 31.10.2016
	8.78	1.11.2016 – 22.6.2018
30.4.2013 – ESOS Third Grant	9.61	21.5.2013 – 27.6.2013
	9.59	28.6.2013 – 21.11.2013
	9.58	22.11.2013 – 24.6.2014
	9.56	25.6.2014 – 29.6.2015
	9.54	30.6.2015 – 5.6.2016
	9.51	6.6.2016 – 31.10.2016
30.4.2014 – ESOS Fourth Grant	9.47	1.11.2016 – 22.6.2018
	9.91	21.5.2014 – 24.6.2014
	9.88	25.6.2014 – 28.10.2014
	9.87	29.10.2014 – 29.6.2015
	9.84	30.6.2015 – 5.6.2016
	9.80	6.6.2016 – 31.10.2016
30.4.2015 – ESOS Fifth Grant	9.75	1.11.2016 – 22.6.2018
	9.35	21.5.2015 – 5.6.2016
	9.32	6.6.2016 – 31.10.2016
30.9.2015 – ESOS Special Grant	9.28	1.11.2016 – 22.6.2018
	8.39	21.10.2015 – 31.10.2016
	8.37	1.11.2016 – 22.6.2018

Directors' Report

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(a) ESOS Granted (cont'd.)

The following table illustrates the number of, and movements in, ESOS during the financial year ended 31 December 2018:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ¹ '000	Forfeited '000	Expired '000	
30.4.2013	11,760	(10,047)	(7)	(1,706)	-
30.4.2014	20,018	(18,186)	(25)	(1,807)	-
30.4.2015	26,456	(24,036)	(35)	(2,385)	-
30.9.2015	12,346	(11,113)	(20)	(1,213)	-
	70,580	(63,382)	(87)	(7,111)	-

¹ Issuance of 57,757,300 new ordinary shares to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 5,624,600 ordinary shares under ESOS Trust Fund Pool.

4,585,200 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ² '000	Forfeited '000	Expired '000	
30.4.2013	1,937	(1,759)	-	(178)	-
30.4.2014	2,886	(2,694)	(18)	(174)	-
30.4.2015	3,761	(3,490)	(11)	(260)	-
3.5.2016	3,862	(3,636)	(13)	(213)	-
30.9.2016	1,761	(1,660)	(4)	(97)	-
	14,207	(13,239)	(46)	(922)	-

² Issuance of 12,028,100 new ordinary shares to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 1,210,700 ordinary shares under ESOS Trust Fund Pool.

772,300 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Third Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ³ '000	Forfeited '000	Expired '000	
21.5.2013	3,948	(3,619)	(35)	(294)	-
30.4.2014	5,330	(4,953)	(53)	(324)	-
30.4.2015	5,734	(5,409)	(63)	(262)	-
3.5.2016	5,513	(5,144)	(63)	(306)	-
2.5.2017	5,768	(5,284)	(56)	(428)	-
	26,293	(24,409)	(270)	(1,614)	-

³ Issuance of 23,255,900 new ordinary shares to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 1,152,900 ordinary shares under ESOS Trust Fund Pool.

751,900 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(a) ESOS Granted (cont'd.)

The following table illustrates the number of, and movements in, ESOS during the financial year ended 31 December 2018 (cont'd.):

ESOS Fourth Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year				Outstanding as at 31.12.2018 '000
		Vested '000	Exercised ⁴ '000	Forfeited '000	Expired '000	
21.5.2014	7,307	-	(6,573)	(88)	(646)	-
30.4.2015	8,690	-	(7,734)	(131)	(825)	-
3.5.2016	8,008	-	(7,272)	(94)	(642)	-
2.5.2017	8,163	-	(7,105)	(105)	(953)	-
15.3.2018	-	8,177	(6,596)	(10)	(1,571)	-
	32,168	8,177	(35,280)	(428)	(4,637)	-

⁴ Issuance of 33,021,300 new ordinary shares to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 2,258,200 ordinary shares under ESOS Trust Fund Pool.

18,800 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Fifth Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year				Outstanding as at 31.12.2018 '000
		Vested '000	Exercised ⁵ '000	Forfeited '000	Expired '000	
21.5.2015	6,309	-	(5,674)	(127)	(508)	-
3.5.2016	6,935	-	(6,179)	(188)	(568)	-
2.5.2017	7,750	-	(6,732)	(212)	(806)	-
15.3.2018	-	9,746	(8,164)	(19)	(1,563)	-
	20,994	9,746	(26,749)	(546)	(3,445)	-

⁵ Issuance of 25,028,300 new ordinary shares to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 1,720,800 ordinary shares under ESOS Trust Fund Pool.

721,600 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Special Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ⁶ '000	Forfeited '000	Expired '000	
21.10.2015	33	(28)	-	(5)	-
3.5.2016	48	(42)	-	(6)	-
2.10.2017	58	(53)	-	(5)	-
	139	(123)	-	(16)	-

⁶ Issuance of 116,400 new ordinary share to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 6,700 ordinary shares under ESOS Trust Fund Pool.

6,000 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

Directors' Report

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(b) RSU Granted

The following table illustrates the number of, and movements in, RSU during the financial year ended 31 December 2018:

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000	Vesting date
		Adjustment '000	Vested and awarded '000	Forfeited '000		
23.6.2011 – RSU First Grant	4	–	(4) ¹	–	–	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2015 – RSU Fifth Grant	5,665	195 ²	(4,414) ³	(1,446)	–	
	5,669	195	(4,418)	(1,446)	–	

¹ RSU shares which belonged to a deceased employee have been vested and disposed during the financial year ended 31 December 2018. All proceeds were transferred to deceased employee's next-of-kin.

² Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2018.

³ Issuance of 4,387,816 new ordinary shares to eligible employees during the financial year ended 31 December 2018 and utilisation of 26,680 ordinary shares under ESOS Trust Fund Pool.

(c) SRSU Granted

The following table illustrates the number of, and movements in, SRSU during the financial year ended 31 December 2018:

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Granted '000	Vested '000	
3.5.2016	34	–	(34) ¹	–

¹ Utilisation of 34,000 ordinary shares ESOS Trust Fund Pool.

(d) CESOS Granted

The following tables illustrate the numbers of, and movements in, CESOS during the financial year ended 31 December 2018:

CESOS First Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	452	(437)	(15)	–
30.9.2015	232	(224)	(8)	–
	684	(661)	(23)	–

CESOS Second Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	603	(602)	(1)	–
30.9.2016	64	(63)	(1)	–
	667	(665)	(2)	–



MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(d) CESOS Granted (cont'd.)

The following tables illustrate the numbers of, and movements in, CESOS during the financial year ended 31 December 2018 (cont'd.):

CESOS Third Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	332	(317)	(15)	-

CESOS Fourth Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	245	(244)	(1)	-

CESOS Fifth Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	552	(452)	(100)	-

(e) CRSU Granted

The following tables illustrate the numbers of, and movements in, CRSU during the financial year ended 31 December 2018:

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000	Vesting date
		Adjustment '000	Vested and awarded '000	Forfeited '000		
30.4.2015 – CRSU Fifth Grant	168	5 ¹	(105)	(68)	-	Based on 3-year cliff vesting from the grant date and performance metrics

¹ Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2018.

Directors' Report

ISSUANCE OF SHARES AND DEBENTURES

The following are the changes in debt and equity securities for the Group and the Bank during the financial year ended 31 December 2018:

- (i) During the financial year ended 31 December 2018, the Bank increased its issued and paid-up ordinary shares from 10,782,745,278 units to 11,049,682,979 units via:
- Issuance of 158,063,100 new ordinary shares amounting to RM1,532,435,821 to eligible employees who exercised their share options under the ESS, as disclosed in Note 36(e)(i) to the financial statements;
 - Issuance of 4,387,816 new ordinary shares amounting to RM45,940,434 arising from the Restricted Share Unit ("RSU"), as disclosed in Note 36(f)(i) to the financial statements; and
 - Issuance of 104,486,785 new ordinary shares amounting to RM918,685,326 arising from the DRP relating to electable portion of the interim dividend of 10 sen per ordinary share in respect of the financial year ended 31 December 2018, as disclosed in Note 55(c)(ii) to the financial statements.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Bank.

- (ii) During the financial year ended 31 December 2018, the Group and the Bank made various issuances and redemptions of the debt securities, as disclosed in Notes 27, 33, 34 and 35 to the financial statements.

The proceeds from the issuances may be utilised to fund the working capital, general banking and other corporate purposes.

DIRECTORS

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Datuk Mohaiyani binti Shamsudin (Chairman)
 Datuk Abdul Farid bin Alias (Group President & Chief Executive Officer)
 Datuk R. Karunakaran
 Mr Cheng Kee Check
 Mr Edwin Gerungan
 Mr Nor Hizam bin Hashim
 Dr Hasnita binti Dato' Hashim
 Mr Anthony Brent Elam
 Ms Che Zakiah binti Che Din (appointed on 1 March 2018)
 Ms Fauziah binti Hisham (appointed on 15 May 2018)
 Mr Shariffuddin bin Khalid (appointed on 14 June 2018)
 Mr Renato Tinio De Guzman (resigned on 5 March 2018)
 Dato' Johan bin Ariffin (retired on 12 April 2018)
 Datin Paduka Jam'iah binti Abdul Hamid (deceased on 19 November 2018)

The names of the directors of the Bank's subsidiaries in office since the beginning of the financial year to the date of this report are disclosed in Note 70 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Bank or any of its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than those arising from the ESGP and ESS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Bank and its related corporations, or the fixed salary of a full-time employee of the Bank as disclosed in Note 47 to the financial statements) by reason of a contract made by the Bank or its related corporations with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for Mr Cheng Kee Check, who is deemed to receive or become entitled to receive a benefit by virtue of fees paid by the Bank or its related corporations to the law firm in which he is a partner in that firm that provides professional legal services to the Bank or its related corporations in the ordinary course of business.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares, ESOS and RSU of the Bank during the financial year were as follows:

Direct interest	As at 1.1.2018/ date of appointment	Number of ordinary shares		As at 31.12.2018
		Issued pursuant to RSU	Issued pursuant to DRP	
Datuk Abdul Farid bin Alias	448,419	177,871	7,116	633,406
Ms Fauziah binti Hisham	14,321	-	162	14,483

DIRECTORS' INTERESTS (CONT'D.)

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares, ESOS and RSU of the Bank during the financial year were as follows (cont'd.):

	Exercise Price (RM)	Number of ESOS of ordinary shares				
		Granted	Outstanding as at 1.1.2018	Vested	Exercised	Vested as at 31.12.2018
Datuk Abdul Farid bin Alias	8.82 [#]	1,000,000 [^]	416,000	-	(416,000)	-
	9.91 ^{##}	1,410,000 ^{^^}	1,110,000	375,000	(1,485,000)	-
		2,410,000	1,526,000	375,000	(1,901,000)	-

[#] Revised to RM8.71 on 1 November 2016 based on the revision to ESOS First Grant's exercise price.

^{##} Revised to RM9.75 on 1 November 2016 based on the revision to ESOS Fourth Grant's exercise price.

[^] Share options from ESOS granted and vested prior to the appointment as Group President & Chief Executive Officer are 1,000,000 and 575,000 respectively.

^{^^} Original shares options granted on the grant date.

	Grant Date	Number of share options from RSU over ordinary shares				
		Granted as at 1.1.2018	Adjustment pursuant to DRP	Vested during the financial year	Not vested during the financial year	Outstanding as at 31.12.2018
Datuk Abdul Farid bin Alias	30.4.2015	200,000	7,871	(177,871)	(30,000)	-

As at 31 December 2018, all ESOS and RSU which were granted to the director have been vested and exercisable upon fulfilment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

During the financial year, the Bank has awarded the ESGP Shares to the following director:

	Award date	Number of ESGP Shares awarded
Datuk Abdul Farid bin Alias	14.12.2018	300,000

None of the other directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating received
Moody's Investors Service	7 February 2019	Outlook	Stable
		Bank Deposits	A3/P-2
		Baseline Credit Assessment	a3
		Adjusted Baseline Credit Assessment	a3
		Counterparty Risk Assessment	A2(cr)/P-1(cr)
		Senior Unsecured	A3
		Subordinate	Baa2 (hybrid)
		Commercial Paper	P-2
Standard & Poor's ("S&P")	18 December 2018	Counterparty Risk Ratings	A2/P-1
		Issuer Credit Rating	A-/Stable/A-2
		Junior Subordinated	BB+
		Senior Unsecured	A-
		Senior Unsecured	A-2
Subordinated	BBB		

Directors' Report

RATING BY EXTERNAL RATING AGENCIES (CONT'D.)

Details of the Bank's ratings are as follows (cont'd.):

Rating agency	Date	Rating classification	Rating received
Fitch Ratings	19 October 2018	Long-Term Foreign-Currency Issuer Default Rating Short-Term Foreign-Currency Issuer Default Rating Long-Term Local-Currency Issuer Default Rating Viability Rating Support Rating Support Rating Floor Senior Notes and Multicurrency MTN Programme	A-/Stable F2 A-/Stable a- 2 BBB A-
RAM Ratings Services Berhad ("RAM")	21 December 2018	Financial Institution Ratings – National Scale Financial Institution Ratings – ASEAN Scale RM20.0 billion Subordinated Note Programme RM10.0 billion Additional Tier-1 Capital Securities Programme RM10.0 billion Senior and Subordinated Sukuk Murabahah Programme – Senior – Subordinated RM10.0 billion Commercial Papers/Medium Term Notes Programme	AAA/Stable/P1 seaAAA/Stable/seaP1 AA1/Stable AA3/Stable AAA/Stable AA1/Stable AAA/Stable/P1
Malaysian Rating Corporation Berhad	6 August 2018	Financial Institution Rating Intrinsic Credit Strength Rating Corporate Debt Rating Outlook	AAA/MARC-1 A-ND AAA Stable
Japan Credit Rating Agency	28 November 2018	Foreign Currency Long-term Issuer Rating Outlook Bond	A Stable A
China Chengxin International ("CCXI")	30 July 2018	Issuer's Credit Rating Outlook Renminbi Bond Credit Rating	AAA Stable AAA

BUSINESS OUTLOOK

Global GDP growth is expected to ease in 2019 to +3.6% from +3.8% in 2018 on continued normalising of monetary policies globally, which include rising interest rates and reversal of quantitative easing measures by major central banks, coupled with spill over effects from the US-China trade war. Moderating global GDP growth is expected to be led by major advanced economies including the US (2019E: +2.5%; 2018E: +2.9%) and Eurozone (2019E: +1.7%; 2018E: +1.9%), as well as selected BRIC markets such as China (2019E: +6.3%; 2018E: +6.6%) and Russia (2019E: +1.5%; 2018E: +1.7%).

A similar pace of slower growth is likely to be seen in the ASEAN-6 countries (2019E: +4.8%; 2018E: +5.0%) on the back of global macroeconomic headwinds causing uncertainty. Out of Maybank Group's three home markets, Malaysia is expected to chart stable growth at +4.9% in 2019 (2018: 4.7%) on improved growth in the mining and agriculture sectors, private investment, as well as positive net external demand. Some considerations that could impact Malaysia's economic growth include the outcome of the US-China trade talks and the Government's long term economic growth policy.

Singapore's economic growth is forecasted to grow at +2.2% in 2019 (2018: 3.2%). Impact from trade tensions and tightening global monetary conditions continues to weigh on growth and the negative impact is moreover broadening to services, no longer just exports and manufacturing. Indonesia's economy is expected to grow at +5.1% in 2019 (2018: +5.2%), supported by consumption that is boosted by a minimum wage increase and low inflation rate, but mitigated by potentially lower domestic and foreign direct investments ahead of the parliamentary and presidential elections in April 2019.

Against the backdrop of a moderating global growth and uncertainty over trade tensions, Maybank Group will maintain its balance sheet expansion in line with the forecast economic growth of its three home markets and in tandem with the Group's risk posture. Maybank Group will continue building on its diversified franchise and footprint to expand income streams through cross business collaborations and from focusing on diligent pricing of its assets and liabilities.

Indonesia is expected to maintain its GDP growth driven by domestic demand and government infrastructure spending. Maybank Indonesia will remain focused on corporate lending growth among top-tier clients while protecting its net interest margin by maintaining pricing discipline across all products. Another area of growth for Maybank Indonesia will be the expansion of its fee income streams through strategic partnerships in bancassurance and general insurance as well as e-channel transactions.



BUSINESS OUTLOOK (CONT'D.)

Other key on-going priorities for Maybank Group into 2019 include our emphasis to improve productivity levers, up-skilling of our workforce to be ready for a digital economy, proactively manage asset quality in line with new accounting standards (MFRS 9) and prioritising capital and liquidity strength given increasing capital markets volatility and global macroeconomic headwinds.

Barring any unforeseen circumstances, the Group expects its financial performance for 2019 to be satisfactory in line with the expected growth prospects of its key home markets. The Group has set its Headline Key Performance Indicator ("KPI") for Return on Equity ("ROE") of approximately 11%.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and income statements of the Group and of the Bank were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written-off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and
 - (ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

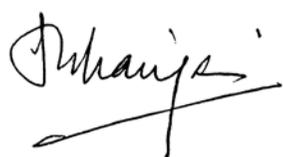
The significant and subsequent events are disclosed in Note 65 to the financial statements. There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance which is within the period from 1 January 2019 to 26 February 2019.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 46 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 26 February 2019.



Datuk Mohaiyani binti Shamsudin

Kuala Lumpur, Malaysia



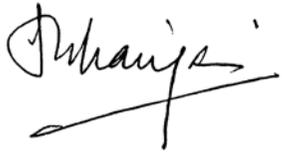
Datuk Abdul Farid bin Alias

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Mohaiyani binti Shamsudin and Datuk Abdul Farid bin Alias, being two of the directors of Malayan Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 318 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and of the results and the cash flows of the Group and of the Bank for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 26 February 2019.



Datuk Mohaiyani binti Shamsudin

Kuala Lumpur, Malaysia

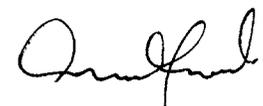


Datuk Abdul Farid bin Alias

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Dato' Amirul Feisal bin Wan Zahir, being the officer primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 318 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



Dato' Amirul Feisal bin Wan Zahir

Subscribed and solemnly declared by the abovenamed Dato' Amirul Feisal bin Wan Zahir at Kuala Lumpur in the Federal Territory on 26 February 2019

Before me,



Lot 333, 3rd Floor, Wisma MPL
Jalan Raja Chulan,
50200 Kuala Lumpur



Independent Auditors' Report

to the members of Malayan Banking Berhad
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malayan Banking Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 314.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with *the By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk area and rationale	Our response
<p><u>Impairment of (i) goodwill and (ii) investment in subsidiaries and interest in associates</u></p> <p>(i) Goodwill</p> <p>The Group's goodwill balance as at 31 December 2018 stood at RM5.6 billion.</p> <p>Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group is required to annually test the amount of goodwill for impairment.</p> <p>(ii) Investment in subsidiaries and interest in associates</p> <p>As at 31 December 2018, the carrying amount of investment in subsidiaries (Bank only) stood at RM31.4 billion and interest in associates (Group and Bank) stood at RM2.3 billion and RM0.5 billion respectively.</p> <p>Similarly, we focused on impairment assessment of investment in subsidiaries and interest in associates as the impairment testing relies on VIU estimates based on estimated future cash flows.</p> <p>These involve management judgement and are based on complex assumptions that are affected by expected future market and economic conditions.</p> <p><i>Refer to summary of significant accounting policies in Notes 2.3(i), 2.3(ii) and 2.3(iii), significant accounting judgements, estimates and assumptions in Notes 3.6 and 3.7 and the disclosure of (i) goodwill and (ii) investment in subsidiaries and interest in associates in Notes 21, 22 and 24 to the financial statements.</i></p>	<p>Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment.</p> <p>We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions.</p> <p>We also assessed the appropriateness of the other key assumptions, such as the weighted average cost of capital discount rates assigned to the CGUs, as well as the long-term growth rate, by comparing against internal information, and external economic and market data.</p> <p>We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts.</p> <p>We also reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.</p>

Independent Auditors' Report

to the members of Malayan Banking Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale	Our response
<p><u>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss</u></p> <p>As at 31 December 2018, the loans, advances and financing represent 63% and 50% of the total assets of the Group and of the Bank respectively, and the investments carried at amortised cost and fair value through other comprehensive income represent 18% and 25% of the total assets of the Group and of the Bank respectively.</p> <p>The adoption of MFRS 9 has fundamentally changed the Group's and the Bank's accounting for loans, advances and financing and investments' loss impairment by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.</p> <p>The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios.</p> <p>Refer to summary of significant accounting policies in Note 2.3(v), significant accounting judgements, estimates and assumptions in Notes 3.2 and 3.4 and the disclosures of loans, advances and financing and investments in Notes 11, 13, 15, 48 and 49 to the financial statements.</p>	<p>Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of the loans, advances and financing and investments.</p> <p>We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL.</p> <p>For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's and the Bank's credit risk management practices.</p> <p>For the measurement of ECL, we assessed and tested reasonableness of the Group's and the Bank's ECL models, including model input, model design and model performance for significant portfolios. We challenged whether historic experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios.</p> <p>We evaluated if changes in modeling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed, tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>With respect to individually assessed ECL which are mainly in relation to the impaired financial assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. For cases where impairment has been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available.</p> <p>We also assessed whether the financial statement disclosures are adequate and appropriately reflect the Group's and the Bank's exposures to credit risk.</p> <p>We involved our credit modelling specialists and IT specialists in the performance of these procedures where their specific expertise was required.</p>



Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

to the members of Malayan Banking Berhad
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

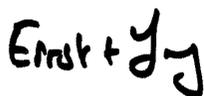
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 68 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

26 February 2019



Dato' Megat Iskandar Shah bin Mohamad Nor

No. 03083/07/2019 J

Chartered Accountant



Index to the Financial Statements

FINANCIAL STATEMENTS

Statements of financial position	34
Income statements	35
Statements of comprehensive income	36
Consolidated statement of changes in equity	37
Statement of changes in equity	39
Statements of cash flows	41

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information	43
2. Accounting policies	43
3. Significant accounting judgements, estimates and assumptions	72
4. Standards, annual improvements to standards and IC Interpretation issued but not yet effective	74
5. Cash and short-term funds	78
6. Deposits and placements with financial institutions	79
7. Financial assets purchased under resale agreements and obligations on financial assets sold under repurchase agreements	80
8. Financial assets designated upon initial recognition at fair value through profit or loss ("FVTPL")	81
9. Financial investments at fair value through profit or loss ("FVTPL")	82
10. Financial investments held-for-trading	83
11. Financial investments at fair value through other comprehensive income ("FVOCI")	84
12. Financial investments available-for-sale	87
13. Financial investments at amortised cost	89
14. Financial investments held-to-maturity	91
15. Loans, advances and financing	93
16. Derivative financial instruments and hedge accounting	102
17. Reinsurance/retakaful assets and other insurance receivables	106
18. Other assets	108
19. Investment properties	109
20. Statutory deposits with central banks	109
21. Investment in subsidiaries	110
22. Interest in associates and joint ventures	115
23. Property, plant and equipment	118
24. Intangible assets	123
25. Deposits from customers	126
26. Deposits and placements from financial institutions	127
27. Financial liabilities at fair value through profit or loss ("FVTPL")	128
28. Insurance/takaful contract liabilities and other insurance payables	129
29. Other liabilities	132
30. Recourse obligation on loans and financing sold to Cagamas	138
31. Provision for taxation and zakat	138
32. Deferred tax	138
33. Borrowings	142
34. Subordinated obligations	147
35. Capital securities	148
36. Share capital, share-based payments and shares held-in-trust	150
37. Retained profits	164

PAGE	NOTES TO THE FINANCIAL STATEMENTS	PAGE
	38. Reserves	165
	39. Operating revenue	167
	40. Interest income	167
	41. Interest expense	168
	42. Net earned insurance premiums	168
	43. Dividends from subsidiaries and associates	168
	44. Other operating income	169
	45. Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	170
	46. Overhead expenses	170
	47. Directors' fees and remuneration	172
	48. Allowances for impairment losses on loans, advances, financing and other debts, net	175
	49. Allowances for/(writeback of) impairment losses on financial investments, net	175
	50. Allowances for/(writeback of) impairment losses on other financial assets, net	176
	51. Taxation and zakat	177
	52. Significant related party transactions and balances	178
	53. Credit exposure arising from credit transactions with connected parties	182
	54. Earnings per share ("EPS")	183
	55. Dividends	184
	56. Commitments and contingencies	185
	57. Financial risk management policies	190
	58. Fair value measurements	244
	59. Offsetting of financial assets and financial liabilities	256
	60. Capital and other commitments	258
	61. Capital management	258
	62. Internal capital adequacy assessment process ("ICAAP")	259
	63. Capital adequacy	260
	64. Segment information	264
	65. Significant and subsequent events	268
	66. Income statement and statement of financial position of insurance and takaful business	270
	67. The operations of Islamic Banking Scheme ("IBS")	273
	68. Details of subsidiaries, deemed controlled structured entities, associates and joint ventures	310
	69. Currency	314
	70. Directors of subsidiaries of the Group	315

Statements of Financial Position

as at 31 December 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Cash and short-term funds	5	55,025,127	50,334,290	26,945,152	30,714,527
Deposits and placements with financial institutions	6	12,502,877	16,988,391	23,410,133	21,382,493
Financial assets purchased under resale agreements	7(i)	4,030,245	8,514,283	3,763,284	7,633,503
Financial assets designated upon initial recognition at fair value through profit or loss	8	15,716,038	13,187,127	-	-
Financial investments at fair value through profit or loss	9	14,252,900	-	8,914,167	-
Financial investments held-for-trading	10	-	11,930,366	-	7,896,677
Financial investments at fair value through other comprehensive income	11	120,913,888	-	89,582,837	-
Financial investments available-for-sale	12	-	109,070,244	-	89,286,739
Financial investments at amortised cost	13	27,069,261	-	22,857,070	-
Financial investments held-to-maturity	14	-	20,184,773	-	17,763,565
Loans, advances and financing to financial institutions	15(i)	1,576,199	2,026,276	17,052,024	18,614,231
Loans, advances and financing to customers	15(ii)	505,507,620	483,558,086	213,314,768	272,383,738
Derivative assets	16	6,963,521	6,704,651	6,799,063	6,865,221
Reinsurance/retakaful assets and other insurance receivables	17	3,800,047	3,933,772	-	-
Other assets	18	9,873,340	9,698,140	5,267,285	4,801,397
Investment properties	19	895,769	753,555	-	-
Statutory deposits with central banks	20	16,264,849	15,397,213	5,041,560	7,746,700
Investment in subsidiaries	21	-	-	31,446,456	22,057,063
Interest in associates and joint ventures	22	2,300,299	2,772,324	472,016	472,016
Property, plant and equipment	23	2,495,825	2,635,018	1,041,432	1,165,908
Intangible assets	24	6,718,327	6,753,939	360,865	568,030
Deferred tax assets	32	1,085,549	859,318	345,186	315,013
Total assets		806,991,681	765,301,766	456,613,298	509,666,821
Liabilities					
Customers' funding:					
- Deposits from customers	25	532,732,623	502,017,445	255,160,315	328,938,600
- Investment accounts of customers*	67(q)	23,565,061	24,555,445	-	-
Deposits and placements from financial institutions	26	43,850,577	42,598,131	52,940,747	37,645,134
Obligations on financial assets sold under repurchase agreements	7(ii)	13,797,993	5,367,086	21,266,302	5,189,316
Derivative liabilities	16	7,975,784	7,221,015	7,439,049	7,179,998
Financial liabilities at fair value through profit or loss	27	8,892,691	6,375,815	8,507,004	5,483,120
Bills and acceptances payable		1,508,658	1,894,046	612,967	1,384,983
Insurance/takaful contract liabilities and other insurance payables	28	26,853,102	25,118,843	-	-
Other liabilities	29	21,788,671	19,179,140	7,341,061	16,910,597
Recourse obligation on loans and financing sold to Cagamas	30	1,547,272	1,543,501	1,547,272	1,543,501
Provision for taxation and zakat	31	395,792	746,494	79,815	385,876
Deferred tax liabilities	32	497,966	732,079	-	-
Borrowings	33	31,600,197	34,505,618	23,441,160	27,106,442
Subordinated obligations	34	10,717,005	11,979,323	9,157,310	9,362,526
Capital securities	35	3,531,029	6,284,180	3,531,029	6,284,180
Total liabilities		729,254,421	690,118,161	391,024,031	447,414,273
Equity attributable to equity holders of the Bank					
Share capital	36	46,747,442	44,250,380	46,747,442	44,250,380
Shares held-in-trust	36(d)(v)	-	(183,438)	-	(183,438)
Retained profits	37	25,985,583	25,268,743	14,401,762	13,572,235
Reserves	38	2,597,102	3,652,929	4,440,063	4,613,371
		75,330,127	72,988,614	65,589,267	62,252,548
Non-controlling interests		2,407,133	2,194,991	-	-
		77,737,260	75,183,605	65,589,267	62,252,548
Total liabilities and shareholders' equity		806,991,681	765,301,766	456,613,298	509,666,821
Commitments and contingencies	56	872,955,128	811,374,001	780,160,779	761,441,355
Net assets per share attributable to equity holders of the Bank		RM6.82	RM6.77	RM5.94	RM5.77

* Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

The accompanying notes form an integral part of the financial statements.



Income Statements

For the financial year ended 31 December 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	39	47,319,853	45,580,310	26,680,896	24,841,318
Interest income	40	23,193,671	22,056,334	17,467,504	16,099,945
Interest expense	41	(11,120,765)	(9,909,293)	(8,663,559)	(7,306,999)
Net interest income		12,072,906	12,147,041	8,803,945	8,792,946
Income from Islamic Banking Scheme operations	67(b)	5,611,704	4,900,251	–	–
		17,684,610	17,047,292	8,803,945	8,792,946
Net earned insurance premiums	42	5,933,563	5,250,890	–	–
Dividends from subsidiaries and associates	43	–	–	2,393,819	1,920,144
Other operating income	44	4,918,997	6,027,304	4,098,618	3,681,248
Total operating income		28,537,170	28,325,486	15,296,382	14,394,338
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	45	(4,907,529)	(5,087,342)	–	–
Net operating income		23,629,641	23,238,144	15,296,382	14,394,338
Overhead expenses	46	(11,213,667)	(11,326,846)	(5,805,711)	(5,880,703)
Operating profit before impairment losses		12,415,974	11,911,298	9,490,671	8,513,635
Allowances for impairment losses on loans, advances, financing and other debts, net	48	(1,591,256)	(1,959,060)	(729,811)	(1,163,238)
(Allowances for)/writeback of impairment losses on financial investments, net	49	(47,685)	(68,762)	(18,474)	2,217
Writeback of impairment losses on other financial assets, net	50	26,028	–	6,040	–
Operating profit		10,803,061	9,883,476	8,748,426	7,352,614
Share of profits in associates and joint ventures	22	98,285	214,620	–	–
Profit before taxation and zakat carried forward		10,901,346	10,098,096	8,748,426	7,352,614
Taxation and zakat	51	(2,545,410)	(2,301,222)	(1,440,615)	(1,229,739)
Profit for the financial year		8,355,936	7,796,874	7,307,811	6,122,875
Attributable to:					
Equity holders of the Bank		8,113,260	7,520,542	7,307,811	6,122,875
Non-controlling interests		242,676	276,332	–	–
		8,355,936	7,796,874	7,307,811	6,122,875
Earnings per share attributable to equity holders of the Bank					
Basic (sen)	54(a)	74.2	72.0		
Diluted (sen)	54(b)	74.2	72.0		
Net dividends per ordinary share held by equity holders of the Bank in respect of the financial year (sen)					
Paid – First interim	55			25.00	23.00
Paid – Final for the financial year ended 31 December 2016	55			–	32.00
Paid – Final for the financial year ended 31 December 2017	55			32.00	–
Proposed – Final	55(a)			32.00	–
Proposed – Final				–	32.00

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the financial year ended 31 December 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year		8,355,936	7,796,874	7,307,811	6,122,875
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial gain	29(i)(b)	61,859	15,806	-	-
Income tax effect	32	(1,426)	(2,846)	-	-
Net gain on disposal of financial investments at fair value through other comprehensive income		18,337	-	2,594	-
		78,770	12,960	2,594	-
Items that may be reclassified subsequently to profit or loss:					
Net gain/(loss) on financial assets at fair value through other comprehensive income		4,062	-	(27,357)	-
- Net gain from change in fair value		1,410	-	13,661	-
- Changes in expected credit losses		10,864	-	(35,150)	-
- Income tax effect	32	(8,212)	-	(5,868)	-
Net gain on financial investments available-for-sale		-	325,929	-	338,996
- Net gain from change in fair value		-	430,576	-	444,901
- Income tax effect	32	-	(104,647)	-	(105,905)
Net (loss)/gain on foreign exchange translation		(267,630)	(2,285,427)	100,387	(519,108)
Net gain/(loss) on cash flow hedge	16	879	(447)	-	-
Net gain on net investment hedge	16	7,017	69,135	-	-
Share of change in associates' reserve		(512,919)	(469,079)	-	-
		(768,591)	(2,359,889)	73,030	(180,112)
Other comprehensive (loss)/income for the financial year, net of tax		(689,821)	(2,346,929)	75,624	(180,112)
Total comprehensive income for the financial year		7,666,115	5,449,945	7,383,435	5,942,763
Other comprehensive (loss)/income for the financial year, attributable to:					
Equity holders of the Bank		(693,094)	(2,352,812)	75,624	(180,112)
Non-controlling interests		3,273	5,883	-	-
		(689,821)	(2,346,929)	75,624	(180,112)
Total comprehensive income for the financial year, attributable to:					
Equity holders of the Bank		7,420,166	5,167,730	7,383,435	5,942,763
Non-controlling interests		245,949	282,215	-	-
		7,666,115	5,449,945	7,383,435	5,942,763

The accompanying notes form an integral part of the financial statements.



Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

Group	Attributable to equity holders of the Bank											Total Equity RM'000
	Non-distributable								*Retained Profits (Note 37) RM'000	Total Shareholders' Equity RM'000	Non-Controlling Interests RM'000	
	Share Capital (Note 36) RM'000	Shares Held-in-trust (Note 36(d) (v)) RM'000	Statutory Reserve (Note 38(a)) RM'000	Regulatory Reserve (Note 38(b)) RM'000	Fair Value Through Other Comprehensive Income Reserve (Note 38) RM'000	Exchange Fluctuation Reserve (Note 38) RM'000	ESS Reserve (Note 38) RM'000	Other Reserves (Note 38(c)) RM'000				
At 1 January 2018												
- as previously stated	44,250,380	(183,438)	203,058	2,747,285	29,616	858,752	219,387	(405,169)	25,268,743	72,988,614	2,194,991	75,183,605
- effect of adopting MFRS 9 (Note 2.4(i))	-	-	-	(760,278)	459,319	-	-	-	(1,097,608)	(1,398,567)	11,202	(1,387,365)
At 1 January 2018, as restated	44,250,380	(183,438)	203,058	1,987,007	488,935	858,752	219,387	(405,169)	24,171,135	71,590,047	2,206,193	73,796,240
Profit for the financial year	-	-	-	-	-	-	-	-	8,113,260	8,113,260	242,676	8,355,936
Other comprehensive (loss)/income	-	-	-	-	(31,890)	(745,242)	-	65,701	18,337	(693,094)	3,273	(689,821)
Defined benefit plan actuarial gain	-	-	-	-	-	-	-	57,805	-	57,805	2,628	60,433
Share of associates' reserve	-	-	-	-	(35,659)	(477,260)	-	-	-	(512,919)	-	(512,919)
Net (loss)/gain on foreign exchange translation	-	-	-	-	-	(267,982)	-	-	-	(267,982)	352	(267,630)
Net gain on financial investments at fair value through other comprehensive income	-	-	-	-	3,769	-	-	-	-	3,769	293	4,062
Net gain on disposal of financial investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	18,337	18,337	-	18,337
Net gain on net investment hedge	-	-	-	-	-	-	-	7,017	-	7,017	-	7,017
Net gain on cash flow hedge	-	-	-	-	-	-	-	879	-	879	-	879
Total comprehensive income for the financial year	-	-	-	-	(31,890)	(745,242)	-	65,701	8,131,597	7,420,166	245,949	7,666,115
Share-based payment under Employees' Share Scheme ("ESS") (Note 36(d))	-	-	-	-	-	-	1,457	-	-	1,457	-	1,457
Effects of changes in corporate structure within the Group	-	-	-	-	-	-	-	-	(5,362)	(5,362)	45,736	40,374
Effect of rights issue of a subsidiary	-	-	-	-	-	-	-	-	-	-	3,514	3,514
Transfer to statutory reserve (Note 38(a))	-	-	35,951	-	-	-	-	-	(35,951)	-	-	-
Transfer to regulatory reserve (Note 38(b))	-	-	-	140,283	-	-	-	-	(140,283)	-	-	-
Transfer from revaluation reserve (Note 38(c)(ii))	-	-	-	-	-	-	-	(284)	284	-	-	-
Utilisation of shares under ESOS Trust												
Fund Pool	-	106,763	-	-	-	-	-	-	3,012	109,775	-	109,775
Disposal of shares under ESOS Trust Fund Pool	-	75,967	-	-	-	-	-	-	8,732	84,699	-	84,699
ESS forfeited upon expiration of ESS	-	-	-	-	-	-	(100,279)	-	100,279	-	-	-
Issue of shares pursuant to ESS (Note 36(a)(i))	1,532,436	-	-	-	-	-	(87,684)	-	-	1,444,752	-	1,444,752
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 36(a)(ii))	45,941	-	-	-	-	-	(32,275)	-	(13,666)	-	-	-
Shares vested under RSU and Supplemental Restricted Share Unit ("SRSU")	-	708	-	-	-	-	(606)	-	(102)	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Notes 36(a)(iii))	918,685	-	-	-	-	-	-	-	-	918,685	-	918,685
Dividends paid (Note 55)	-	-	-	-	-	-	-	-	(6,234,092)	(6,234,092)	(94,259)	(6,328,351)
Total transactions with shareholders/ other equity movements	2,497,062	183,438	35,951	140,283	-	-	(219,387)	(284)	(6,317,149)	(3,680,086)	(45,009)	(3,725,095)
At 31 December 2018	46,747,442	-	239,009	2,127,290	457,045	113,510	-	(339,752)	25,985,583	75,330,127	2,407,133	77,737,260

* Retained profits includes distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPPF") surplus of an insurance subsidiary. Refer to Note 37 for further details.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

Group	Attributable to equity holders of the Bank											Non-Controlling Interests RM'000	Total Equity RM'000
	Non-distributable									*Retained Profits (Note 37) RM'000	Total Shareholders' Equity RM'000		
	Share Capital (Note 36) RM'000	Share Premium RM'000	Shares Held-in-trust (Note 36(d)) (v) RM'000	Statutory Reserve (Note 38(a)) RM'000	Regulatory Reserve (Note 38(b)) RM'000	**AFS Reserve (Note 38) RM'000	Exchange Fluctuation Reserve (Note 38) RM'000	ESS Reserve (Note 38) RM'000	Other Reserves (Note 38(c)) RM'000				
At 1 January 2017	10,193,200	28,878,703	(125,309)	10,934,947	1,057,997	(269,131)	3,592,057	320,912	(476,340)	14,408,695	68,515,731	1,959,092	70,474,823
Profit for the financial year	-	-	-	-	-	-	-	-	-	7,520,542	7,520,542	276,332	7,796,874
Other comprehensive income	-	-	-	-	-	298,747	(2,733,305)	-	81,746	-	(2,352,812)	5,883	(2,346,929)
Defined benefit plan actuarial gain/(loss)	-	-	-	-	-	-	-	-	13,058	-	13,058	(98)	12,960
Share of associates' reserve	-	-	-	-	-	(36,768)	(432,311)	-	-	-	(469,079)	-	(469,079)
Net (loss)/gain on foreign exchange translation	-	-	-	-	-	-	(2,300,994)	-	-	-	(2,300,994)	15,567	(2,285,427)
Net gain/(loss) on financial investments available-for-sale	-	-	-	-	-	335,515	-	-	-	-	335,515	(9,586)	325,929
Net gain on net investment hedge	-	-	-	-	-	-	-	-	69,135	-	69,135	-	69,135
Net loss on cash flow hedge	-	-	-	-	-	-	-	-	(447)	-	(447)	-	(447)
Total comprehensive income for the financial year	-	-	-	-	-	298,747	(2,733,305)	-	81,746	7,520,542	5,167,730	282,215	5,449,945
Share-based payment under Employees' Share Scheme ("ESS") (Note 36(d))	-	-	-	-	-	-	-	18,190	-	-	18,190	-	18,190
Effects of changes in corporate structure within the Group	-	-	-	-	-	-	-	-	-	-	-	53,682	53,682
Transfer from share premium	28,878,703	(28,878,703)	-	-	-	-	-	-	-	-	-	-	-
Transfer from statutory reserve (Note 38(a))	-	-	-	(10,731,889)	-	-	-	-	-	10,731,889	-	-	-
Transfer to regulatory reserve (Note 38(b))	-	-	-	-	1,689,288	-	-	-	-	(1,689,288)	-	-	-
Transfer from revaluation reserve	-	-	-	-	-	-	-	-	(10,575)	10,575	-	-	-
Issue of shares pursuant to ESS	1,445,239	-	-	-	-	-	-	(85,792)	-	-	1,359,447	-	1,359,447
Issue of shares pursuant to Restricted Share Unit ("RSU")	38,118	-	(3)	-	-	-	-	(33,002)	-	(5,113)	-	-	-
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	935	-	-	-	-	-	-	(921)	-	(14)	-	-	-
Issue of shares pursuant to ESOS Trust Fund ("ETF") Pool	49,999	-	(49,999)	-	-	-	-	-	-	-	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	3,644,186	-	(8,127)	-	-	-	-	-	-	-	3,636,059	-	3,636,059
Dividends paid (Note 55)	-	-	-	-	-	-	-	-	-	(5,708,543)	(5,708,543)	(99,998)	(5,808,541)
Total transactions with shareholders/other equity movements	34,057,180	(28,878,703)	(58,129)	(10,731,889)	1,689,288	-	-	(101,525)	(10,575)	3,339,506	(694,847)	(46,316)	(741,163)
At 31 December 2017	44,250,380	-	(183,438)	203,058	2,747,285	29,616	858,752	219,387	(405,169)	25,268,743	72,988,614	2,194,991	75,183,605

* Retained profits includes distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPF") surplus of an insurance subsidiary. Refer to Note 37 for further details.

** AFS reserve was transferred to fair value through other comprehensive income reserve effective 1 January 2018.



Statement of Changes in Equity

For the financial year ended 31 December 2018

Bank	----- Attributable to equity holders of the Bank -----								
	----- Non-distributable -----							Distributable Retained Profits (Note 37) RM'000	Total Equity RM'000
	Share Capital (Note 36) RM'000	Shares Held-in-trust (Note 36(d) (v)) RM'000	Statutory Reserve (Note 38(a)) RM'000	Regulatory Reserve (Note 38(b)) RM'000	Fair Value Through Other Comprehensive Income Reserve (Note 38) RM'000	Exchange Fluctuation Reserve (Note 38) RM'000	ESS Reserve (Note 38) RM'000		
At 1 January 2018									
- as previously stated	44,250,380	(183,438)	46,255	2,233,563	(114,149)	2,228,315	219,387	13,572,235	62,252,548
- effect of adopting MFRS 9 (Note 2.4(i))	-	-	-	(295,155)	420,838	-	-	(497,675)	(371,992)
At 1 January 2018, as restated	44,250,380	(183,438)	46,255	1,938,408	306,689	2,228,315	219,387	13,074,560	61,880,556
Profit for the financial year	-	-	-	-	-	-	-	7,307,811	7,307,811
Other comprehensive (loss)/income	-	-	-	-	(27,357)	100,387	-	2,594	75,624
Net gain on foreign exchange translation	-	-	-	-	-	100,387	-	-	100,387
Net loss on financial investments at fair value through other comprehensive income	-	-	-	-	(27,357)	-	-	-	(27,357)
Net gain on disposal of financial investments at fair value through other comprehensive income	-	-	-	-	-	-	-	2,594	2,594
Total comprehensive income for the financial year	-	-	-	-	(27,357)	100,387	-	7,310,405	7,383,435
Share-based payment under Employees' Share Scheme ("ESS") (Note 36(d))	-	-	-	-	-	-	1,457	-	1,457
Transfer to statutory reserve (Note 38(a))	-	-	6,777	-	-	-	-	(6,777)	-
Transfer from regulatory reserve (Note 38(b))	-	-	-	(159,411)	-	-	-	159,411	-
Utilisation of shares under ESOS Trust Fund Pool	-	106,763	-	-	-	-	-	3,012	109,775
Disposal of shares under ESOS Trust Fund Pool	-	75,967	-	-	-	-	-	8,732	84,699
ESS forfeited upon expiration of ESS	-	-	-	-	-	-	(100,279)	100,279	-
Issue of shares pursuant to ESS (Note 36(a)(i))	1,532,436	-	-	-	-	-	(87,684)	-	1,444,752
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 36(a)(ii))	45,941	-	-	-	-	-	(32,275)	(13,666)	-
Shares vested under RSU and Supplemental Restricted Share Unit ("SRSU")	-	708	-	-	-	-	(606)	(102)	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Notes 36(a)(iii))	918,685	-	-	-	-	-	-	-	918,685
Dividends paid (Note 55)	-	-	-	-	-	-	-	(6,234,092)	(6,234,092)
Total transactions with shareholders/other equity movements	2,497,062	183,438	6,777	(159,411)	-	-	(219,387)	(5,983,203)	(3,674,724)
At 31 December 2018	46,747,442	-	53,032	1,778,997	279,332	2,328,702	-	14,401,762	65,589,267

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

For the financial year ended 31 December 2018

Bank	Attributable to equity holders of the Bank									
	Non-distributable								Distributable Retained Profits (Note 37) RM'000	Total Equity RM'000
	Share Capital (Note 36) RM'000	Share Premium RM'000	Shares Held-in-trust (Note 36(d) (v)) RM'000	Statutory Reserve (Note 38(a)) RM'000	Regulatory Reserve (Note 38(b)) RM'000	*AFS Reserve (Note 38) RM'000	Exchange Fluctuation Reserve (Note 38) RM'000	ESS Reserve (Note 38) RM'000		
At 1 January 2017	10,193,200	28,878,703	(125,309)	10,325,216	660,800	(453,145)	2,747,423	320,912	4,456,832	57,004,632
Profit for the financial year	-	-	-	-	-	-	-	-	6,122,875	6,122,875
Other comprehensive income	-	-	-	-	-	338,996	(519,108)	-	-	(180,112)
Net (loss) on foreign exchange translation	-	-	-	-	-	-	(519,108)	-	-	(519,108)
Net gain on financial investments available-for-sale	-	-	-	-	-	338,996	-	-	-	338,996
Total comprehensive income for the financial year	-	-	-	-	-	338,996	(519,108)	-	6,122,875	5,942,763
Share-based payment under Employees' Share Scheme ("ESS") (Note 36(d))	-	-	-	-	-	-	-	18,190	-	18,190
Transfer from statutory reserve (Note 38(a))	-	-	-	(10,278,961)	-	-	-	-	10,278,961	-
Transfer to regulatory reserve (Note 38(b))	-	-	-	-	1,572,763	-	-	-	(1,572,763)	-
Transfer from share premium	28,878,703	(28,878,703)	-	-	-	-	-	-	-	-
Issue of shares pursuant to ESS	1,445,239	-	-	-	-	-	-	(85,792)	-	1,359,447
Issue of shares pursuant to Restricted Share Unit ("RSU")	38,118	-	(3)	-	-	-	-	(33,002)	(5,113)	-
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	935	-	-	-	-	-	-	(921)	(14)	-
Issue of shares pursuant to ESOS Trust Fund ("ETF") Pool	49,999	-	(49,999)	-	-	-	-	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	3,644,186	-	(8,127)	-	-	-	-	-	-	3,636,059
Dividends paid (Note 55)	-	-	-	-	-	-	-	-	(5,708,543)	(5,708,543)
Total transactions with shareholders/other equity movements	34,057,180	(28,878,703)	(58,129)	(10,278,961)	1,572,763	-	-	(101,525)	2,992,528	(694,847)
At 31 December 2017	44,250,380	-	(183,438)	46,255	2,233,563	(114,149)	2,228,315	219,387	13,572,235	62,252,548

* AFS reserve was transferred to fair value through other comprehensive income reserve effective 1 January 2018.

The accompanying notes form an integral part of the financial statements.



Statements of Cash Flows

For the financial year ended 31 December 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	10,901,346	10,098,096	8,748,426	7,352,614
Adjustments for:				
Share of profits in associates and joint ventures (Note 22)	(98,285)	(214,620)	-	-
Depreciation of property, plant and equipment (Note 46)	400,991	418,917	160,150	186,605
Amortisation of computer software (Note 46)	220,814	245,360	76,737	99,177
Amortisation of customer relationship (Note 46)	10,072	16,352	-	-
Amortisation of agency force (Note 46)	5,185	6,555	-	-
Amortisation of core deposit intangibles (Note 46)	-	5,406	-	-
Gain on disposal of property, plant and equipment (Note 44)	(70,596)	(201,003)	(61,117)	(62,415)
Loss/(gain) on disposal of foreclosed properties (Note 44)	8,702	(1,493)	-	(300)
Loss/(gain) on liquidation of subsidiaries (Note 44)	2,781	1,988	-	(101)
Loss on disposal of deemed control entity (Note 44)	15,409	-	27,902	-
(Gain)/loss on dilution of interest in associates (Note 44)	(896)	30,719	-	-
Net loss/(gain) on disposal of financial assets at fair value through profit or loss (Note 44, Note 67(y) & (aa))	403,651	(313,504)	(82,456)	(129,630)
Net loss/(gain) on disposal of financial investments at fair value through other comprehensive income (Note 44, Note 67(y) & (aa))	7,461	-	(11,018)	-
Net gain on disposal of financial investments available-for-sale (Note 44, Note 67(y) & (aa))	-	(666,800)	-	(212,536)
Net gain on redemption of financial investments at amortised cost (Note 44)	(1,777)	-	(1,777)	-
Net gain on disposal/redemption of financial investments held-to-maturity (Note 44)	-	(182)	-	(182)
Accretion of discounts, net (Note 40, Note 67(y) & (aa))	(312,565)	(129,401)	(359,113)	(107,688)
Unrealised loss/(gain) on revaluation of financial investments at fair value through profit or loss and derivatives (Note 44, Note 67(y) & (aa))	359,388	(23,999)	184,163	72,611
Unrealised gain on revaluation of financial liabilities at fair value through profit or loss (Note 44, Note 67(y) & (aa))	(703,731)	(11,242)	(709,918)	(20,824)
Unrealised gain on revaluation of loans, advances and financing (Note 44)	(9,943)	-	(9,943)	-
Allowances for impairment losses on financial investments, net (Note 49)	47,685	69,725	18,474	1,071
Allowances for impairment losses on loans, advances and financing, net (Note 48)	1,979,785	2,441,832	951,485	1,420,122
Allowances for impairment losses on other debts (Note 48)	106	2,701	391	2,285
Writeback of impairment losses on others financial assets, net (Note 50)	(26,028)	-	(6,040)	-
Dividends from subsidiaries and associates (Note 43)	-	-	(2,393,819)	(1,920,144)
Dividends from financial investments portfolio (Note 44)	(113,514)	(123,263)	(5,792)	(16,663)
ESS expenses (Note 46)	3,946	17,083	2,426	11,106
Property, plant and equipment written-off (Note 46)	2,345	546	2,269	437
Intangible assets written-off (Note 46)	1,131	1,233	-	3
Fair value adjustments on investment properties (Note 46)	(32,025)	60,173	-	-
Impairment of property, plant and equipment (Note 46)	(45)	-	-	-
Impairment losses of investment properties (Note 46)	108	-	-	-
Operating profit before working capital changes	13,001,501	11,731,179	6,531,430	6,675,548
Change in cash and short-term funds with original maturity of more than three months	(541,545)	3,448,384	(531,456)	3,036,714
Change in deposits and placements with financial institutions with original maturity of more than three months	3,460,516	3,872,207	3,627,036	3,645,635
Change in financial assets purchased under resale agreements	4,480,858	(6,021,871)	3,870,219	(5,420,390)
Change in financial investments portfolio	(23,225,633)	(21,901,675)	(6,169,931)	(18,554,411)
Change in loans, advances and financing	(27,009,637)	(24,511,954)	58,826,760	(4,931,934)
Change in other assets	503,759	923,518	(184,487)	459,457
Change in statutory deposits with central banks	(867,888)	(13,079)	2,705,139	(216,374)
Change in deposits from customers	31,026,255	22,197,905	(74,354,300)	3,234,342
Change in investment accounts of customers	(990,384)	(6,989,142)	-	-
Change in deposits and placements from financial institutions	1,252,446	11,743,438	15,295,613	7,788,424
Change in obligations on financial assets sold under repurchase agreements	8,430,906	2,409,136	16,076,986	2,231,365
Change in bills and acceptances payable	(385,388)	85,980	(772,017)	384,205
Change in financial liabilities at fair value through profit or loss	(760,377)	801,816	(247,182)	820,794
Change in other liabilities	2,449,990	5,933,619	(8,724,334)	4,528,798
Change in reinsurance/retakaful assets and other insurance receivables	126,618	205,824	-	-
Change in insurance/takaful contract liabilities and other insurance payables	1,736,425	1,170,124	-	-
Cash generated from operating activities	12,688,422	5,085,409	15,949,476	3,682,173
Taxes and zakat paid	(2,763,057)	(2,079,848)	(1,408,184)	(954,525)
Net cash generated from operating activities	9,925,365	3,005,561	14,541,292	2,727,648

Statements of Cash Flows

For the financial year ended 31 December 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 23)	(291,811)	(562,870)	(99,762)	(96,026)
Purchase of intangible assets (Note 24)	(382,044)	(238,709)	(120,476)	(142,519)
Purchase of investment properties (Note 19)	(110,811)	(85,505)	-	-
Net effect arising from:				
- acquisition of a subsidiary	-	(79,356)	-	-
- repayment of capital of a subsidiary	-	-	-	242,837
- liquidation/disposal of subsidiaries	-	-	-	250
- transaction with non-controlling interests	24,415	43,869	-	-
Purchase of additional ordinary shares in existing subsidiaries	-	-	(9,556,615)	(156,420)
Purchase of shares in deemed controlled structured entities from a subsidiary	-	-	(873)	(480,341)
Purchase of shares in associates from a subsidiary	-	-	-	(20,497)
Proceeds from disposal of property, plant and equipment	80,150	228,994	62,729	85,377
Proceeds from disposal of investment properties	520	29,890	-	-
Proceeds from disposal of deemed controlled entities	-	-	140,188	-
Transfer of property, plant and equipment to subsidiary (Note 21(viii))	-	-	60,063	-
Transfer of intangible assets to subsidiary (Note 21(viii))	-	-	249,803	-
Dividends received from:				
- financial investments portfolio (Note 44)	113,514	123,263	5,792	16,663
- associates (Note 43)	-	-	398	9,856
- subsidiaries (Note 43)	-	-	2,393,421	1,910,288
Net cash (used in)/generated from investing activities	(566,067)	(540,424)	(6,865,332)	1,369,468
Cash flows from financing activities				
Proceeds from issuance of shares	2,363,437	4,995,506	2,363,437	4,995,506
Drawdown/(repayment) of borrowings, net (Note 33)	387,671	3,661,438	(799,087)	(76,897)
Issuance of subordinated obligations (Note 34)	44,250	35,000	-	-
Redemption of subordinated obligations (Note 34)	(745,012)	(3,240,000)	(250,000)	(3,240,000)
Redemption of capital securities (Note 35)	(2,744,404)	-	(2,744,404)	-
Drawdown of financial liabilities at fair value through profit or loss (Note 27)	620,775	2,097,150	620,775	2,097,150
Finance lease obligation	18,248	280,634	-	-
Recourse obligation on loans and financing sold to Cagamas, net	3,772	568,913	3,772	568,913
Rights issuance exercised by non-controlling interests	3,514	-	-	-
Dividends paid	(6,234,092)	(5,708,543)	(6,234,092)	(5,708,543)
Dividends paid to non-controlling interests	(94,259)	(99,998)	-	-
Net cash (used in)/generated from financing activities	(6,376,100)	2,590,100	(7,039,599)	(1,363,871)
Net increase in cash and cash equivalents	2,983,198	5,055,237	636,361	2,733,245
Cash and cash equivalents at 1 January	53,933,844	50,875,746	39,306,384	38,217,233
Effects of foreign exchange rate changes	141,096	(1,997,139)	717,484	(1,644,094)
Cash and cash equivalents at 31 December	57,058,138	53,933,844	40,660,229	39,306,384
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 5)	55,025,127	50,334,290	26,945,152	30,714,527
Deposits and placements with other financial institutions (Note 6)	12,502,877	16,988,391	23,410,133	21,382,493
	67,528,004	67,322,681	50,355,285	52,097,020
Less:				
Cash and short-term funds and deposits and placements with original maturity of more than three months	(10,469,866)	(13,388,837)	(9,695,056)	(12,790,636)
	57,058,138	53,933,844	40,660,229	39,306,384

The accompanying notes form an integral part of the financial statements.



Notes to the Financial Statements

31 December 2018

1. CORPORATE INFORMATION

Malayan Banking Berhad (“Maybank” or the “Bank”) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

The Bank is principally engaged in all aspects of commercial banking and related financial services.

The subsidiaries of the Bank are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stockbroking, underwriting of general and life insurance, general and family takaful, trustee and nominee services and asset management.

There were no significant changes in these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2019.

2. ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statements

The financial statements of the Bank and its subsidiaries (“Maybank Group” or the “Group”) and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Bank have been prepared on a historical cost basis unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 2.3.

The Group’s financial statements also include separate disclosures on its insurance and takaful businesses and Islamic banking operations as disclosed in Notes 66 and 67, respectively. The principal activities for insurance and takaful businesses are mainly the underwriting of general and life insurance business, the management of general and family takaful business and investment-linked business. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

The Group and the Bank present their statements of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amount are reported in the statements of financial position of the Group and of the Bank only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statements of the Group and of the Bank unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and of the Bank.

The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (RM’000), unless otherwise stated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries including the equity accounting of interest in associates and joint ventures as at 31 December 2018. Further details on the accounting policies for investment in subsidiaries and interest in associates and joint ventures are disclosed in Note 2.3.

The financial statements of the Bank’s subsidiaries, associates and joint ventures are prepared for the same reporting date as the Bank, using consistent accounting policies for transactions and events in similar circumstances.

Subsidiaries (including deemed controlled structured entities) are consolidated from the date of acquisition or the date of incorporation, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee, if and only if, the Group has three (3) elements of control as below:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

When assessing whether to consolidate investment funds, the Group reviews all facts and circumstances to determine whether the Group, as fund manager, is acting as an agent or a principal. The Group may be deemed to be a principal, and hence controls and consolidates the funds, when it acts as a fund manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the funds through its power.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests (“NCI”) represent the portion of profit or loss and net assets in subsidiaries not wholly-owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders’ equity. Total comprehensive income is allocated against the interest of NCI, even if this results in the NCI having a deficit balance. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction between the Group and its NCI holders. Any differences between the Group’s share of net assets before and after the change and any considerations received or paid, is recognised in equity.

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interests in the former subsidiary;
- Recognises the fair value of the consideration received;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of any investments retained in the former subsidiary;
- Recognises any gains or losses in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to income statements or retained earnings, if required in accordance with other MFRS.

All of the above will be accounted for from the date when control is lost.

The accounting policies for business combination and goodwill are disclosed in Note 2.3(iii).

2.3 Summary of significant accounting policies

(i) Investment in subsidiaries

Subsidiaries are entities controlled by the Bank, as defined in Note 2.2.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(xvi). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statements.

Additional information on investment in subsidiaries is disclosed in Note 21 and details of subsidiaries and deemed controlled structured entities are disclosed in Notes 68(a) and 68(b), respectively.

(ii) Interest in associates and joint ventures

An associate is an entity over which the Group and the Bank have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's and the Bank's interest in its associates and joint ventures are accounted for using the equity method. The associates and joint ventures are equity accounted for from the date the Group

and the Bank gain significant influence or joint control until the date the Group and the Bank cease to have significant influence over the associate or joint control over the joint venture.

Under the equity method, the interest in associates and joint ventures is initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Details of goodwill included in the Group's carrying amount of interest in associates and joint ventures are disclosed in Note 22(iv).

The consolidated income statement reflects the Group's share of the results of operations of the associates and joint ventures. Any changes in other comprehensive income of those investees is presented as part of the Group's statement of comprehensive income. Where there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of such changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures. The aggregate of the Group's share of profit or loss in associates and joint ventures is shown on the face of the consolidated income statement. The Group's share of profit or loss in associates and joint ventures represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates or joint ventures.

When the Group's share of losses in associates or joint ventures equals or exceeds its interest in the associates or joint ventures, including any long-term interests that, in substance, form part of the Group's net interest in the associates or joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates or joint ventures.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates and joint ventures. The Group determines at each reporting date whether there is any objective evidence that the interest in the associates and joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint ventures and its carrying amount, then recognises the amount in the 'share of profits in associates and joint ventures' in the consolidated income statements.

Upon loss of significant influence over the associates or joint control over the joint ventures, the Group measures and recognises any retained investments at its fair value. Any differences between the carrying amount of the associates or joint ventures upon loss of significant influence or joint control and the fair value of the retained investments and proceeds from disposal is recognised in the consolidated income statement.



2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(ii) Interest in associates and joint ventures (cont'd.)

In the Bank's separate financial statements, interest in associates and joint ventures is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(xvi). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statements.

Additional information on interest in associates and joint ventures and details of associates and joint ventures is disclosed in Notes 22(ii), 68(c) and 68(d) respectively.

(iii) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses in the income statements. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gains or losses is recognised in the income statements. It is then considered in the determination of goodwill. Any contingent considerations to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* ("MFRS 9") is measured at fair value with changes in fair value recognised either in the income statements in accordance with MFRS 9. Other contingent considerations that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interests held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated income statements.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The accounting policy for impairment of non-financial assets (including goodwill) is disclosed in Note 2.3(xvi).

Where goodwill has been allocated to a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(iv) Intangible assets

In addition to goodwill, intangible assets also include core deposit intangibles, customer relationship, agency force and investment management agreements acquired in business combination, computer software and software-in-development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses, except for software-in-development which is not subject to amortisation until the development is completed and the asset is available for use.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statements in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in income statements when the assets are derecognised.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(iv) Intangible assets (cont'd.)

A summary of the policies applied to the Group's and the Bank's intangible assets are as follows:

	Amortisation methods used	Useful economic lives
Computer software	Straight-line	3 to 10 years
Core deposit intangibles	Reducing balance	8 years
Customer relationship	Reducing balance	3 to 9 years
Agency force	Reducing balance	11 years
Investment management agreements	No amortisation	Indefinite

Additional information on intangible assets is disclosed in Note 24.

(v) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

From 1 January 2018, the Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- Amortised cost, as explained in Note 2.3(v)(b)(1);
- Fair value through other comprehensive income ("FVOCI"), as explained in Note 2.3(v)(b)(2); and
- Fair value through profit or loss ("FVTPL"), as explained in Note 2.3(v)(b)(3).

Before 1 January 2018, the Group and the Bank classified its financial assets as loans and receivables (amortised cost), FVTPL, held-to-maturity (amortised cost) or available-for-sale, as explained in Note 2.3(v)(b)(1), Note 2.3(v)(b)(3), Note 2.3(v)(b)(5) and Note 2.3(v)(b)(6) respectively.

Included in financial assets are the following:

(1) Financial assets at amortised cost

From 1 January 2018, the Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below:

(i) The SPPI test

As a first step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Business model assessment

The Group's and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Group and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's and the Bank's assessment



2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(1) Financial assets at amortised cost (cont'd.)

The details of these conditions are outlined below (cont'd.):

(ii) Business model assessment (cont'd.)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, deposits and placements with financial institutions, financial assets purchased under resale agreements, financial investments and loans, advances and financing as disclosed in the respective notes to the financial statements.

(2) Fair value through other comprehensive income ("FVOCI")

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under MFRS 139.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial asset FVOCI are financial investments and loans, advances and financing to customers.

(3) Financial assets at fair value through profit or loss ("FVTPL")

Before 1 January 2018, financial assets at FVTPL include loans, advances and financing to customers, financial assets held-for-trading ("HFT") and financial assets designated at FVTPL upon initial recognition. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by MFRS 139.

From 1 January 2018, financial assets at FVTPL are those that are held-for-trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criterias is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition, loans, advances and financing to customers and derivatives.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statements under the caption of 'other operating income'.

(4) Loans and receivables (*Policy applicable before 1 January 2018*)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and bank balances, reverse repurchase agreements, loans, advances and financing and other receivables. These financial assets are initially recognised at fair value, including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses.

From 1 January 2018, under MFRS 9, the Group and the Bank measure loans and receivables at amortised cost as described in Note 15.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(5) Financial investments held-to-maturity ("HTM") (Policy applicable before 1 January 2018)

Financial investments HTM are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group and the Bank have the intention and ability to hold to maturity.

Subsequent to initial recognition, financial investments HTM are measured at amortised cost using the effective interest method, less accumulated impairment losses. Amortised cost is calculated by taking into account any discounts or premiums on acquisitions and fees that are an integral part of the effective interest rate. The amortisation is included in the income statements under the caption of 'interest income'. The losses arising from impairment are recognised in the income statements under the caption of 'allowance for impairment losses on financial investments' and the gain or loss arising from derecognition of such investments are recognised in the income statements under the caption of 'other operating income'.

If the Group and the Bank were to sell or reclassify more than an insignificant amount of financial investments HTM before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as financial investments available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial investments as held-to-maturity over the following two (2) years.

(6) Financial investments available-for-sale ("AFS") (Policy applicable before 1 January 2018)

Financial investments AFS are financial assets that are not classified in any of the three (3) preceding categories.

Financial investments AFS include equities and debt securities. Financial investments in this category are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in market conditions.

After initial recognition, financial investments AFS are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive income and in the 'AFS reserve', except for impairment losses, foreign exchange gains or losses on monetary financial assets and interest/profit income calculated using the effective interest method are recognised in the income statements. Dividends on financial investments AFS are recognised in the income statements when the Group's and the Bank's right to receive payment is established. When the Group and the Bank derecognise financial investments AFS, the cumulative unrealised gain or loss previously recognised in the 'AFS reserve' is reclassified to the income statements under the caption of 'other operating income'.

(c) Derecognition

A financial asset is derecognised when there is substantial modification of terms and conditions or factors other than substantial modification.

(1) Derecognition due to substantial modification of terms and conditions

The Group and the Bank derecognise a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired ("POCI").

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate ("EIR"), the Group and the Bank record a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(2) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (1) The rights to receive cash flows from the financial asset have expired; or
- (2) The transfer of financial asset is as set out below and the transfer qualifies for derecognition.

The Group and the Bank have transferred the financial asset if, and only if, either:

- The Group and the Bank have transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group and the Bank retain the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assume a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group and the Bank have no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;



2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Financial assets (cont'd.)

(c) Derecognition (cont'd.)

(2) Derecognition other than for substantial modification (cont'd.)

Pass-through arrangements are transactions whereby the Group and the Bank retain the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assume a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met (cont'd.):

- The Group and the Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group and the Bank have to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either the Group and the Bank have:

- Transferred substantially all the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group and the Bank consider control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group and the Bank have neither transferred nor retained substantially all the risks and rewards and have retained control of the asset, the asset continues to be recognised only to the extent of the Group's and the Bank's continuing involvement, in which case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(d) Impairment of financial assets (Policy applicable from 1 January 2018)

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 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 credit loss involves increased complexity and judgement that include:

- Determining a 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:

	Stage 1	Stage 2	Stage 3
3-Stage approach	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

- 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 perform 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 measuring the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets per Group's policy.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Financial assets (cont'd.)

(d) Impairment of financial assets (*Policy applicable from 1 January 2018*) (cont'd.)

(iii) 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 prepayments, extensions, calls 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.

(iv) Financial investments at FVOCI

The ECLs for financial investments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

(v) Forward-looking information

ECL 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's research 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.

Where applicable, the Group and the Bank incorporate forward-looking adjustments in credit risk factors of PD and LGD used in ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product ("GDP") growth
- Unemployment rates
- House Price indices
- Central Banks' policy rates

The Group and the Bank apply the following three alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail;

Upside and Downside scenarios: These scenarios are set relative to the base scenario; reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions.

(vi) Valuation of collateral held as security for financial assets

The Group's and the Bank's accounting policy for collateral assigned to it through its lending arrangements under MFRS 9 is the same as it was under MFRS 139.

(e) Impairment of financial assets (*Policy applicable before 1 January 2018*)

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset, including security or a group of securities (other than financial assets at FVTPL) is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one (1) or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers experiencing significant financial difficulty, the probability that they will enter bankruptcy or other reorganisation, default or delinquency in interest/profit or principal payments or where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

(1) Loans and receivables

(i) Loans, advances and financing

Classification of loans, advances and financing as impaired

Loans, advances and financing are classified as impaired when:

- Principal or interest/profit or both are past due for more than three (3) months; or
- Loans, advances and financing in arrears for less than three (3) months which exhibit indications of credit weaknesses; or
- Impaired loans, advances and financing have been rescheduled or restructured, the loans, advances and financing will continue to be classified as impaired until repayments based on the rescheduled or restructured terms have been observed continuously for a period of six (6) months; or
- Default occurs for repayments scheduled on intervals of three (3) months or longer.

Impairment process – individual assessment

The Group and the Bank assess if objective evidence of impairment exists for loans, advances and financing which are deemed to be individually significant.



2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Financial assets (cont'd.)

(e) Impairment of financial assets (Policy applicable before 1 January 2018) (cont'd.)

(1) Loans and receivables (cont'd.)

(i) Loans, advances and financing (cont'd.)

Impairment process – individual assessment (cont'd.)

If there is objective evidence that an impairment loss has incurred, the amount of loss is measured as the difference between the carrying amount of the loans, advances and financing and the present value of the estimated future cash flows discounted at the original effective interest rate of the loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the income statements.

Impairment process – collective assessment

Loans, advances and financing which are not individually significant and that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans, advances and financing are grouped within similar credit risk characteristics for collective assessment, whereby data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

Future cash flows in a group of loans, advances and financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and of the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for a group of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

Impairment process – subsequent measurement

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment

loss is increased or written back by adjusting the allowances for impairment losses on loans, advances and financing account.

Impairment process – written-off accounts

When there is no realistic prospect of future recovery, the loans, advances and financing are written-off against the related allowance for loan impairment. Such loans, advances and financing are written-off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts which were previously written-off are recognised in the income statements under the caption of 'allowances for impairment losses on loans, advances and financing'.

(ii) Other receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Bank consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the income statements.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statements.

(2) Financial investments available-for-sale ("AFS")

For financial investments AFS, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as financial investments AFS, the objective evidence would include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treat "significant" generally as 25% and "prolonged" generally as four (4) consecutive quarters. When there is evidence of impairment, the cumulative loss (which is measured as the difference between the acquisition cost and the current fair value, less any accumulated impairment losses on that investment previously recognised in the income statements) that had been recognised in other comprehensive income is reclassified from equity to income statements. Impairment losses on equity investments are not reversed through the income statements; increases in the fair value after impairment are recognised in other comprehensive income.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Financial assets (cont'd.)

(e) Impairment of financial assets (*Policy applicable before 1 January 2018*) (cont'd.)

(2) Financial investments available-for-sale ("AFS") (cont'd.)

For unquoted equity securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities.

The amount of impairment loss for unquoted equity securities is recognised in the income statements and such impairment losses are not reversed subsequent to its recognition until actual cash is received.

For quoted equity securities, its impairment losses are not reversed subsequent to its recognition until such equities are disposed.

In the case of debt instruments classified as financial investments AFS, the impairment is assessed based on the same criteria as financial investments HTM. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any accumulated impairment losses on that investment previously recognised in the income statements.

Future interest income continues to be accrued based on the reduced carrying amount of asset by using the rate of interest which is used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statements, the impairment loss is reversed through the income statements.

(3) Financial investments held-to-maturity ("HTM")

For financial investments HTM, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. If there is objective evidence of impairment on financial investments HTM, impairment loss is measured as the difference between the carrying amount of the financial investments HTM and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial investments HTM. The carrying amount of the financial investments HTM is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the income statements.

Subsequent reversals in the impairment loss are recognised when the decrease can be objectively related to an event occurring after the impairment loss was recognised. The reversal should not result in the carrying amount of the asset that exceeds what its amortised cost would have been at the reversal date had the impairment not been recognised. The reversal is recognised in the income statements.

(f) Modification of loans

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the loan

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the income statements as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statements. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(g) Reclassification of financial assets (*Policy applicable before 1 January 2018*)

The Group and the Bank may choose to reclassify non-derivative assets out of the financial assets at FVTPL category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short-term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the financial assets at FVTPL or financial investments AFS if the Group and the Bank have the intention and ability to hold the financial assets for the foreseeable future or until maturity.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Financial assets (cont'd.)

(g) Reclassification of financial assets (*Policy applicable before 1 January 2018*) (cont'd.)

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable.

For a financial asset reclassified out of the financial investments AFS, any previous gains or losses on that asset that has been recognised in equity is amortised to the income statements over the remaining life of the asset using the effective interest method. Any differences between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statements.

Reclassification is at the election of management and is determined on an instrument-by-instrument basis. The Group and the Bank did not reclassify any financial instrument into the FVTPL category after initial recognition or reclassify any financial instrument out of financial investments AFS during the financial year ended 31 December 2017.

(h) Reclassification of financial assets (*Policy applicable from 1 January 2018*)

From 1 January 2018, reclassification of financial assets is permissible when and only when there is change in business model for managing financial assets.

The Group and the Bank do not consider the following changes in circumstances as reclassifications:

- An item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- An item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- Changes in measurement where the Group and the Bank adopt fair value option.

Subsequent to initial recognition, the Group and the Bank did not reclassify its financial assets in 2018.

(vi) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities HFT and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities held-for-trading

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria.

Gains or losses on financial liabilities HFT are recognised in the income statements.

With the adoption of MFRS 9 effective 1 January 2018, the Group and the Bank do not change the initial recognition and subsequent measurement of financial liabilities at FVTPL.

Financial liabilities designated at fair value

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied.

Effective on 1 January 2016, the Group and the Bank have adopted Fair Value Option ("FVO") for certain financial liabilities under MFRS 139. The Group and the Bank have designated certain financial liabilities namely, structured deposits and borrowings containing embedded derivatives at FVTPL upon inception. This FVO adoption has been applied prospectively. As a result of this adoption, the Group and the Bank have presented 'Financial liabilities at FVTPL' as a separate line item on the face of statements of financial position of the Group and of the Bank. Details of the financial liabilities at FVTPL are disclosed in Note 27.

MFRS 9 does not deviate away treatment on initial recognition and subsequent measurement of financial liabilities.

However, the changes in fair value are presented differently as follows:

- (i) change in fair value due to own credit risk - presented in other comprehensive income
- (ii) change in fair value due to market risk or other factors – presented in income statement

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(vi) Financial liabilities (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(2) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits from customers, investment accounts of customers, deposits and placements from financial institutions, debt securities (including borrowings), payables, bills and acceptances payable and other liabilities.

(i) Deposits from customers, investment accounts of customers and deposits and placements from financial institutions

Deposits from customers, investment accounts of customers and deposits and placements from financial institutions are stated at placement values. Interest/profit expense of deposits from customers, investment accounts of customers and deposits and placements from financial institutions measured at amortised cost is recognised as it accrued using the effective interest method.

(ii) Debt securities

Debt securities issued by the Group and the Bank are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's and the Bank's debt securities issued consist of subordinated notes/bonds/sukuk, Innovative Tier 1/Stapled Capital Securities and borrowings.

These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or interest or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any differences between proceeds net of transaction costs and the redemption value being recognised in the income statements over the period of the borrowings on an effective interest method.

(iii) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(iv) Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are measured at amortised cost using the effective interest method.

(v) Other liabilities

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the income statements.

(vii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position of the Group and of the Bank if there is a current legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The financial assets and financial liabilities of the Group and of the Bank that are subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed in Note 59.

(viii) Derivative financial instruments and hedge accounting

(a) Derivative financial instruments

The Group and the Bank trade derivatives such as interest rate swaps and futures, credit default swaps, commodity swaps, currency swaps, currency forwards and options on interest rates, foreign currencies, equities and commodities.

Derivative financial instruments are initially recognised at fair value. For non-option derivatives, their fair value are normally zero or negligible at inception. For purchased or written options, their fair value are equivalent to the market premium paid or received. The derivatives are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements.

(b) Hedge accounting

The Group and the Bank use derivative instruments to manage exposures to interest rates, foreign currencies and credit risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criterias.

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on ongoing basis.



2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(viii) Derivative financial instruments and hedge accounting (cont'd.)

(b) Hedge accounting (cont'd.)

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(1) Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging instrument is recognised in the income statements. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying amount of the hedged item in the statements of financial position and is also recognised in the income statements.

For fair value hedges relating to items carried at amortised cost, any adjustments to carrying amount is amortised over the remaining term of the hedge using the effective interest method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statements.

The Group disclosed the details of fair value hedge in Note 16.

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portions of the gain or loss on the hedging instrument is recognised immediately in the income statements.

When a hedging instrument expires, or is sold, terminated, exercised or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to income statements.

The Group disclosed the details of cash flow hedge in Note 16.

(3) Net investment hedge

Net investment hedge, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for in a way similar to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income, while any gains or losses relating to the ineffective portion is recognised immediately in the income statements.

On disposal of the foreign operations, the cumulative amount of any such gains or losses recognised in other comprehensive income is transferred to the income statements.

The Group uses its subordinated obligations as a hedge of its exposure to foreign exchange risks on its investments in foreign subsidiaries. Refer to Note 16 for more details.

(ix) Embedded derivatives (*Policy applicable before 1 January 2018*)

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statements.

(x) Embedded derivatives (*Policy applicable from 1 January 2018*)

From 1 January 2018, embedded derivatives are no longer separated from a host financial asset. Instead, the Group and the Bank classify financial assets based on the business model and their contractual terms as outlined in Note 2.3(v)(b).

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts under MFRS 9 is the same as it was under MFRS 139.

(xi) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank purchase with a commitment to resell at future dates. The commitments to resell the securities are reflected as assets on the statements of financial position. The difference between the purchase and resale prices is recognised in the income statements under the caption of 'interest income' and is accrued over the life of the agreement using the effective interest method.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank sell from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as liabilities on the statements of financial position. The difference between the sale and the repurchase prices is recognised in the income statements under the caption of 'interest expense' and is accrued over the life of the agreement using the effective interest method.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xii) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably.

Subsequent to initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in-progress are not depreciated until the development is completed and is available for use.

Leasehold land is depreciated over the period of the respective leases which ranges from 30 to 999 years. The remaining period of respective leases ranges from 6 to 998 years.

Depreciation of other property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Buildings on freehold land	50 years
Buildings on leasehold land	50 years or remaining life of the lease, whichever is shorter
Office furniture, fittings, equipments and renovations	10% – 25%
Computers and peripherals	14% – 25%
Electrical and security equipments	8% – 25%
Motor vehicles	20% – 25%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statements.

Details of property, plant and equipment of the Group and of the Bank are disclosed in Note 23.

(xiii) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statements in the year in which they arise, including the corresponding tax effect.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statements in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment as set out in Note 2.3(xii) up to the date of change in use. Any differences arising at the date of change in use between the carrying amount of the property immediately prior to the change in use and its fair value is recognised directly in equity as revaluation reserve. When a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements. Upon disposal of such investment property, any surpluses previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements.

The Group disclosed the details of investment properties in Note 19.

Investment property under construction (“IPUC”) is measured at fair value (when the fair value is reliably determinable).

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC are determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations are performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed. The Group and the Bank do not have any IPUC as at 31 December 2018.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xiv) Other assets

(a) Other debtors and amount due from brokers and clients

Included in other assets are other debtors, amount due from brokers and clients, prepayments and deposits, tax recoverable and foreclosed properties.

These assets are carried at anticipated realisable values. An estimate is made for doubtful debts based on a review of all outstanding balances as at the reporting date. Bad debts are written-off when identified.

Included in other debtors are physical gold held by the Group and the Bank as a result of its broker-dealer activities. These are accounted for at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the income statements under the caption of 'other operating income'.

(b) Foreclosed assets

Foreclosed assets are those acquired in full or partial satisfaction of debts. Foreclosed assets are stated at the lower of carrying amount and fair value less costs to sell and are recognised in 'other assets'.

(xv) Cash and short-term funds

Cash and short-term funds in the statement of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of three (3) months or less.

(xvi) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU")'s fair value less costs to sell and its value-in-use ("VIU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its VIU calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an assessment is made at each reporting date as to whether there is any indications that previously recognised

impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statements.

Further disclosures relating to impairment of non-financial assets are disclosed in the following notes:

- Significant accounting judgements, estimates and assumptions (Note 3)
- Property, plant and equipment (Note 23)
- Intangible assets (Note 24)

(xvii) Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Group and the Bank expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statements net of any reimbursement.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increases in the provision due to the passage of time is recognised in the income statements.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in income statements.

(xviii) Financial guarantees contract

Financial guarantees are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when it is due in accordance with the contractual terms. In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees premium are initially recognised at fair value on the date the guarantee was issued. Subsequent to initial recognition, the received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The unamortised premium received on these financial guarantees is included within 'other liabilities' in the statements of financial position.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xix) Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(c) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of Ringgit Malaysia ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the financial year; and
- All resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to the income statements (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On the partial disposal of a subsidiary that includes a foreign operation, the Group reattributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to the income statements only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate at the reporting date.

(xx) Income and deferred taxes and zakat

(a) Income tax

Current tax assets/recoverable and current tax liabilities/provisions are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Income taxes for the year comprises current and deferred taxes. Current tax expenses are determined according to the tax laws of each jurisdiction in which the Bank and the Bank's subsidiaries or associates operate and generate taxable income.

Current tax expenses relating to items recognised directly in equity, are recognised in other comprehensive income or in equity and not in the income statements.

Details of income taxes for the Group and the Bank are disclosed in Note 51.

(b) Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xx) Income and deferred taxes and zakat (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- (i) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statements is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Details of deferred tax assets and liabilities are disclosed in Note 32.

(c) Zakat

This represents business zakat payable by the Group in compliance with Shariah principles and as approved by the Group's Shariah Committee.

(xxi) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Classification

A lease is classified at the inception date as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased assets to the Group and the Bank.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(b) Finance leases – the Group and the Bank as lessee

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and accumulated impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the leases, when it is practical to determine; otherwise, the Bank or the Bank's subsidiaries' incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liabilities. Finance costs, which represent the difference between the total leasing commitments and the fair value of the leased assets, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(xii).

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xxi) Leases (cont'd.)

(c) Operating leases – the Group and the Bank as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and is amortised on a straight-line basis over the lease term.

(d) Operating leases – the Group and the Bank as lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the lease term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term on the same basis as rental income.

(xxii) Insurance contracts/takaful certificates

Through its insurance and takaful subsidiaries, the Group issues contracts/certificates to customers that contain insurance/takaful risk, financial risk or a combination thereof. A contract/certificate under which the Group accepts significant insurance/takaful risk from another party by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract/takaful certificate. An insurance contract/takaful certificate may also transfer financial risk, but is accounted for as an insurance contract/takaful certificate if the insurance/takaful risk is significant.

(a) Insurance premium/contribution income

Premium/contribution income from general insurance/general takaful businesses are recognised in the financial year in respect of risks assumed during that particular financial year. Premium/contribution from direct business are recognised during the financial year upon issuance of debit notes. Premium/contribution in respect of risk incepted for which debit notes have not been issued as of the reporting date are accrued at that date.

Premium/contribution income from life insurance/family takaful businesses are recognised as soon as the amount of the premium/contribution can be reliably measured. Initial premiums/contributions are recognised from inception date and subsequent premiums/contributions are recognised on due dates. At the end of the financial year, all due premiums/contributions are accounted for to the extent that they can be reliably measured.

(b) Reinsurance premium/retakaful contributions

Reinsurance premium/retakaful contributions are recognised in the same financial year as the original policies/certificates to which the reinsurance/retakaful relates. Inward treaty reinsurance premium/retakaful contributions are recognised on the basis of periodic advices received from ceding insurers/takaful operators. Inward facultative reinsurance premium/retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies/certificates, following the individual risks' inception dates.

(c) Benefits and claims expenses

Benefits and claims expenses are recognised in the income statements when a claimable event occurs and/or the insurer/takaful operator is notified. Recoveries on reinsurance/retakaful claims are accounted for in the same financial year as the original claims are recognised.

(d) Commission expenses and acquisition costs

The commission expenses and gross cost of acquiring and renewing insurance policies/takaful certificates, after net of income derived from ceding reinsurance premiums/retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Gross commissions and agency expenses for life insurance business are costs directly incurred in securing premium on insurance policies, after net of income derived from ceding reinsurance premium, are recognised in the income statements in the year in which they are incurred.

(e) Premium/contribution liabilities, unearned premium/contribution reserves and unexpired risk reserves

(1) Premium/contribution liabilities

Premium/contribution liabilities represent the future obligations on insurance/takaful contracts as represented by premium/contribution received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the term of the insurance/takaful contracts and is recognised as premium/contribution income.

Premium liabilities for general insurance business are reported at the higher of the aggregate of the unearned premium reserves for all lines of business or the best estimated value of the insurer's unexpired risk reserves at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

Contribution liabilities for general takaful business are reported at the higher of the aggregate of the unearned contribution reserves for all line of businesses or the total general takaful fund's unexpired risk reserves at above 75% confidence level at the end of the financial year.



2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xxii) Insurance contracts/takaful certificates (cont'd.)

(e) Premium/contribution liabilities, unearned premium/contribution reserves and unexpired risk reserves (cont'd.)

(2) Unearned premium reserves ("UPR") and unearned contribution reserves ("UCR")

UPR/UCR represent the portion of net premiums/gross contributions of insurance policies/takaful certificates written that relate to the unexpired periods of policies/certificates at the end of the financial year. In determining the UPR/UCR at the reporting date, the method that most accurately reflects the actual unearned premium/contribution is used as follows:

- 25% method for marine cargos, aviation cargos and transit business;
- 1/24th method for all other classes of local business of general insurance and 1/365th method for all other classes of general takaful business, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding premiums/contributions, not exceeding limits specified by BNM;
- 1/8th method for all classes of overseas business with a deduction of 20% for commissions;
- Earned upon maturity method for bond business written by the general takaful funds; and
- Non-annual policies are time-apportioned over the period of the risks after deducting the commission, that relate to the unexpired periods of policies at the end of the financial year.

(3) Unexpired risk reserves ("URR")

The URR is the prospective estimate of the expected future payments arising from future events insured under policies/certificates in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies/certificates and settling the relevant claims and expected future premium/contribution refunds. URR is estimated via an actuarial valuation performed by the signing actuary.

(f) Reinsurance/retakaful assets

The insurance and takaful subsidiaries of the Bank cede insurance/takaful risks in the normal course of their businesses. Reinsurance/retakaful assets represent amounts recoverable from reinsurers or retakaful operators for insurance/takaful contract liabilities which have yet to be settled at the reporting date. At each reporting date, or more frequently, the insurance and takaful subsidiaries of the Bank assess whether objective evidence exists that reinsurance/retakaful assets are impaired.

To determine whether there is objective evidence that an impairment loss on reinsurance/retakaful asset has been incurred, the insurance and takaful subsidiaries of the Bank

consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments. If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the income statements.

Reinsurance/retakaful assets are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(g) Insurance/takaful receivables

Insurance/takaful receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective yield method. At each reporting date, the insurance and takaful subsidiaries of the Bank assess whether objective evidence exists that insurance/takaful receivables are impaired.

To determine whether there is objective evidence that an impairment loss on insurance/takaful receivables has been incurred, the insurance and takaful subsidiaries of the Bank consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments. If any such evidence exists, the insurance and takaful subsidiaries of the Bank reduce the carrying amount of the insurance/takaful receivables accordingly and recognise that impairment loss in the income statements.

Insurance/takaful receivables are derecognised when the contractual right to receive cash flows has expired or substantially all the risks and rewards have been transferred to another party.

(h) Insurance contract/takaful certificate liabilities

Insurance contract/takaful certificate liabilities are recognised when contracts/certificates are in-force and premiums/contributions are charged. Insurance contract/takaful certificate liabilities are derecognised when the contracts/certificates have expired, discharged or cancelled. Any adjustments to the liabilities at each reporting date is recorded in the income statements. Profits originating from margins of adverse deviation on run-off contracts/certificates, are recognised in the income statements over the life of the contract/certificate, whereas losses are fully recognised in the income statements during the first year of run-off.

An assessment is made at each reporting date through the performance of a liability adequacy test to determine whether the recognised insurance contract/takaful certificate liabilities are adequate to cover the obligations of insurance/takaful subsidiaries, contractual or otherwise, with respect to insurance contracts/takaful certificates issued. In performing the liability adequacy test, the insurance/takaful subsidiaries discount all contractual cash flows and compare them against the carrying amount of insurance contract/takaful certificate liabilities. Any deficiencies is recognised in the income statements.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xxii) Insurance contracts/takaful certificates (cont'd.)

(i) Claim liabilities

Claim liabilities represent the insurer's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. These comprise of the best estimate value of claim liabilities and a PRAD as prescribed by BNM. Liabilities for outstanding claims are recognised upon notification by policyholders/participants. Claim liabilities are determined based upon valuations performed by the signing actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

(j) Expense liabilities

Expense liabilities in relation to general takaful and family takaful businesses are based on estimations performed by a qualified actuary. Changes in expense liabilities are recognised in the income statements.

(k) Insurance/takaful payables

Insurance/takaful payables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(xxiii) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial liabilities designated at FVTPL, fair value through OCI, financial investments AFS, derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between fair value hierarchy levels by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments and non-financial assets that are measured at fair value are disclosed in Note 58(c).

While the fair value hierarchies of financial assets and financial liabilities that are not measured at fair value, for which fair value is disclosed are presented in Note 58(g).

(xxiv) Interest/profit income and expense

Interest/profit-bearing financial assets classified as financial investments at FVTPL, financial investments at FVOCI, financial investments at amortised cost, loans, advances and financing, financial investments AFS and financial assets HFT are recognised in the income statements under the caption of 'interest income' using the effective interest method. Interest/profit-bearing financial liabilities classified as deposits from customers, investment accounts of customers, deposits and placements from financial institutions, financial liabilities designated at FVTPL, debt securities and payables are recognised in the income statements under the caption 'interest expense' using effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and the Bank take into account all contractual terms of the financial instrument and include any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective interest rate, but does not consider future credit losses.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xxiv) Interest/profit income and expense (cont'd.)

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Profit income and expense from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

(xxv) Fee and other income

(a) Fee income

The Group and the Bank earn fee income from a diverse range of services they provide to its customers as follows:

(1) Fee income earned on the execution of a significant act

Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as an arrangement for the acquisition of shares or other securities).

(2) Fee income earned from provision of services

Income earned from the provision of services is recognised as revenue over the period in which the services are provided (for example, asset management, portfolio and other management advisory and service fees).

(3) Fee income that forms an integral part of the effective interest rate of a financial instrument

Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded as part of 'interest income' in the income statements.

Fee income can be divided into the following categories:

(1) Commission

Income earned in respect of sales or distribution of banking, investments and insurance products. Commission earned from banking is on trade and bancaassurance.

(2) Service charges and fees

Income earned on the services provided to retail and corporate customers, including account management and various transaction-based services, such as interchange foreign currency transactions, money order processing and insufficient funds/overdraft transactions.

(3) Underwriting fees

Income earned for the placement of a customer's debt or equity securities.

(4) Brokerage income

Brokerage income includes fees earned from transaction-based services that are performed as part of investment management services.

(5) Fees on loans, advances and financing

Income earned in respect of loans, advances and financing such as loan commitments, financial guarantees and standby letters of credit.

(b) Dividend income

Dividend income is recognised when the Group's and the Bank's right to receive the payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

(c) Customer loyalty programmes

Award credits under the customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the cost of award credits and the other components of the sale. The consideration allocated to award credits is recognised in the income statements under the caption of 'other operating income' when award credits are redeemed.

As at 31 December 2018, the remaining performance obligations associated with future net fee income of the Group and of the Bank ranging from 1 year to 3 years and more than 3 years are RM334.78 million and RM349.72 million respectively.

(xxvi) Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statements in the year in which the associated services are rendered by employees of the Group and of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised as an expense in the income statements when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in the income statements when the absences occur.

(b) Other long-term employee benefits

Other long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which the employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Group using the recognition and measurement bases similar to that for defined benefit plans disclosed in Note 2.3(xxvi)(d), except that the remeasurements of the net defined benefit liability or asset are recognised immediately in the income statements.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xxvi) Employee benefits (cont'd.)

(c) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Certain overseas branches and overseas subsidiaries of the Bank make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statements when incurred.

(d) Defined benefit plans

As required by labour laws in certain countries, certain subsidiaries of the Bank are required to pay severance payments to their employees upon employees' retirement. The Group treated such severance payment obligations as defined benefit plans or pension plans.

The defined benefit costs and the present value of defined benefit obligations are calculated at the reporting date by the qualified actuaries using the projected unit credit method.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statements on the earlier of:

- The date of the plan amendment or curtailment; or
- The date that the overseas subsidiaries of the Bank recognise restructuring related costs.

Net interest on the net defined benefit asset or liability and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the income statements.

The Group disclosed the details of defined benefit plans in Note 29(i).

(e) Share-based compensation

(1) Employees' Share Grant Plan ("ESGP Shares")

The ESGP Shares is awarded to the eligible Executive Directors and employees of the participating Maybank Group excluding dormant subsidiaries. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the ESGP Committee.

The total fair value of ESGP Shares granted to eligible employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the ESGP Shares will vest. The fair value

of ESGP Shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP Shares were granted.

Upon vesting of ESGP Shares, the Bank will recognise the impact of the actual numbers of ESGP Shares vested as compared to original estimates.

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to the eligible Executive Directors and employees of the participating Maybank Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the Maybank Reference Shares will be transferred to the eligible employees.

The total fair value of CESGP granted to eligible employees is recognised as an employee cost with a corresponding increase in the liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP were granted. Upon vesting of CESGP, the Bank will recognise the impact of the actual numbers of CESGP vested as compared to the original estimates.

(3) Employee Share Option Scheme ("ESOS")

The ESOS is an equity-settled share-based compensation plan that allows the Group's directors and employees to acquire shares of the Bank. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. The share option reserve is transferred to retained earnings upon expiry of the share option.



2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xxvi) Employee benefits (cont'd.)

(e) Share-based compensation (cont'd.)

(4) Restricted Share Units ("RSU")

Senior management employees of the Group are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the Maybank Group Employees' Share Scheme ("ESS") Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the RSU will vest. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

At each reporting date, the Bank revises its estimates of the number of RSU that are expected to be awarded on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

(5) Cash-settled Performance-based Scheme ("CESS")

CESS, comprising of Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU"), is made available to the eligible employees of overseas branches and overseas subsidiaries of the Bank, subject to achievement of performance criterias set out by the Board of Directors and prevailing market practices in the respective countries.

The cost of CESS is measured initially at fair value at the grant date using binomial model and Monte-Carlo Simulation model, further details of which are disclosed in Note 36(g) and 36(h). This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statements in 'personnel expenses' under caption of "ESS Expense".

Details of share options granted under ESS and CESS are disclosed in Note 36(d).

(xxvii) Non-current assets (or disposal group) held for sale and discontinued operations

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable

and the asset is available for immediate sale in its present condition, management has committed to the sale and the sale is expected to have been completed within one year from the date of classification.

Immediately before the initial classification of non-current assets (or disposal group) as held for sale, the carrying amount of non-current assets (or component of a disposal group) is remeasured in accordance with applicable MFRS. Thereafter, the non-current assets (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment property, which continue to be measured in accordance with MFRS. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment losses.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Equity accounting on associates ceases once the associates are classified as held for sale.

A disposal group qualifies as discontinued operation if it is a component of the Group and of the Bank that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statements.

(xxviii) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Transaction costs directly attributable to the issuance of new equity shares are taken to equity as a deduction against the issuance proceeds.

Dividends declared on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained. Dividends declared on ordinary shares held under ESOS Trust Fund ("ETF") Pool are eliminated at the Group level.

(xxix) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence when inflows of economic benefits are probable but not virtually certain.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(xxix) Contingent assets and contingent liabilities (cont'd.)

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Group and the Bank do not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

(xxx) Earnings per share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") for profit or loss from continuing operations attributable to the ordinary equity holders of the Bank on the face of the income statements.

Basic EPS is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

Diluted EPS is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year, which has been adjusted for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

Where there is a discontinued operation reported, the Group presents the basic and diluted amounts per share for the discontinued operation on the face of the income statements.

(xxxi) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or a group of people that is responsible to allocate resources and assess the performances of the operating segments of an entity. The Group has determined the Group Executive Committee of the Bank as its chief operating decision-maker.

All transactions between business segments (intra-segment revenue and costs) are being eliminated at head office. Income and expenses directly associated with each business segment are included in determining business segment performance.

The Group disclosed its segment information in Note 64.

(xxxii) Monies held-in-trust by Participating Organisation of Bursa Malaysia Securities Berhad ("FRSIC Consensus 18")

FRSIC Consensus 18 was developed by the Financial Reporting Standards Implementation Committee ("FRSIC") and issued by the Malaysian Institute of Accountants on 18 September 2012. FRSIC Consensus 18 has been applied in the financial statements of the Group relating to monies in the trust accounts held by entities within the Group that is a participating organisation of Bursa Malaysia Securities Berhad or a participating member of equivalent stock exchanges in the respective countries.

In accordance with FRSIC Consensus 18, monies held-in-trust by a participating organisation are not recognised as part of the entity's assets with the corresponding liabilities as the entity neither has control over the trust monies to obtain the future economic benefits embodied in the trust monies nor has any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow

of resources embodying economic benefits from the entity. This accounting treatment is consistent with the definition of assets and liabilities as defined in the *Conceptual Framework for Financial Reporting* under the MFRS Framework.

The Group has disclosed the carrying amounts of the monies held-in-trust for clients as at the reporting date in Note 5.

2.4 Changes in accounting policies and disclosures

On 1 January 2018, the Group and the Bank adopted the following new MFRSs, amendments to MFRSs, annual improvements to MFRSs and IC Interpretation:

Description	Effective for annual periods beginning on or after
MFRS 2 <i>Share-based Payment</i> – Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i> (Amendments to MFRS 4)	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle –	
(i) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
MFRS 140 <i>Transfers of Investment Property</i> (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

MFRS 2 *Share-based Payment* – Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendments do not have any impact to the financial statements of the Group and of the Bank.

MFRS 9 *Financial Instruments*

The standard introduced new requirements for classification, measurement, impairment and hedge accounting. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with the standard. 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

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 Group and of the Bank:

Group Statement of Financial Position	31 December 2017 RM'000	Classification and remeasurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
ASSETS				
Cash and short-term funds	50,334,290	–	(35,952)	50,298,338
Deposits and placements with financial institutions	16,988,391	–	(5,757)	16,982,634
Financial assets purchased under resale agreements	8,514,283	–	(1,552)	8,512,731
Financial investments at fair value through profit or loss	25,117,493	2,246,003	–	27,363,496
Financial investments at fair value through other comprehensive income	–	107,012,013	521,323	107,533,336
Financial investments at amortised cost	–	20,512,206	(101,739)	20,410,467
Financial investments available-for-sale	109,070,244	(109,070,244)	–	–
Financial investments held-to-maturity	20,184,773	(20,184,773)	–	–
Loans, advances and financing	485,584,362	28,688	(2,829,359)	482,783,691
Derivative assets	6,704,651	–	–	6,704,651
Reinsurance/retakaful assets and other insurance receivables	3,933,772	–	(13,093)	3,920,679
Other assets	9,698,140	–	115,226 ¹	9,813,366
Investment properties	753,555	–	–	753,555
Statutory deposits with central banks	15,397,213	–	(6,618)	15,390,595
Interest in associates and joint ventures	2,772,324	–	(294)	2,772,030
Property, plant and equipment	2,635,018	–	–	2,635,018
Intangible assets	6,753,939	–	–	6,753,939
Deferred tax assets	859,318	9,831	104,489	973,638
TOTAL ASSETS	765,301,766	553,724	(2,253,326)	763,602,164
LIABILITIES				
Customers' funding:				
– Deposits from customers	502,017,445	–	–	502,017,445
– Investment accounts of customers	24,555,445	–	–	24,555,445
Deposits and placements from financial institutions	42,598,131	–	–	42,598,131
Obligations on financial assets sold under repurchase agreements	5,367,086	–	–	5,367,086
Derivative liabilities	7,221,015	–	–	7,221,015
Financial liabilities at fair value through profit or loss	6,375,815	3,000,594	–	9,376,409
Bills and acceptances payable	1,894,046	–	–	1,894,046
Insurance/takaful contract liabilities and other insurance payables	25,118,843	(397)	(1,769)	25,116,677
Other liabilities	19,179,140	–	239,764	19,418,904
Recourse obligation on loans and financing sold to Cagamas	1,543,501	–	–	1,543,501
Provision for taxation and zakat	746,494	–	(517,755)	228,739
Deferred tax liabilities	732,079	19,489	–	751,568
Borrowings	34,505,618	(3,052,163)	–	31,453,455
Subordinated obligations	11,979,323	–	–	11,979,323
Capital securities	6,284,180	–	–	6,284,180
TOTAL LIABILITIES	690,118,161	(32,477)	(279,760)	689,805,924
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital	44,250,380	–	–	44,250,380
Shares held-in-trust	(183,438)	–	–	(183,438)
Regulatory reserve	2,747,285	(760,278)	–	1,987,007
Retained profits	25,268,743	1,254,933	(2,352,541)	24,171,135
Reserves	905,644	72,114	387,205	1,364,963
	72,988,614	566,769	(1,965,336)	71,590,047
Non-controlling interests	2,194,991	19,432	(8,230)	2,206,193
	75,183,605	586,201	(1,973,566)	73,796,240
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	765,301,766	553,724	(2,253,326)	763,602,164

¹ Include tax recoverable of RM115.7 million

Notes to the Financial Statements

31 December 2018

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

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 Group and of the Bank (cont'd.):

Bank Statement of Financial Position	31 December 2017 RM'000	Classification and remeasurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
ASSETS				
Cash and short-term funds	30,714,527	-	(27,267)	30,687,260
Deposits and placements with financial institutions	21,382,493	-	(5,447)	21,377,046
Financial assets purchased under resale agreements	7,633,503	-	(417)	7,633,086
Financial investments at fair value through profit or loss	7,896,677	1,875,647	-	9,772,324
Financial investments at fair value through other comprehensive income	-	87,871,926	399,901	88,271,827
Financial investments at amortised cost	-	17,763,565	(76,190)	17,687,375
Financial investments available-for-sale	89,286,739	(89,286,739)	-	-
Financial investments held-to-maturity	17,763,565	(17,763,565)	-	-
Loans, advances and financing	290,997,969	29,291	(1,392,447)	289,634,813
Derivative assets	6,865,221	-	-	6,865,221
Other assets	4,801,397	-	-	4,801,397
Statutory deposits with central banks	7,746,700	-	-	7,746,700
Investment in subsidiaries	22,057,063	-	-	22,057,063
Interest in associates and joint ventures	472,016	-	-	472,016
Property, plant and equipment	1,165,908	-	-	1,165,908
Intangible assets	568,030	-	-	568,030
Deferred tax assets	315,013	5,886	-	320,899
TOTAL ASSETS	509,666,821	496,011	(1,101,867)	509,060,965
LIABILITIES				
Customers' funding:				
- Deposits from customers	328,938,600	-	-	328,938,600
Deposits and placements from financial institutions	37,645,134	-	-	37,645,134
Obligations on financial assets sold under repurchase agreements	5,189,316	-	-	5,189,316
Derivative liabilities	7,179,998	-	-	7,179,998
Financial liabilities at fair value through profit or loss	5,483,120	3,000,594	-	8,483,714
Bills and acceptances payable	1,384,983	-	-	1,384,983
Other liabilities	16,910,597	-	187,087	17,097,684
Recourse obligation on loans and financing sold to Cagamas	1,543,501	-	-	1,543,501
Provision for taxation and zakat	385,876	-	(369,382)	16,494
Borrowings	27,106,442	(3,052,163)	-	24,054,279
Subordinated obligations	9,362,526	-	-	9,362,526
Capital securities	6,284,180	-	-	6,284,180
TOTAL LIABILITIES	447,414,273	(51,569)	(182,295)	447,180,409
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital	44,250,380	-	-	44,250,380
Shares held-in-trust	(183,438)	-	-	(183,438)
Regulatory reserve	2,233,563	(295,155)	-	1,938,408
Retained profits	13,572,235	785,939	(1,283,614)	13,074,560
Reserves	2,379,808	56,796	364,042	2,800,646
	62,252,548	547,580	(919,572)	61,880,556
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	509,666,821	496,011	(1,101,867)	509,060,965



2. ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

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

	Impact of adopting MFRS 9 and Revised Financial Reporting Policy document as at 1 January 2018	
	Group RM'000	Bank RM'000
Regulatory reserve		
Closing balance at 31 December 2017	2,747,285	2,233,563
– Transfer to retained profits	(760,278)	(295,155)
Opening balance at 1 January 2018	1,987,007	1,938,408
Reserves		
Closing balance at 31 December 2017	905,644	2,379,808
– Recognition of expected credit loss	387,563	364,042
– Unrealised gain on financial assets at FVOCI	74,181	45,301
– Deferred tax in respect of unrealised gain on FVOCI	4,806	11,495
– Non-controlling interests share of impact arising from:		
– expected credit loss	(358)	–
– classification and measurement	(6,873)	–
Opening balance at 1 January 2018	1,364,963	2,800,646
Retained profits		
Closing balance at 31 December 2017	25,268,743	13,572,235
– Transfer from regulatory reserve	760,278	295,155
– Unrealised gain on financial assets at FVTPL	436,587	444,824
– Unrealised gain on financial liabilities at FVTPL	51,569	51,569
– Recognition of expected credit loss	(3,065,514)	(1,652,996)
– Deferred tax in respect of unrealised gain on FVTPL and expected credit loss	90,026	(5,609)
– Provision for taxation	517,755	369,382
– Tax recoverable	115,662	–
– Non-controlling interests share of impact arising from:		
– expected credit loss	8,508	–
– classification and measurement	(12,479)	–
Opening balance at 1 January 2018	24,171,135	13,074,560
Non-controlling interests		
Closing balance at 31 December 2017	2,194,991	–
– Non-controlling interests share of impact arising from:		
– expected credit loss	(8,230)	–
– classification and measurement	19,432	–
Opening balance at 1 January 2018	2,206,193	–

Notes to the Financial Statements

31 December 2018

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

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

	31 December 2017	Impact of adopting MFRS 9 and Revised Financial Policy document	1 January 2018
Group			
CET1 Capital (RM'000)	55,410,401	(1,185,983)	54,224,418
Tier 1 Capital (RM'000)	61,734,606	(1,185,983)	60,548,623
Total Capital (RM'000)	72,703,296	(1,185,983)	71,517,313
Risk Weighted Assets (RM'000)	375,079,769	464,913	375,544,682
CET1 Capital Ratio	14.773%	(0.334%)	14.439%
Tier 1 Capital Ratio	16.459%	(0.336%)	16.123%
Total Capital Ratio	19.383%	(0.339%)	19.044%
Bank			
CET1 Capital (RM'000)	41,170,420	(446,765)	40,723,655
Tier 1 Capital (RM'000)	46,614,430	(446,765)	46,167,665
Total Capital (RM'000)	50,155,417	(446,765)	49,708,652
Risk Weighted Assets (RM'000)	259,696,616	490,125	260,186,741
CET1 Capital Ratio	15.853%	(0.201%)	15.652%
Tier 1 Capital Ratio	17.950%	(0.206%)	17.744%
Total Capital Ratio	19.313%	(0.208%)	19.105%

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that applies 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(s);
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract(s); 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 which 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 which superseded 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 adopt 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 Note 64.



2. ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property is insufficient to support the change in use.

The amendments apply for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply these amendments:

- (i) the *prospective* approach – apply the amendments to transfer that occur after the date of initial application and also reassess the classification of property assets held at that date; or
- (ii) the *retrospective* approach – apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The amendments do not have any impact to the financial statements of the Group and of the Bank.

Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Group has opted not to apply the exemptions permitted under these amendments and has commenced full adoption of MFRS 9 effective on 1 January 2018.

Annual Improvements to MFRSs 2014-2016 Cycle

(i) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendments removed a number of short-term exemptions because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

(ii) Amendments to MFRS 128 Investments in Associates and Joint Ventures

The amendments clarify that a venture capital organisation, or a mutual fund, unit trusts and similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for its investments in joint ventures and associates at fair value or using the equity method. The method chosen for each investment must be made on initial recognition.

The Group's and the Bank's interest in its associates and joint ventures are accounted for using the equity method. In the Bank's separate financial statements, interest in associates and joint ventures are stated at cost less accumulated impairment losses. The amendments do not have any impact on the Group's and of the Bank's financial statements.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IC Interpretation 22 addresses the exchange rate that should be used to measure revenue (or expense) when the related consideration was received (or paid) in advance. It requires that the exchange rate to use is the one that applied when the non-monetary asset (or liability) arising from the receipt (or payment) of advance consideration was initially recognised.

IC Interpretation 22 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply these amendments:

- (i) retrospectively according to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or
- (ii) prospectively to all assets, expenses and income in the scope of the interpretation initially recognised on or after:
 - the beginning of the reporting period in which the entity first applies the interpretation; or
 - the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of the IC interpretation does not have any impact on the Group's and of the Bank's financial statements.

2.5 Significant changes in regulatory requirements

(i) Revised Financial Reporting Policy document issued by Bank Negara Malaysia (“BNM”)

On 2 February 2018, BNM issued a revised Financial Reporting Policy document. The revised Policy document applies to financial institutions in Malaysia which covers licensed banks, licensed investment banks, licensed Islamic banks and licensed insurers. The revised Policy document has superseded two Policy document 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 Policy document is 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 and the Bank have presented the regulatory reserves in the Statement of Changes in Equity.

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

The Group presented these information in Note 52(a)(i)(A).

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Significant changes in regulatory requirements (cont'd.)

(i) Revised Financial Reporting Policy document issued by Bank Negara Malaysia ("BNM") (cont'd.)

- (iii) Additional disclosure on placement of funds in an investment account with an Islamic banking institution:
- 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
 - disclose in the explanatory notes the nature of the underlying assets for the investment.

The additional disclosures are presented in Note 15.

- (iv) Clarify on the classification of a credit facility as credit-impaired:
- 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;
 - 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
 - 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 Policy document.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and 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. The most significant uses of judgements and estimates are as follows:

3.1 Going concern

The Group's and the Bank's management have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Impairment of financial investments portfolio (Notes 11, 13 and 49)

The Group and the Bank review their financial investments at FVOCI and financial investments at AC under MFRS 9 which required to recognise the ECL at each reporting date to reflect changes in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the following management's judgements are required:

- Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- Determination of ECL that reflect:
 - An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - The time value of money; and
 - Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Under MFRS 139, the Group and the Bank review their financial investments AFS and financial investments HTM at each reporting date to assess whether there are any objective evidence that these investments are impaired. If there are indicators or objective evidence, these investments are subjected to impairment review.

In carrying out the impairment review, the following management's judgements are required:

- Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

3.3 Fair value estimation of financial assets/investments at FVTPL (Notes 8 and 9), financial investments at FVOCI (Note 11), financial investments AFS (Note 12), loans, advances and financing at FVOCI (Note 15), derivative financial instruments (Note 16) and financial liabilities at FVTPL (Note 27)

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cash flows method, option pricing models, credit models and other relevant valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 58 for further disclosures.



3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.4 Impairment losses on loans, advances and financing (Notes 15 and 48)

The Group and the Bank review their individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the income statements. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Group's and the Bank's ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Internal credit grading model, which assigns PDs to the individual grades;
- (ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Under MFRS 139, loans, advances and financing that have been assessed individually but for which no impairment is required and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar credit risk characteristics, to determine whether allowances should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and judgements on the effect of concentrations of risks (such as the performance of different individual groups).

3.5 Valuation of investment properties (Note 19)

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent valuers who hold a recognised and relevant professional qualification and have recent experience in the locations and category of the properties being valued.

3.6 Impairment of investment in subsidiaries (Note 21) and interest in associates and joint ventures (Note 22)

The Group assesses whether there is any indication that an investment in subsidiaries and interest in associates and joint ventures may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts and estimated recoverable amounts of the investments.

Judgements made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries and interest in associates and joint ventures are as follows:

- (i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcomes based on certain past trends.

Sensitivity to changes in assumptions

Management believes that no reasonably expected possible changes in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

3.7 Impairment of goodwill (Note 24(i))

The Group tests annually whether the goodwill that has an indefinite life is impaired by measuring the recoverable amount of the CGU based on the VIU method, which requires the use of estimates of future cash flow projections, terminal growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

3.8 Deferred tax (Note 32) and income taxes (Note 50)

The Group and the Bank are subject to income taxes in many jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Notes to the Financial Statements

31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.8 Deferred tax (Note 32) and income taxes (Note 50) (cont'd.)

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3.9 Liabilities of insurance business (Note 28)

(a) Life insurance and family takaful businesses

There are several sources of uncertainties that need to be considered in the estimation of life insurance and family takaful liabilities.

For life insurance contracts, the main assumptions used relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates. These estimates, adjusted when appropriate to reflect the insurance subsidiary's unique risk exposures, provide the basis for the valuation of future policy benefits payable.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns in accordance with the takaful subsidiary's experience. The family takaful fund bases the estimate of expected number of deaths on applied mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions. For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends.

(b) General insurance and general takaful businesses

The principal uncertainties in the general insurance and general takaful businesses arise from the technical provisions which include the premium/contribution liabilities and claim liabilities. The basis of valuation of the premium/contribution liabilities and claim liabilities are disclosed in Note 2.3(xxii).

Generally, claim liabilities are determined based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims, development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. It is certain that actual, future contribution and claims liabilities will not exactly develop as projected and may vary from the projections.

3.10 Defined benefit plans (Note 29(i))

The cost of the defined benefit plan and other post employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 29(i)(d).

3.11 Deemed controlled structured entities (Note 68(b))

The Group has established a number of fixed income funds and equity funds, where it is deemed to be acting as principal rather than agent in its role as funds investment manager for the funds. Accordingly, the Group is deemed to control these entities and consolidate these entities based on the accounting policies as disclosed in Note 2.2.

4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE

The following are standards, annual improvements to standards and IC Interpretation issued by Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and of the Bank's financial statements. The Group and the Bank intend to adopt these standards, annual improvements to standards and IC Interpretation, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Prepayment Features with Negative Compensation</i> (Amendments to MFRS 9)	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) MFRS 3 <i>Business Combinations</i>	1 January 2019
(ii) MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(iii) MFRS 112 <i>Income Taxes</i>	1 January 2019
(iv) MFRS 123 <i>Borrowing Costs</i>	1 January 2019
MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i> (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3 – Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 – Definition of Material	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred



4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments are effective for annual periods beginning on or after 1 January 2019. The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Bank's financial statements.

MFRS 16 Leases

MFRS 16 was issued in January 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The Group and the Bank will apply the standard from its mandatory adoption date of 1 January 2019 and this standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

During the financial year ended 31 December 2018, the Group and the Bank have developed its approach for assessing the different types of leases including the exemptions covered in the standard, incorporating forward-looking information in taking certain decisions.

The overall governance of MFRS 16 project implementation is through the MFRS 16 Project Steering Committee which includes representation of Finance, IT and various Business sectors. In addition, the Audit Committee of the Board and the Board of Directors have provided effective oversight of the Group's and the Bank's progress in preparation of MFRS 16 adoption along with the regular updates on the MFRS 16 progress and readiness by the project team.

Overall, the Group and the Bank anticipate impact to the financial statements in the areas of classification and measurement for lease assets and liabilities. The classification and measurement requirements will affect the presentations and disclosures within the Group's and the Bank's financial statements. Following the Group's and the Bank's parallel run using the latest available information, the Group's and the Bank's Capital Adequacy Ratio indicate potential reduction of less than 10 basis points. The final impacts are still being assessed and may be adjusted as necessary.

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 *Investments in Associates and Joint Ventures*.

Effective for annual periods beginning on or after 1 January 2019, entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Bank do not expect the amendments to have any impact on the Group's and the Bank's financial statements.

Annual Improvements to MFRSs 2015-2017 Cycle

(i) Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

• MFRS 3 *Business Combinations*

The amendments clarify that if an entity in a joint operation that is a business subsequently obtains control of the joint operation, it must remeasure its previously held interest at the acquisition-date fair value. Any differences between the acquisition-date fair value and previous carrying value is recognised as a gain or loss. The amendments therefore mean that when the entity in a joint operation that is a business subsequently obtains control of the joint operation, it applies the same requirements already in MFRS 3 that apply to business combinations achieved in stages.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

• MFRS 11 *Joint Arrangements*

The amendments clarify that if an entity that participates in (but does not have joint control over) a joint operation that is a business subsequently obtains joint control of the joint operation, it must not remeasure its previously held interest. The amendments therefore align with the accounting applied to transactions in which an associate becomes a joint venture and vice versa.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

(ii) Amendments to MFRS 112 Income Taxes

The amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

The amendments apply for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

Annual Improvements to MFRSs 2015-2017 Cycle (cont'd.)

(iii) Amendments to MFRS 123 Borrowing Costs

Paragraph 14 of MFRS 123 requires an entity to exclude borrowings made specifically for the purpose of obtaining/constructing a qualifying asset i.e. specific borrowings, when determining the funds that an entity borrows generally i.e. general borrowings and the funds that it uses for the purpose of obtaining/constructing a qualifying asset. The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. Therefore, from that date, the rate applied on those specific borrowings are included in the determination of the capitalisation rate of general borrowings accordingly.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

The amendments require entities to use the updated actuarial assumptions to determine current service costs and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Bank's financial statements.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainties that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Bank will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

The interpretation is effective for annual periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Revised Conceptual Framework for Financial Reporting

The IASB issued an update to the Conceptual Framework in April 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship;
- Reintroduces the concept of prudence;
- Defines the concept of measurement uncertainty;
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"; and
- Made changes to the definitions of an Asset and a Liability.

The revised conceptual framework is effective for annual periods beginning on or after 1 January 2020.

Amendments to MFRS 3 – Definition of a Business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Amendments to MFRS 101 and MFRS 108 – Definition of Material

Amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments also explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.



4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 *Insurance Contracts*. MFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as certain guarantees and financial instruments with discretionary participation features.

The main features of the new accounting model for insurance contracts are as follows:

- (i) The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- (ii) A Contractual Service Margin (“CSM”) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period);
- (iii) Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- (iv) The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- (v) The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- (vi) Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet;
- (vii) Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- (viii) Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Effective for annual periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. Retrospective approach for estimating the CSM on the transition date is required. However, if full retrospective application for estimating the CSM, as defined by MFRS 108 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

(i) Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

(ii) Fair value approach

The CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

The Group has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- Gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- Gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

Notes to the Financial Statements

31 December 2018

5. CASH AND SHORT-TERM FUNDS

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash balances and deposits with financial institutions		53,162,515	49,110,527	26,967,032	30,714,527
Money at call		1,889,004	1,223,763	-	-
Allowances for impairment loss	(i)	55,051,519 (26,392)	50,334,290 -	26,967,032 (21,880)	30,714,527 -
		55,025,127	50,334,290	26,945,152	30,714,527

The Group's monies held-in-trust for clients as at the reporting date are approximately RM5,131,606,000 (2017: RM4,836,268,000). These amounts are excluded from the cash and short-term funds of the Group in accordance with FRSIC Consensus 18. The Bank does not have monies held-in-trust for clients as at the reporting date.

(i) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on cash and short-term funds are as follows:

Changes in the cash and short-term funds for the Group and the Bank that contributed to changes in the loss allowances were mainly due to the following:

- The Group's overall gross carrying amount for cash and short-term funds increased as a result of new financial assets originated which correspondingly increased the ECL allowances. This is mitigated by the decrease in the ECL allowances due to improvement in credit risk.
- The Bank's gross carrying amount for cash and short-term funds decreased as a result of derecognition of assets which correspondingly decreased the ECL allowances.

Group	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018				
- effect of adopting MFRS 9 (Note 2.4(i))	35,952	-	-	35,952
At 1 January 2018, as restated	35,952	-	-	35,952
Net remeasurement of allowances	(10,652)	-	-	(10,652)
Exchange differences	1,092	-	-	1,092
At 31 December 2018	26,392	-	-	26,392
Bank				
At 1 January 2018				
- effect of adopting MFRS 9 (Note 2.4(i))	27,267	-	-	27,267
At 1 January 2018, as restated	27,267	-	-	27,267
Net remeasurement of allowances	(6,474)	-	-	(6,474)
Exchange differences	1,087	-	-	1,087
At 31 December 2018	21,880	-	-	21,880



6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Licensed banks		3,572,573	9,386,944	15,585,066	14,340,757
Bank Negara Malaysia		1,886,925	2,200,134	1,886,925	2,200,134
Other financial institutions	(i)	7,051,904	5,401,313	5,946,207	4,841,602
		12,511,402	16,988,391	23,418,198	21,382,493
Allowances for impairment loss	(ii)	(8,525)	-	(8,065)	-
		12,502,877	16,988,391	23,410,133	21,382,493

(i) Included in deposits and placements with other financial institutions is USD30.0 million (2017: USD20.0 million) or Ringgit Malaysia equivalent of RM124.2 million (2017: RM81.0 million) pledged with the New York State Banking Department which is not available for use by the Group and the Bank due to capital equivalency deposit requirements.

(ii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on deposits and placements with financial institutions are as follows:

Changes in the deposits and placements with financial institutions for the Group and the Bank that contributed to changes in the loss allowances were mainly due to the following:

- The overall decrease in the Group's gross carrying amount for deposits and placements with financial institutions were mainly contributed by the decrease in the deposits and placements with Licensed banks and deposits and placements with Bank Negara Malaysia which have minimal ECL allowances impact.
- The increase in the Group's gross carrying amount for deposits and placements with other financial institutions was mainly due to new deposits and placements made during the financial year which contributed to an increase in the ECL allowances.
- The increase in the Bank's gross carrying amount for deposits and placements with other financial institutions, due to new deposits and placements made during the financial year which contributed to an increase in the ECL allowances.

Group	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018				
- effect of adopting MFRS 9 (Note 2.4(i))	5,757	-	-	5,757
At 1 January 2018, as restated	5,757	-	-	5,757
Net remeasurement of allowances	3,312	-	-	3,312
Exchange differences	(544)	-	-	(544)
At 31 December 2018	8,525	-	-	8,525
Bank				
At 1 January 2018				
- effect of adopting MFRS 9 (Note 2.4(i))	5,447	-	-	5,447
At 1 January 2018, as restated	5,447	-	-	5,447
Net remeasurement of allowances	3,139	-	-	3,139
Exchange differences	(521)	-	-	(521)
At 31 December 2018	8,065	-	-	8,065

Notes to the Financial Statements

31 December 2018

7. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(i) The financial assets purchased under resale agreements are as follows:

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Foreign Government Treasury Bills		-	880,780	-	-
Foreign Government Securities		1,992,214	7,633,503	1,723,531	7,633,503
Foreign Government Bonds		2,041,615	-	2,041,615	-
		4,033,829	8,514,283	3,765,146	7,633,503
Allowances for impairment loss	(a)	(3,584)	-	(1,862)	-
		4,030,245	8,514,283	3,763,284	7,633,503

(a) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial assets purchased under resale agreements are as follows:

Changes in the financial assets purchased under resale agreements for the Group and the Bank that contributed to changes in the loss allowances were mainly due to the following:

- New financial assets originated during the financial year contributed to the increase in the ECL allowances in Stage 1.

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
Group				
As at 31 December 2018				
At 1 January 2018				
- effect of adopting MFRS 9 (Note 2.4(i))	1,552	-	-	1,552
At 1 January 2018, as restated	1,552	-	-	1,552
Net remeasurement of allowances	209	-	-	209
New financial assets originated or purchased	1,836	-	-	1,836
Exchange differences	(13)	-	-	(13)
At 31 December 2018	3,584	-	-	3,584
Bank				
At 1 January 2018				
- effect of adopting MFRS 9 (Note 2.4(i))	417	-	-	417
At 1 January 2018, as restated	417	-	-	417
Net remeasurement of allowances	(412)	-	-	(412)
New financial assets originated or purchased	1,836	-	-	1,836
Exchange differences	21	-	-	21
At 31 December 2018	1,862	-	-	1,862



7. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONT'D.)

(ii) The obligations on financial assets sold under repurchase agreements are as follows:

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial investments at fair value through profit or loss	9	300,715	-	300,715	-
Financial investments at fair value through other comprehensive income	11(i)	11,616,306	-	19,084,615	-
Financial investments available-for-sale	12(i)	-	4,905,607	-	4,727,837
Financial investments at amortised cost	13(iv)	1,880,972	-	1,880,972	-
Financial investments held-to-maturity	14(iv)	-	461,479	-	461,479
		13,797,993	5,367,086	21,266,302	5,189,316

8. FINANCIAL ASSETS DESIGNATED UPON INITIAL RECOGNITION AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	167,484	243,699	-	-
Malaysian Government Investment Issues	409,107	142,181	-	-
Negotiable Islamic Certificates of Deposits	-	254,048	-	-
Foreign Government Securities	19,435	254,952	-	-
Foreign Government Treasury Bills	25,749	111,432	-	-
	621,775	1,006,312	-	-
Quoted securities:				
In Malaysia:				
Shares, warrants and loan stocks	24,252	18,056	-	-
Unit trusts	24,932	-	-	-
Outside Malaysia:				
Shares, warrants and loan stocks	65,701	188,865	-	-
	114,885	206,921	-	-
Unquoted securities:				
In Malaysia:				
Corporate Bonds and Sukuk	14,012,802	10,840,030	-	-
Structured deposits	272,111	386,594	-	-
Outside Malaysia:				
Corporate Bonds and Sukuk	694,465	747,270	-	-
	14,979,378	11,973,894	-	-
Total financial assets designated upon initial recognition at FVTPL	15,716,038	13,187,127	-	-

Notes to the Financial Statements

31 December 2018

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	172,592	-	152,263	-
Malaysian Government Investment Issues	932,630	-	176,720	-
Cagamas Bonds	254,290	-	254,290	-
Negotiable instruments of deposits	176,621	-	176,621	-
Foreign Government Securities	1,793,844	-	1,738,814	-
Malaysian Government Treasury Bills	291,106	-	291,106	-
Bank Negara Malaysia Bills and Notes	75,896	-	75,896	-
Foreign Government Treasury Bills	13,965	-	13,965	-
	3,710,944	-	2,879,675	-
Quoted securities:				
In Malaysia:				
Shares, warrants, mutual funds and loan stocks	3,709,009	-	87,898	-
Unit trusts	69,185	-	69,185	-
Outside Malaysia:				
Shares, warrants, mutual funds and loan stocks	554,123	-	13,286	-
Unit trusts	124,960	-	43,839	-
Corporate Bonds and Sukuk	14,163	-	-	-
Government Bonds	54,915	-	-	-
	4,526,355	-	214,208	-
Unquoted securities:				
In Malaysia:				
Shares	770,229	-	600,549	-
Unit trusts	260,633	-	-	-
Corporate Bonds and Sukuk	1,376,170	-	1,778,334	-
Outside Malaysia:				
Shares	667	-	-	-
Unit trusts	3,393	-	-	-
Mutual funds	42,021	-	-	-
Corporate Bonds and Sukuk	2,869,421	-	2,971,641	-
Government Bonds	477,466	-	469,760	-
Structured deposits	215,601	-	-	-
	6,015,601	-	5,820,284	-
Total financial investments at FVTPL	14,252,900	-	8,914,167	-

Included in financial investments at fair value through profit or loss are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Foreign Government Securities (Note 7(ii))	300,715	-	300,715	-



10. FINANCIAL INVESTMENTS HELD-FOR-TRADING

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	-	441,205	-	392,497
Malaysian Government Investment Issues	-	55,157	-	10,009
Negotiable instruments of deposits	-	505,238	-	505,238
Foreign Government Securities	-	3,925,083	-	2,706,833
Bank Negara Malaysia Bills and Notes	-	49,698	-	49,698
Foreign Government Treasury Bills	-	73,571	-	73,571
	-	5,049,952	-	3,737,846
Quoted securities:				
In Malaysia:				
Shares, warrants, unit trusts and loan stocks	-	1,077,730	-	128,081
Outside Malaysia:				
Shares, warrants, unit trusts and loan stocks	-	1,743,565	-	14,332
Foreign Government Bonds	-	97,667	-	-
	-	2,918,962	-	142,413
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	-	2,031,971	-	1,648,442
Corporate Bonds and Sukuk in Malaysia	-	1,320,909	-	1,767,926
Foreign Government Bonds	-	608,572	-	600,050
	-	3,961,452	-	4,016,418
Total financial investments held-for-trading	-	11,930,366	-	7,896,677

Notes to the Financial Statements

31 December 2018

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	13,016,540	-	12,994,902	-
Malaysian Government Investment Issues	26,548,415	-	16,453,295	-
Negotiable instruments of deposits	101,710	-	699,011	-
Foreign Government Securities	9,027,030	-	7,046,826	-
Foreign Government Treasury Bills	15,413,937	-	5,089,308	-
Khazanah Bonds	2,475,788	-	2,322,544	-
Cagamas Bonds	889,251	-	889,251	-
	67,472,671	-	45,495,137	-
Quoted securities:				
In Malaysia:				
Shares, warrants and loan stocks	7,660	-	19,677	-
Outside Malaysia:				
Shares, warrants and loan stocks	2,748	-	-	-
Corporate Bonds and Sukuk	64,056	-	-	-
Government Bonds	114,702	-	-	-
	189,166	-	19,677	-
Unquoted securities:				
In Malaysia:				
Shares and loan stocks	335,393	-	280,744	-
Government Bonds	564,361	-	520,595	-
Corporate Bonds and Sukuk	24,976,821	-	18,096,677	-
Outside Malaysia:				
Shares	3,501	-	-	-
Government Bonds	11,273,252	-	10,567,929	-
Corporate Bonds and Sukuk	16,098,723	-	14,602,078	-
	53,252,051	-	44,068,023	-
Total financial investments at FVOCI	120,913,888	-	89,582,837	-

(i) Included in financial investments at fair value through other comprehensive income are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Government Securities	4,642,041	-	4,642,041	-
Malaysian Government Investment Issues	3,518,691	-	3,518,691	-
Foreign Corporate Bonds and Sukuk	1,219,835	-	4,239,982	-
Foreign Government Treasury Bills	-	-	1,309,906	-
Foreign Government Bonds	2,231,939	-	2,231,939	-
Foreign Government Securities	3,800	-	3,142,056	-
Total (Note 7(ii))	11,616,306	-	19,084,615	-



11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”) (CONT'D.)

(ii) The maturity profile of money market instruments are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	23,856,337	-	10,716,942	-
One year to three years	3,620,658	-	2,779,402	-
Three years to five years	9,523,029	-	6,813,587	-
After five years	30,472,647	-	25,185,206	-
	67,472,671	-	45,495,137	-

(iii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at fair value through other comprehensive income are as follows:

Changes in the financial investments at fair value through other comprehensive income for the Group and the Bank that contributed to changes in the loss allowances were mainly due to the following:

- The increase in the Group's and the Bank's gross carrying amount was predominantly contributed by Government-related securities which have minimal ECL allowances impact.
- The decrease in the gross carrying amount was largely contributed by Foreign Corporate Bonds and Sukuk, due to derecognition of financial assets during the financial year which correspondingly decreased the ECL allowances.
- The write-off of Corporate Bonds and Sukuk with a gross carrying amount of RM203.5 million for the Group and the Bank resulted in the reduction of Stage 3 lifetime ECL by RM203.5 million.

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
Group				
As at 31 December 2018				
At 1 January 2018				
- effect of adopting MFRS 9 (Note 2.4(i))	37,885	20,938	314,057	372,880
At 1 January 2018, as restated	37,885	20,938	314,057	372,880
Transferred to Stage 1	1,305	(1,305)	-	-
Transferred to Stage 2	(92)	92	-	-
Transferred to Stage 3	(177)	-	177	-
Net remeasurement of allowances	(9,814)	(260)	81,601	71,527
New financial assets originated or purchased	14,436	895	-	15,331
Financial assets derecognised	(23,408)	(18,380)	(8,314)	(50,102)
Amount written-off	-	-	(203,457)	(203,457)
Exchange differences	7,931	(401)	(734)	6,796
At 31 December 2018	28,066	1,579	183,330	212,975

Notes to the Financial Statements

31 December 2018

11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”) (CONT’D.)

- (iii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at fair value through other comprehensive income are as follows (cont’d.):

Bank	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018				
– effect of adopting MFRS 9 (Note 2.4(i))	29,297	20,607	300,335	350,239
At 1 January 2018, as restated	29,297	20,607	300,335	350,239
Transferred to Stage 1	1,305	(1,305)	–	–
Transferred to Stage 2	(78)	78	–	–
Transferred to Stage 3	(155)	–	155	–
Net remeasurement of allowances	(5,841)	(246)	38,575	32,488
New financial assets originated or purchased	11,131	860	–	11,991
Financial assets derecognised	(18,970)	(17,896)	(8,314)	(45,180)
Amount written-off	–	–	(203,457)	(203,457)
Exchange differences	4,963	(270)	(1,776)	2,917
At 31 December 2018	21,652	1,828	125,518	148,998

The contractual amount outstanding on financial investments at FVOCI that was written-off during the financial year, and is still subject to recovery activity is RM203.5 million for the Group and the Bank.

- (iv) Equity instrument at fair value through other comprehensive income (“FVOCI”) are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Quoted Securities:				
In Malaysia	7,660	–	19,677	–
Outside Malaysia	2,748	–	–	–
	10,408	–	19,677	–
Unquoted Securities:				
In Malaysia	335,393	–	280,744	–
Outside Malaysia	3,501	–	–	–
	338,894	–	280,744	–
	349,302	–	300,421	–

The Group and the Bank elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held-for-trading. As a result, assets with a fair value for the Group of RM358.3 million and the Bank of RM274.6 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and the Group fair value gains of RM177.6 million and the Bank of RM91.5 million were reclassified from the available-for-sale financial assets reserve to the financial assets at FVOCI reserve on 1 January 2018.

During the financial year, the Group and the Bank disposed equity investments from the financial assets at FVOCI due to the favourable market opportunities. The Group and the Bank recorded cumulative gain on disposal of RM18.3 million and RM2.6 million respectively.



12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	-	12,276,119	-	12,271,396
Malaysian Government Investment Issues	-	20,113,895	-	12,087,870
Negotiable instruments of deposits	-	1,453,388	-	1,035,128
Foreign Government Securities	-	9,744,294	-	7,151,001
Foreign Government Treasury Bills	-	7,967,482	-	7,961,429
Khazanah Bonds	-	2,404,554	-	2,404,554
Cagamas Bonds	-	793,877	-	793,877
Bankers' acceptances and Islamic accepted bills	-	166,173	-	-
	-	54,919,782	-	43,705,255
Quoted securities:				
In Malaysia:				
Shares, warrants, unit trusts and loan stocks	-	2,682,254	-	196,592
Outside Malaysia:				
Shares, warrants, unit trusts and loan stocks	-	222,422	-	-
Foreign Corporate Bonds and Sukuk	-	66,283	-	-
Foreign Government Bonds	-	22,495	-	-
	-	2,993,454	-	196,592
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment losses				
Unquoted securities:				
Shares, unit trusts and loan stocks in Malaysia [#]	-	360,644	-	280,825
Shares, unit trusts and loan stocks outside Malaysia [#]	-	3,045	-	-
Foreign Corporate Bonds and Sukuk	-	22,213,641	-	21,010,325
Corporate Bonds and Sukuk in Malaysia	-	23,486,479	-	19,076,312
Foreign Government Bonds	-	4,772,932	-	4,741,288
Malaysian Government Bonds	-	320,267	-	276,142
	-	51,157,008	-	45,384,892
Total financial investments available-for-sale	-	109,070,244	-	89,286,739

[#] Securities that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, net of impairment losses.

Notes to the Financial Statements

31 December 2018

12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONT'D.)

(i) Included in financial investments available-for-sale are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Government Securities	-	2,091,359	-	2,091,359
Malaysian Government Investment Issues	-	816,064	-	816,064
Foreign Corporate Bonds and Sukuk	-	1,820,414	-	1,820,414
Foreign Government Bonds	-	177,770	-	-
Total (Note 7(ii))	-	4,905,607	-	4,727,837

(ii) The maturity profile of money market instruments are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	-	13,538,360	-	11,583,774
One year to three years	-	8,619,642	-	5,812,115
Three years to five years	-	4,499,263	-	3,707,828
After five years	-	28,262,517	-	22,601,538
	-	54,919,782	-	43,705,255

(iii) Movements in the allowances for impairment losses on financial investments available-for-sale are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Individual allowance</u>				
At 1 January				
- as previously stated	521,323	560,730	399,901	409,141
- effect of adopting MFRS 9 (Note 2.4(i))	(521,323)	-	(399,901)	-
At 1 January 2018, as restated	-	560,730	-	409,141
Allowance made (Note 49)	-	69,725	-	1,071
Amount written back in respect of recoveries (Note 49)	-	(856)	-	(3,288)
Amount written-off/realised	-	(106,962)	-	(11,258)
Exchange differences	-	(1,314)	-	4,235
At 31 December	-	521,323	-	399,901



13. FINANCIAL INVESTMENTS AT AMORTISED COST

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money market instruments:					
Malaysian Government Securities		3,343,923	-	3,343,819	-
Malaysian Government Investment Issues		5,974,162	-	4,433,186	-
Foreign Government Securities		1,902,111	-	-	-
Khazanah Bonds		236,635	-	236,635	-
Cagamas Bonds		50,253	-	50,253	-
Foreign Certificates of Deposits		154,150	-	-	-
		11,661,234	-	8,063,893	-
Unquoted securities:					
In Malaysia:					
Corporate Bonds and Sukuk		12,203,579	-	12,353,936	-
Others		2,044	-	2,044	-
Outside Malaysia:					
Corporate Bonds and Sukuk		2,952,669	-	2,505,578	-
Government Bonds		366,633	-	30,909	-
		15,524,925	-	14,892,467	-
Accumulated impairment losses	(iii)	(116,898)	-	(99,290)	-
Total financial investments at amortised cost		27,069,261	-	22,857,070	-

(i) Indicative fair values of financial investments at amortised cost are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money market instruments:				
Malaysian Government Securities	3,396,805	-	3,396,701	-
Malaysian Government Investment Issues	6,053,962	-	4,489,772	-
Foreign Government Securities	1,903,217	-	-	-
Khazanah Bonds	238,783	-	238,783	-
Cagamas Bonds	50,301	-	50,301	-
Foreign Certificates of Deposits	153,825	-	-	-
Unquoted securities:				
Corporate Bonds and Sukuk in Malaysia	12,190,792	-	12,348,342	-
Corporate Bonds and Sukuk outside Malaysia	2,913,872	-	2,448,019	-
Government Bonds outside Malaysia	366,552	-	30,909	-
Others	2,044	-	2,044	-

(ii) The maturity profile of money market instruments are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	1,596,532	-	245,043	-
One year to three years	1,512,543	-	1,191,900	-
Three years to five years	959,721	-	725,715	-
After five years	7,592,438	-	5,901,235	-
	11,661,234	-	8,063,893	-

Notes to the Financial Statements

31 December 2018

13. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D.)

(iii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows:

Significant changes in the financial investments at amortised cost for the Group and the Bank that contributed to changes in the loss allowances were mainly due to following:

- The increase in the gross carrying amount for the Group and the Bank were mainly contributed by Corporate Bonds and Sukuk, due to new financial assets purchased during the financial year which correspondingly increased the ECL allowances. In addition, the increase in the ECL allowances was also contributed by the deterioration in credit risk of the Corporate Bonds and Sukuk.

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	RM'000
As at 31 December 2018				
Group				
At 1 January 2018				4,224
- as previously stated - MFRS 139				
- effect of adopting MFRS 9 (Note 2.4(i))				101,739
At 1 January 2018, as restated	20,113	82,074	3,776	105,963
Transferred to Stage 1	20,370	(20,370)	-	-
Transferred to Stage 2	(113)	113	-	-
Transferred to Stage 3	(294)	-	294	-
Net remeasurement of allowances	(24,143)	(18,812)	51,170	8,215
New financial assets originated or purchased	8,728	-	-	8,728
Financial assets derecognised	(5,198)	(816)	-	(6,014)
Exchange differences	6	-	-	6
At 31 December 2018	19,469	42,189	55,240	116,898
Bank				
At 1 January 2018				3,776
- as previously stated - MFRS 139				
- effect of adopting MFRS 9 (Note 2.4(i))				76,190
At 1 January 2018, as restated	7,780	68,410	3,776	79,966
Transferred to Stage 1	20,370	(20,370)	-	-
Transferred to Stage 2	(69)	69	-	-
Transferred to Stage 3	(294)	-	294	-
Net remeasurement of allowances	(17,527)	(14,559)	51,170	19,084
New financial assets originated or purchased	2,844	-	-	2,844
Financial assets derecognised	(1,937)	(816)	-	(2,753)
Exchange differences	149	-	-	149
At 31 December 2018	11,316	32,734	55,240	99,290

(iv) Included in financial investments at amortised cost are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Government Securities (Note 7(ii))	1,880,972	-	1,880,972	-



14. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At amortised cost less accumulated impairment losses					
Money market instruments:					
Malaysian Government Securities		-	2,022,531	-	2,022,427
Malaysian Government Investment Issues		-	2,525,606	-	2,525,606
Foreign Government Securities		-	1,398,014	-	-
Foreign Government Treasury Bills		-	19,057	-	-
Khazanah Bonds		-	860,393	-	860,393
Cagamas Bonds		-	50,247	-	50,247
Foreign Certificates of Deposits		-	174,618	-	-
		-	7,050,466	-	5,458,673
Unquoted securities:					
Foreign Corporate Bonds and Sukuk		-	2,832,177	-	2,452,215
Corporate Bonds and Sukuk in Malaysia		-	9,945,774	-	9,806,381
Foreign Government Bonds		-	358,536	-	48,028
Others		-	2,044	-	2,044
		-	13,138,531	-	12,308,668
Accumulated impairment losses	(iii)	-	(4,224)	-	(3,776)
Total financial investments held-to-maturity		-	20,184,773	-	17,763,565

(i) Indicative fair values of financial investments held-to-maturity are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money market instruments:				
Malaysian Government Securities	-	2,076,812	-	2,076,706
Malaysian Government Investment Issues	-	2,535,648	-	2,535,648
Foreign Government Securities	-	1,408,594	-	-
Foreign Government Treasury Bills	-	19,466	-	-
Khazanah Bonds	-	863,690	-	863,690
Cagamas Bonds	-	50,032	-	50,032
Foreign Certificates of Deposits	-	174,618	-	-
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	-	2,811,946	-	2,425,518
Corporate Bonds and Sukuk in Malaysia	-	10,060,155	-	9,920,762
Foreign Government Bonds	-	358,535	-	48,028
Others	-	2,044	-	2,044

Notes to the Financial Statements

31 December 2018

14. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONT'D.)

(ii) The maturity profile of money market instruments is as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	-	1,953,614	-	713,366
One year to three years	-	772,004	-	434,603
Three years to five years	-	1,502,339	-	1,488,300
After five years	-	2,822,509	-	2,822,404
	-	7,050,466	-	5,458,673

(iii) Movements in the allowances for impairment losses on financial investments held-to-maturity are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	-	24,282	-	3,776
Amount written back in respect of recoveries (Note 49)	-	(107)	-	-
Amount written-off	-	(20,053)	-	-
Exchange differences	-	102	-	-
At 31 December	-	4,224	-	3,776

(iv) Included in financial investments held-to-maturity are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Foreign Government Securities	-	461,479	-	461,479
Total (Note 7(ii))	-	461,479	-	461,479



15. LOANS, ADVANCES AND FINANCING

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans, advances and financing to financial institutions	(i)	1,576,199	2,026,276	17,052,024	18,614,231
Loans, advances and financing to customers	(ii)	505,507,620	483,558,086	213,314,768	272,383,738
Net loans, advances and financing		507,083,819	485,584,362	230,366,792	290,997,969

(i) Loans, advances and financing to financial institutions[^]:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross loans, advances and financing to financial institutions at amortised cost	1,586,487	2,040,105	17,329,554	18,817,485
Allowances for impaired loans, advances and financing:				
– Stage 1 – 12-month ECL	(10,288)	–	(24,693)	–
– Stage 2 – Lifetime ECL not credit impaired	–	–	(50,130)	–
– Stage 3 – Lifetime ECL credit impaired	–	–	(202,707)	–
– Individual allowance	–	–	–	(151,092)
– Collective allowance	–	(13,829)	–	(52,162)
Net loans, advances and financing to financial institutions	1,576,199	2,026,276	17,052,024	18,614,231

[^] Included in the Bank's loans/financing to financial institutions is financing granted to Maybank Islamic Berhad ("MIB"), a subsidiary of the Bank, under Restricted Profit-Sharing Investment Account ("RPSIA") amounting to RM17,223.2 million (31 December 2017: RM18,068.2 million). The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the Bank acts as the investor who solely provides capital to MIB whereas the business venture is managed solely by MIB as an entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses, if any, are borne by the Bank.

(ii) Loans, advances and financing to customers:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(A) Loans, advances and financing to customers at FVTPL	396,950	–	396,950	–
(B) Loans, advances and financing to customers at FVOCI	8,968,438	–	8,680,217	–
(C) Loans, advances and financing to customers at amortised cost	603,897,146	591,764,524	211,710,171	279,859,642
Unearned interest and income	613,262,534 (97,515,284)	591,764,524 (99,959,543)	220,787,338 (1,946,903)	279,859,642 (1,841,868)
Gross loans, advances and financing to customers	515,747,250	491,804,981	218,840,435	278,017,774
Allowances for impaired loans, advances and financing:				
– Stage 1 – 12-month ECL	(1,644,653)	–	(632,504)	–
– Stage 2 – Lifetime ECL not credit impaired	(2,518,274)	–	(1,174,896)	–
– Stage 3 – Lifetime ECL credit impaired	(6,076,703)	–	(3,718,267)	–
– Individual allowance	–	(4,120,531)	–	(2,851,528)
– Collective allowance	–	(4,126,364)	–	(2,782,508)
Net loans, advances and financing to customers	505,507,620	483,558,086	213,314,768	272,383,738
Net loans, advances and financing	507,083,819	485,584,362	230,366,792	290,997,969

Notes to the Financial Statements

31 December 2018

15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Loans, advances and financing to financial institutions and customers:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans/financing to financial institutions (Note 15(i))	1,586,487	2,040,105	17,329,554	18,817,485
Overdrafts/cashline	21,299,471	20,132,843	8,106,770	9,002,080
Term loans:				
– Housing loans/financing	159,088,775	149,069,563	36,356,772	59,881,852
– Syndicated loans/financing	46,222,426	39,920,409	41,244,555	35,704,531
– Hire purchase receivables*	75,934,569	73,150,529	16,408,151	25,862,558
– Lease receivables	242,882	120,939	–	–
– Other loans/financing	214,424,843	216,033,764	68,553,882	96,176,360
Credit card receivables	9,343,455	8,991,286	6,146,551	7,257,690
Bills receivables	3,789,648	3,868,214	3,110,604	3,722,569
Trust receipts	5,200,001	4,528,344	3,936,289	3,821,888
Claims on customers under acceptance credits	11,528,371	11,493,076	5,835,521	5,773,350
Revolving credits	56,468,421	54,764,740	28,623,423	29,825,692
Share margin financing	5,997,054	6,009,287	1,821,367	2,014,503
Staff loans	3,484,282	3,447,298	643,079	815,718
Loans to:				
– Directors of the Bank	3,007	4,253	302	212
– Directors of subsidiaries	4,439	4,811	72	639
Others	230,890	225,168	–	–
	614,849,021	593,804,629	238,116,892	298,677,127
Unearned interest and income	(97,515,284)	(99,959,543)	(1,946,903)	(1,841,868)
Gross loans, advances and financing	517,333,737	493,845,086	236,169,989	296,835,259
Allowances for impaired loans, advances and financing:				
– Stage 1 – 12-month ECL	(1,654,941)	–	(657,197)	–
– Stage 2 – Lifetime ECL not credit impaired	(2,518,274)	–	(1,225,026)	–
– Stage 3 – Lifetime ECL credit impaired	(6,076,703)	–	(3,920,974)	–
– Individual allowance	–	(4,120,531)	–	(3,002,620)
– Collective allowance	–	(4,140,193)	–	(2,834,670)
Net loans, advances and financing	507,083,819	485,584,362	230,366,792	290,997,969

* The hire purchase receivables of a subsidiary of RM2,197,865,000 (2017: RM2,038,846,000) are pledged as collateral to a secured borrowing as disclosed in Note 33(a)(i).



15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Loans, advances and financing analysed by type of customers are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Domestic banking institutions	6,908	16,084	17,220,465	18,059,723
Domestic non-banking financial institutions	26,193,612	25,554,508	18,552,066	20,265,706
Domestic business enterprises:				
– Small and medium enterprises	99,533,072	94,307,445	58,697,124	57,001,083
– Others	93,524,665	88,234,305	44,183,640	57,380,920
Government and statutory bodies	13,656,700	15,402,406	139,377	900,545
Individuals	237,263,494	228,084,123	61,001,130	110,824,453
Other domestic entities	9,795,754	8,657,197	1,836,429	1,361,032
Foreign entities	37,359,532	33,589,018	34,539,758	31,041,797
Gross loans, advances and financing	517,333,737	493,845,086	236,169,989	296,835,259

(v) Loans, advances and financing analysed by geographical locations are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	301,734,794	289,103,366	141,519,718	142,852,051
Singapore	130,263,205	124,388,161	59,760,535	122,847,450
Indonesia	39,792,918	39,009,785	–	–
Labuan Offshore	17,829,128	14,478,182	17,829,128	14,478,182
Hong Kong SAR	8,824,183	8,571,662	8,583,851	8,266,943
United States of America	888,894	813,651	888,310	813,079
People's Republic of China	4,050,027	4,101,002	4,050,027	4,101,002
Vietnam	1,075,504	861,178	839,577	637,743
United Kingdom	1,627,168	1,692,984	1,627,123	1,692,934
Brunei	624,809	660,211	624,809	660,211
Cambodia	2,436,379	2,263,316	–	–
Bahrain	–	120,152	–	120,152
Philippines	6,143,148	5,860,871	–	–
Thailand	1,592,704	1,515,687	–	–
Laos	149,387	134,911	149,387	134,911
Myanmar	297,524	230,601	297,524	230,601
Others	3,965	39,366	–	–
Gross loans, advances and financing	517,333,737	493,845,086	236,169,989	296,835,259

Notes to the Financial Statements

31 December 2018

15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vi) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate:				
– Housing loans/financing	16,663,446	14,448,234	435,889	12,367,358
– Hire purchase receivables	65,297,909	62,031,596	14,531,517	23,507,256
– Other fixed rate loans/financing	64,927,250	65,233,033	42,800,462	49,151,305
	146,888,605	141,712,863	57,767,868	85,025,919
Variable rate:				
– Base lending/financing rate/base rate plus	198,416,862	186,900,601	82,756,689	86,193,316
– Cost plus	65,968,105	62,214,999	51,651,165	56,955,905
– Other variable rates	106,060,165	103,016,623	43,994,267	68,660,119
	370,445,132	352,132,223	178,402,121	211,809,340
Gross loans, advances and financing	517,333,737	493,845,086	236,169,989	296,835,259

(vii) Loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of securities	35,527,786	33,963,031	8,286,409	9,428,608
Purchase of transport vehicles	66,604,915	64,175,135	13,483,796	22,793,620
Purchase of landed properties:				
– Residential	114,371,528	106,334,633	35,594,858	66,085,358
– Non-residential	39,220,906	40,756,217	18,948,128	28,602,987
Purchase of fixed assets (excluding landed properties)	4,818,811	5,883,215	4,308,283	5,842,763
Personal use	10,820,029	10,376,625	4,548,602	6,351,673
Credit card	9,534,058	9,168,555	6,287,421	7,393,984
Purchase of consumer durables	10,882	4,565	10,580	4,235
Constructions	16,078,361	16,761,677	10,481,392	10,827,248
Mergers and acquisitions	1,542,456	876,464	1,504,698	850,019
Working capital	170,484,232	160,235,663	93,428,944	97,562,331
Others	48,319,773	45,309,306	39,286,878	41,092,433
Gross loans, advances and financing	517,333,737	493,845,086	236,169,989	296,835,259

(viii) The maturity profile of loans, advances and financing are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	135,610,572	130,156,691	76,164,888	84,077,790
One year to three years	59,706,901	56,735,002	43,006,884	41,663,942
Three years to five years	59,767,404	58,058,485	34,936,137	40,131,495
After five years	262,248,860	248,894,908	82,062,080	130,962,032
Gross loans, advances and financing	517,333,737	493,845,086	236,169,989	296,835,259



15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ix) Movements in impaired loans, advances and financing (“impaired loans”) are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January				
– as previously stated	11,549,903	11,055,380	8,070,841	7,180,389
– effect of adopting MFRS 9	551,347	–	183,360	–
At 1 January, as restated	12,101,250	11,055,380	8,254,201	7,180,389
Impaired during the financial year	6,162,782	7,105,386	3,721,057	3,875,729
Reclassified as non-impaired	(797,493)	(2,276,061)	(434,523)	(997,473)
Amount recovered	(2,524,215)	(2,262,161)	(1,619,357)	(1,151,312)
Amount written-off	(2,553,154)	(1,648,146)	(1,671,973)	(648,610)
Transferred to subsidiary, net	–	–	(526,697)	–
Exchange differences	97,251	(424,495)	332,281	(187,882)
Gross impaired loans at 31 December	12,486,421	11,549,903	8,054,989	8,070,841
Less: Stage 3 – Lifetime ECL credit impaired	(6,229,987)	–	(4,074,258)	–
Individual allowance	–	(4,120,531)	–	(3,002,620)
Net impaired loans at 31 December	6,256,434	7,429,372	3,980,731	5,068,221
<u>Calculation of ratio of net impaired loans:</u>				
Gross impaired loans at 31 December (excluding financing funded by Investment Account*)	12,423,002	11,483,939	8,054,989	8,070,841
Less: Stage 3 – Lifetime ECL credit impaired	(6,229,987)	–	(4,074,258)	–
Individual allowance	–	(4,120,531)	–	(3,002,620)
Net impaired loans	6,193,015	7,363,408	3,980,731	5,068,221
Gross loans, advances and financing	517,333,737	493,845,086	236,169,989	296,835,259
Less: Funded by Investment Accounts*	(23,565,061)	(24,555,445)	–	–
Less: Allowances for impaired loans, advances and financing at FVOCI and at amortised cost	(10,435,012)	–	(5,983,091)	–
Individual allowance	–	(4,120,531)	–	(3,002,620)
Net loans, advances and financing	483,333,664	465,169,110	230,186,898	293,832,639
Ratio of net impaired loans	1.28%	1.58%	1.73%	1.72%

* In the books of Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank.

Notes to the Financial Statements

31 December 2018

15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(x) Impaired loans, advances and financing by economic purpose are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of securities	171,949	275,691	125,050	163,430
Purchase of transport vehicles	423,797	369,622	90,792	100,104
Purchase of landed properties:				
– Residential	963,061	717,419	320,823	376,994
– Non-residential	1,059,724	992,952	874,210	872,588
Purchase of fixed assets (excluding landed properties)	1,292,213	1,512,007	1,275,586	1,483,691
Personal use	208,488	160,019	135,469	128,583
Credit card	77,281	90,831	35,826	63,872
Purchase of consumer durables	6,068	106	6,060	98
Constructions	1,720,827	1,504,782	1,301,329	1,106,035
Working capital	4,660,840	5,381,439	2,246,575	3,425,896
Others	1,902,173	545,035	1,643,269	349,550
Gross impaired loans, advances and financing	12,486,421	11,549,903	8,054,989	8,070,841

(xi) Impaired loans, advances and financing by geographical distribution are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	5,756,439	5,619,324	3,652,980	3,896,008
Singapore	4,425,988	2,931,842	3,842,394	2,897,765
Indonesia	1,472,115	1,417,698	–	–
Labuan Offshore	306,498	244,722	306,498	244,722
Hong Kong SAR	7,296	886,737	6,384	878,849
United States of America	583	572	–	–
People's Republic of China	56,929	1,054	56,929	1,054
Vietnam	58,073	68,271	57,336	67,121
Brunei	69,737	38,529	69,737	38,529
Cambodia	97,093	97,667	–	–
Bahrain	–	5,063	–	5,063
Philippines	135,879	123,185	–	–
Thailand	33,093	38,438	–	–
Laos	62,731	41,730	62,731	41,730
Others	3,967	35,071	–	–
Gross impaired loans, advances and financing	12,486,421	11,549,903	8,054,989	8,070,841

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for impaired loans, advances and financing are as follows:

Changes in the gross carrying amount of loans, advances and financing carried at amortised cost and fair value through other comprehensive income for the Group and the Bank that contributed to the changes in the loss allowances were mainly due to the following:

- The high volume of new syndicated loans/financing, housing loans/financing, and hire purchase receivables originated during the financial year, increased the gross carrying amount by 16%, 7% and 4% respectively which correspondingly increased the ECL allowances.
- The financial assets derecognised during the financial year arising from the loans/financing settled and matured which resulted in a decrease in ECL allowances across all stages.
- The write-off of loans/financing with a total carrying amount of RM2,553.2 million for the Group and RM1,672.0 million for the Bank resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.



15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for impaired loans, advances and financing are as follows (cont'd.):

At fair value through other comprehensive income

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
Group				
At 1 January 2018				
– effect of adopting MFRS 9 (Note 2.4(i))	12,822	1,503	–	14,325
At 1 January 2018, as restated	12,822	1,503	–	14,325
Transferred to Stage 1	1,503	(1,503)	–	–
Transferred to Stage 2	(179)	179	–	–
Transferred to Stage 3	(3,416)	–	3,416	–
Net remeasurement of allowances	(3,845)	586	147,611	144,352
New financial assets originated or purchased	20,864	3,885	–	24,749
Financial assets derecognised	(1,056)	–	–	(1,056)
Changes in models/risk parameters	(2,475)	–	–	(2,475)
Exchange differences	2,942	–	2,257	5,199
At 31 December 2018	27,160	4,650	153,284	185,094
Bank				
At 1 January 2018				
– effect of adopting MFRS 9 (Note 2.4(i))	12,300	1,503	–	13,803
At 1 January 2018, as restated	12,300	1,503	–	13,803
Transferred to Stage 1	1,503	(1,503)	–	–
Transferred to Stage 2	(179)	179	–	–
Transferred to Stage 3	(3,416)	–	3,416	–
Net remeasurement of allowances	(1,191)	586	147,611	147,006
New financial assets originated or purchased	19,510	84	–	19,594
Financial assets derecognised	(534)	–	–	(534)
Changes in models/risk parameters	(2,475)	–	–	(2,475)
Exchange differences	243	–	2,257	2,500
At 31 December 2018	25,761	849	153,284	179,894

Notes to the Financial Statements

31 December 2018

15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for impaired loans, advances and financing are as follows (cont'd.):

At amortised cost

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
Group				
At 1 January 2018				
– as previously stated – MFRS 139				8,260,724
– effect of adopting MFRS 9 (Note 2.4(i))				2,829,359
At 1 January 2018, as restated	1,543,575	2,938,959	6,607,549	11,090,083
Transferred to Stage 1	945,849	(707,258)	(238,591)	–
Transferred to Stage 2	(90,441)	293,774	(203,333)	–
Transferred to Stage 3	(33,896)	(183,954)	217,850	–
Net remeasurement of allowances	(812,424)	328,459	3,375,978	2,892,013
New financial assets originated or purchased	763,810	491,892	–	1,255,702
Financial assets derecognised	(431,843)	(425,141)	(1,434,518)	(2,291,502)
Amount written-off	–	–	(2,553,152)	(2,553,152)
Changes in models/risk parameters	(124,517)	(67,123)	(724)	(192,364)
Amount due to RPSIA	–	–	50,553	50,553
Exchange differences	(105,172)	(151,334)	255,091	(1,415)
At 31 December 2018	1,654,941	2,518,274	6,076,703	10,249,918
Bank				
At 1 January 2018				
– as previously stated – MFRS 139				5,837,290
– effect of adopting MFRS 9 (Note 2.4(i))				1,392,447
At 1 January 2018, as restated	733,695	1,741,729	4,754,313	7,229,737
Transferred to Stage 1	492,559	(411,492)	(81,067)	–
Transferred to Stage 2	(36,211)	185,718	(149,507)	–
Transferred to Stage 3	(27,407)	(78,165)	105,572	–
Net remeasurement of allowances	(398,402)	102,185	2,091,616	1,795,399
New financial assets originated or purchased	273,210	161,544	–	434,754
Financial assets derecognised	(257,135)	(265,438)	(919,985)	(1,442,558)
Amount written-off	–	–	(1,671,973)	(1,671,973)
Changes in models risk/parameters	(43,673)	(78,064)	–	(121,737)
Transfer to subsidiary	(80,972)	(135,982)	(245,789)	(462,743)
Exchange differences	1,533	2,991	37,794	42,318
At 31 December 2018	657,197	1,225,026	3,920,974	5,803,197

The contractual amount outstanding on loans, advances and financing that was written-off during the financial year, and is still subject to recovery activity is RM2,553.2 million for the Group and RM1,672.0 million for the Bank.



15. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for impaired loans, advances and financing are as follows (cont'd.):

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Individual allowance				
At 1 January	-	3,764,929	-	2,493,534
Allowance made (Note 48)	-	1,830,104	-	1,237,538
Amount written back (Note 48)	-	(326,072)	-	(238,042)
Amount written-off	-	(858,546)	-	(317,726)
Transferred to collective allowance	-	(31,234)	-	(26,013)
Exchange differences	-	(258,650)	-	(146,671)
At 31 December	-	4,120,531	-	3,002,620
Collective allowance				
At 1 January	-	4,195,879	-	2,844,507
Allowance made (Note 48)	-	836,425	-	346,381
Amount written back (Note 48)	-	(390)	-	-
Amount written-off	-	(789,601)	-	(330,885)
Transferred from individual allowance	-	31,234	-	26,013
Exchange differences	-	(133,354)	-	(51,346)
At 31 December	-	4,140,193	-	2,834,670
As a percentage of total loans, less individual allowance (including regulatory reserve)		1.53%		1.76%
As a percentage of total risk-weighted assets (including regulatory reserve)		1.84%		1.95%

Notes to the Financial Statements

31 December 2018

16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

	Group			Bank		
	Principal Amount RM'000	<----- Fair Values ----->		Principal Amount RM'000	<----- Fair Values ----->	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
2018						
Trading derivatives						
<u>Foreign exchange related contracts</u>						
Currency forwards:						
- Less than one year	31,194,544	340,334	(224,885)	22,636,448	205,364	(195,765)
- One year to three years	2,419,856	45,870	(18,400)	1,970,597	45,856	(18,356)
- More than three years	97,073	528	(5,593)	294,686	528	(17,956)
	33,711,473	386,732	(248,878)	24,901,731	251,748	(232,077)
Currency swaps:						
- Less than one year	240,620,998	1,526,191	(1,796,461)	239,968,781	1,626,372	(1,837,297)
- One year to three years	326,248	-	(16,607)	473,554	14	(16,651)
	240,947,246	1,526,191	(1,813,068)	240,442,335	1,626,386	(1,853,948)
Currency spots:						
- Less than one year	2,374,825	3,429	(3,976)	3,158,817	3,423	(3,860)
Currency options:						
- Less than one year	3,033,745	9,491	(22,956)	2,882,626	7,966	(20,363)
- One year to three years	730,832	21,942	(14,104)	731,273	20,732	(9,280)
- More than three years	1,276,970	169,270	(224,131)	1,282,935	85,454	(114,836)
	5,041,547	200,703	(261,191)	4,896,834	114,152	(144,479)
Cross currency interest rate swaps:						
- Less than one year	8,934,360	381,262	(412,543)	9,713,478	489,087	(496,897)
- One year to three years	13,236,175	333,367	(295,928)	12,575,553	325,751	(270,406)
- More than three years	12,017,581	443,496	(437,216)	11,703,330	437,900	(410,959)
	34,188,116	1,158,125	(1,145,687)	33,992,361	1,252,738	(1,178,262)
<u>Interest rate related contracts</u>						
Interest rate swaps:						
- Less than one year	73,235,461	63,566	(91,014)	73,056,163	59,536	(84,512)
- One year to three years	81,782,048	332,846	(659,335)	80,165,902	309,787	(638,721)
- More than three years	159,933,739	2,314,314	(2,265,464)	156,468,330	2,280,842	(2,245,824)
	314,951,248	2,710,726	(3,015,813)	309,690,395	2,650,165	(2,969,057)
Interest rate futures:						
- Less than one year	5,638,880	294,289	(296,322)	4,556,489	293,949	(296,123)
- One year to three years	660,095	199	(481)	289,695	199	-
	6,298,975	294,488	(296,803)	4,846,184	294,148	(296,123)
Interest rate options:						
- Less than one year	932,109	32	(119)	483,589	-	(87)
- One year to three years	6,308,531	3,664	(2,204)	3,775,048	4,673	(1,790)
- More than three years	14,718,530	419,925	(591,386)	11,226,386	400,873	(572,180)
	21,959,170	423,621	(593,709)	15,485,023	405,546	(574,057)



16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal Amount RM'000	<----- Fair Values ----->		Principal Amount RM'000	<----- Fair Values ----->	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
2018 (cont'd.)						
Trading derivatives (cont'd.)						
<u>Equity related contracts</u>						
Index futures:						
– More than three years	27,063	1,865	–	–	–	–
Equity options:						
– Less than one year	225,554	21,246	(240,799)	–	–	–
Equity swaps:						
– Less than one year	1,484,325	63,626	(172,649)	121,085	26,312	(285)
<u>Commodity related contracts</u>						
Commodity options:						
– Less than one year	3,977,049	70,641	(70,641)	3,977,049	70,641	(70,641)
– One year to three years	1,058,800	43,926	(43,926)	1,058,800	43,926	(43,926)
	5,035,849	114,567	(114,567)	5,035,849	114,567	(114,567)
Commodity swaps:						
– Less than one year	1,440,202	132,434	(134,542)	1,440,202	132,434	(134,542)
– One year to three years	1,301,886	77,543	(76,070)	1,301,886	77,543	(76,070)
– More than three years	16,953	796	(729)	16,953	796	(729)
	2,759,041	210,773	(211,341)	2,759,041	210,773	(211,341)
<u>Credit related contracts</u>						
Credit default swaps:						
– Less than one year	50,000	302	–	50,000	302	–
Hedging derivatives						
<u>Foreign exchange related contracts</u>						
Cross currency interest rate swaps:						
– Less than one year	1,123,834	3,274	(117,548)	1,123,834	3,273	(117,546)
– One year to three years	3,233,806	145,501	(28,254)	3,233,806	145,501	(28,254)
– More than three years	2,031,288	24,501	(34,107)	2,031,288	24,501	(34,107)
	6,388,928	173,276	(179,909)	6,388,928	173,275	(179,907)
<u>Interest rate related contracts</u>						
Interest rate swaps:						
– Less than one year	517,313	1,495	(1,117)	206,925	–	(1,117)
– One year to three years	236,572	520	–	–	–	–
– More than three years	807,008	10,519	(14,960)	807,008	10,519	(14,960)
	1,560,893	12,534	(16,077)	1,013,933	10,519	(16,077)
Netting effects under MFRS 132 Amendments	–	(338,683)	338,683	–	(334,991)	334,991
Total	677,004,253	6,963,521	(7,975,784)	652,782,516	6,799,063	(7,439,049)

16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal Amount RM'000	<----- Fair Values ----->		Principal Amount RM'000	<----- Fair Values ----->	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
2017						
Trading derivatives						
<u>Foreign exchange related contracts</u>						
Currency forwards:						
– Less than one year	32,008,349	233,163	(634,310)	25,510,068	227,109	(402,267)
– One year to three years	1,629,193	47,603	(31,293)	1,304,273	39,069	(30,958)
– More than three years	422,172	11,944	(2,671)	670,373	11,944	(2,671)
	34,059,714	292,710	(668,274)	27,484,714	278,122	(435,896)
Currency swaps:						
– Less than one year	236,187,976	2,293,375	(2,202,490)	235,256,487	2,425,979	(2,413,916)
– One year to three years	61,347	6,897	(2,171)	61,347	6,897	(2,171)
– More than three years	6,926	–	(719)	6,926	–	(719)
	236,256,249	2,300,272	(2,205,380)	235,324,760	2,432,876	(2,416,806)
Currency spots:						
– Less than one year	1,851,202	1,568	(4,683)	2,217,295	2,440	(4,766)
Currency options:						
– Less than one year	3,486,393	7,298	(6,526)	3,486,393	7,298	(6,526)
Cross currency interest rate swaps:						
– Less than one year	6,937,210	249,013	(405,083)	6,231,388	254,172	(399,862)
– One year to three years	13,057,868	466,175	(447,398)	13,803,118	583,609	(549,254)
– More than three years	14,392,784	697,288	(647,777)	14,130,849	694,522	(647,776)
	34,387,862	1,412,476	(1,500,258)	34,165,355	1,532,303	(1,596,892)
<u>Interest rate related contracts</u>						
Interest rate swaps:						
– Less than one year	72,311,200	55,593	(86,753)	72,562,300	55,593	(87,548)
– One year to three years	68,156,174	315,620	(301,183)	68,334,401	315,821	(298,075)
– More than three years	136,896,093	1,706,997	(1,659,486)	137,510,497	1,701,148	(1,667,467)
	277,363,467	2,078,210	(2,047,422)	278,407,198	2,072,562	(2,053,090)
Interest rate futures:						
– Less than one year	4,233,443	994	(4,016)	2,632,500	737	(3,263)
– One year to three years	2,957,496	1,362	(230)	1,620,000	633	–
	7,190,939	2,356	(4,246)	4,252,500	1,370	(3,263)
Interest rate options:						
– Less than one year	603,020	5	(11)	603,020	5	(11)
– One year to three years	3,290,696	5,452	(2,308)	3,290,696	5,452	(2,308)
– More than three years	6,792,907	44,212	(241,238)	7,682,907	55,550	(241,250)
	10,686,623	49,669	(243,557)	11,576,623	61,007	(243,569)



16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal Amount RM'000	<----- Fair Values ----->		Principal Amount RM'000	<----- Fair Values ----->	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
2017 (cont'd.)						
Trading derivatives (cont'd.)						
<u>Equity related contracts</u>						
Index futures:						
- More than three years	33,663	3,036	-	-	-	-
Equity options:						
- Less than one year	191,473	33,953	(86,815)	15,450	1,061	-
- One year to three years	1,665	143	-	-	-	-
	193,138	34,096	(86,815)	15,450	1,061	-
Equity swaps:						
- Less than one year	1,953,990	60,603	(35,301)	148,378	15,080	(1,176)
<u>Commodity related contracts</u>						
Commodity options:						
- Less than one year	2,565,283	207,536	(205,258)	2,565,283	207,536	(205,258)
- One year to three years	3,465,273	256,342	(258,620)	3,465,273	256,342	(258,620)
	6,030,556	463,878	(463,878)	6,030,556	463,878	(463,878)
Commodity swaps:						
- Less than one year	920,669	54,591	(54,069)	920,669	54,591	(54,069)
- One year to three years	382,166	10,982	(10,898)	382,166	10,982	(10,898)
- More than three years	344,713	12,475	(11,878)	344,713	12,475	(11,878)
	1,647,548	78,048	(76,845)	1,647,548	78,048	(76,845)
Hedging derivatives						
<u>Foreign exchange related contracts</u>						
Cross currency interest rate swaps:						
- Less than one year	664,789	37,343	-	664,789	37,343	-
- One year to three years	3,144,706	161,885	(130,381)	3,144,706	161,885	(130,381)
- More than three years	1,519,588	-	(36,123)	1,519,588	-	(36,123)
	5,329,083	199,228	(166,504)	5,329,083	199,228	(166,504)
<u>Interest rate related contracts</u>						
Interest rate swaps:						
- One year to three years	742,552	1,813	(1,311)	202,500	558	(772)
- More than three years	384,750	11,166	(1,791)	384,750	11,166	(1,791)
	1,127,302	12,979	(3,102)	587,250	11,724	(2,563)
Netting effects under MFRS 132 Amendments	-	(291,776)	291,776	-	(291,776)	291,776
Total	621,597,729	6,704,651	(7,221,015)	610,673,103	6,865,221	(7,179,998)

Notes to the Financial Statements

31 December 2018

16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

Fair value hedge

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting.

Fair value hedge is used by the Group and the Bank to protect against changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include the Group's and the Bank's borrowings and loans, advances and financing.

For the financial year ended 31 December 2018, the Group and the Bank recognised the following net (loss)/gain:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss on the hedging instruments	(15,233)	(15,513)	(15,233)	(15,513)
Gain on the hedged items attributable to the hedged risk	14,647	19,177	14,647	19,177

Net investment hedge

The Group has designated net investment hedge for borrowings amounting to USD0.05 billion (2017: USD0.05 billion) or Ringgit Malaysia equivalent of RM0.2 billion (2017: RM0.2 billion) which were used to fund investment in subsidiaries.

During the previous financial year ended 31 December 2017, the Group had designated net investment hedge for borrowings amounting to SGD0.52 billion or Ringgit Malaysia equivalent of RM1.58 billion which was used to fund investment in subsidiaries. The hedging relationship was terminated upon the maturity of the borrowing on 11 August 2018. The cumulative fair value changes arising from the hedging instrument will remain in equity until the foreign operation is disposed.

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date by comparing the cumulative value changes of hedging instruments and hedged items. The hedging relationship was highly effective for the total hedging period and as of the reporting date. Resultantly, the unrealised gain totalling RM7,017,000 (net of tax) (2017: RM69,135,000) from the hedging relationship as disclosed in Note 38 was recognised through other comprehensive income.

Cash flow hedge

The Group used an interest rate swap to manage the variability in future cash flows on a liability with floating rates of interest by exchanging the floating rates for fixed rates. The amount and timing of future cash flows, representing both principal and interest flows, are projected on the basis of their contractual terms and other relevant factors. The aggregate principal balance and interest cash flows over time form the basis for identifying gains and losses on the effective portion of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised through other comprehensive income, in the cash flow hedge reserve, and transferred to profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in profit or loss in the period in which it is anticipated to take place over the next 2 years.

The hedging relationship was effective for the total hedging period and as of the reporting date. As such the unrealised gain of SGD290,000 (2017: unrealised loss of SGD147,000) or Ringgit Malaysia equivalent of RM879,000 (2017: unrealised loss of RM447,000) from the hedging relationship as disclosed in Note 38 was recognised through other comprehensive income.

17. REINSURANCE/RETAKAFUL ASSETS AND OTHER INSURANCE RECEIVABLES

Group	Note	2018 RM'000	2017 RM'000
Reinsurance/retakaful assets (Note 28)	(i)	3,285,269	3,222,455
Other insurance receivables	(ii)	514,778	711,317
		3,800,047	3,933,772



17. REINSURANCE/RETAKAFUL ASSETS AND OTHER INSURANCE RECEIVABLES (CONT'D.)

(i) Reinsurance/retakaful assets

Group	Note	2018 RM'000	2017 RM'000
Reinsurers' share of:		2,983,564	2,884,125
Life insurance contract liabilities		49,111	32,963
General insurance contract liabilities		2,934,453	2,851,162
Retakaful operators' share of:		305,975	338,330
Family takaful certificate liabilities		73,802	76,166
General takaful certificate liabilities		232,173	262,164
Allowance for impairment losses	(iii)	(4,270)	-
		3,285,269	3,222,455

(ii) Other insurance receivables

Group	Note	2018 RM'000	2017 RM'000
Due premium including agents/brokers and co-insurers balances		262,391	283,197
Due from reinsurers and cedants/retakaful operators		268,559	444,868
Allowance for impairment losses	(iii)	530,950 (16,172)	728,065 (16,748)
		514,778	711,317

(iii) Analysis of changes in gross carrying amount and the corresponding allowances for reinsurance/retakaful assets and other insurance receivables are as follows:

Changes in the carrying amount of other insurance receivables for the Group that contributed to a decrease in the loss allowances were mainly due to recoveries from reinsurers/retakaful operators during the financial year.

Group As at 31 December 2018	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2018				16,748
– as previously stated				16,748
– effect of adopting MFRS 9 (Note 2.4(i))				13,093
At 1 January 2018, as restated	29,841	-	-	29,841
Net remeasurement of allowances	(5,985)	-	-	(5,985)
Exchange differences	(3,414)	-	-	(3,414)
At 31 December 2018	20,442	-	-	20,442

Group	2017 RM'000
At 1 January	19,027
Allowance made	9,624
Amount written back	(11,903)
At 31 December	16,748

Notes to the Financial Statements

31 December 2018

18. OTHER ASSETS

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other debtors	(i)	6,456,864	5,579,736	5,052,326	4,343,439
Amount due from brokers and clients	59	1,679,116	2,366,681	-	-
Prepayments and deposits		1,343,267	1,420,247	196,746	443,875
Tax recoverable		136,131	88,297	-	-
Foreclosed properties		288,266	289,004	29,410	29,409
		9,903,644	9,743,965	5,278,482	4,816,723
Allowance for impairment losses	(ii)	(30,304)	(45,825)	(11,197)	(15,326)
		9,873,340	9,698,140	5,267,285	4,801,397

(i) Included in other debtors are physical gold held by the Group and the Bank as a result of its broker-dealer activities amounting to approximately RM621,313,000 (2017: RM637,351,000).

(ii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on other assets are as follows:
Changes in the gross carrying amount of other assets that contributed to the changes in the loss allowances were mainly due to recoveries of other receivables.

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	RM'000
As at 31 December 2018				
Group				
At 1 January 2018				45,825
- as previously stated				436
- effect of adopting MFRS 9 (Note 2.4(i))				
At 1 January 2018, as restated	2,791	130	43,340	46,261
Net remeasurement of allowances	(671)	(38)	(7,673)	(8,382)
Exchange differences	4,169	-	(11,744)	(7,575)
	6,289	92	23,923	30,304
Bank				
At 1 January 2018				15,326
- as previously stated				-
- effect of adopting MFRS 9 (Note 2.4(i))				
At 1 January 2018, as restated	-	-	15,326	15,326
Net remeasurement of allowances	-	-	(4,129)	(4,129)
At 31 December 2018	-	-	11,197	11,197

	Group	Bank
	RM'000	RM'000
As at 31 December 2017		
At 1 January	69,380	24,105
Allowance made	1,218	-
Amount written back	(4,412)	-
Amount written-off	(16,729)	(8,779)
Exchange differences	(3,632)	-
At 31 December	45,825	15,326



19. INVESTMENT PROPERTIES

Group	2018 RM'000	2017 RM'000
At fair value		
At 1 January	753,555	758,488
Additions	110,811	85,505
Fair value adjustments (Note 46)	32,025	(173)
Impairment losses (Note 46)	(108)	-
Disposal		
– Reversal of cost	(520)	(29,890)
– Reversal of fair value adjustments upon disposal (Note 46)	-	(60,000)
Exchange differences	6	(375)
At 31 December	895,769	753,555

The following investment properties are held under lease terms:

Group	2018 RM'000	2017 RM'000
At fair value		
Leasehold land	147,967	76,000
Buildings	76,745	55,360
Work-in-progress	-	161,209
	224,712	292,569

The Group has no restrictions on the realisability of its investment properties and has no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value, which have been determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Details of valuation methods are disclosed in Note 58(b).

20. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bank Negara Malaysia	(i)	8,090,382	7,069,370	3,885,277	3,827,265
Other central banks	(ii)	8,174,467	8,327,843	1,156,283	3,919,435
		16,264,849	15,397,213	5,041,560	7,746,700
Impairment loss allowances	(iii)	-	-	-	-
		16,264,849	15,397,213	5,041,560	7,746,700

(i) The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with the requirements of the Central Bank of Malaysia Act 2009, the amount of which is determined as set percentages of total eligible liabilities.

(ii) The statutory deposits of the foreign branches and foreign subsidiaries are denominated in foreign currencies and maintained with the central banks of the respective countries, in compliance with the applicable legislations in the respective countries.

(iii) Analysis of changes in allowances for impairment losses on statutory deposits with central banks are as follows:

Group As at 31 December 2018	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2018				
– effect of adopting MFRS 9 (Note 2.4(i))	6,618	-	-	6,618
At 1 January 2018, as restated	6,618	-	-	6,618
Net remeasurement of allowances	(6,366)	-	-	(6,366)
Exchange differences	(252)	-	-	(252)
At 31 December 2018	-	-	-	-

21. INVESTMENT IN SUBSIDIARIES

	2018 RM'000	2017 RM'000
Bank		
Unquoted shares, at cost		
– In Malaysia	32,986,857	23,597,460
– Outside Malaysia	1,575,401	1,575,405
	34,562,258	25,172,865
Less: Accumulated impairment losses	(3,115,802)	(3,115,802)
	31,446,456	22,057,063

The following are major events of the Group and of the Bank during the financial year ended 31 December 2018:

(i) Capital repayment from Etiqa Family Takaful Berhad

On 21 March 2018, Maybank Ageas Holdings Berhad, a 69.05% subsidiary of the Bank received capital repayment of RM300.0 million from Etiqa Family Takaful Berhad, a 69.05% subsidiary of the Bank.

(ii) Acquisition of Amanah Mutual Berhad

On 17 May 2018, Maybank Asset Management Sdn. Bhd. (“MAM”), an 80% subsidiary of the Bank through Maybank Asset Management Group Berhad (“MAMG”), an 80% subsidiary of the Bank, completed the acquisition of 5,000,000 ordinary shares of Amanah Mutual Berhad for a purchase consideration of RM16.12 million.

The purpose of this acquisition is in line with the Group’s Asset Management business vision to tap into new growth areas with access to the retail market in Malaysia, increasing its assets under management (“AUM”) and consequently, management fee income.

The fair value of identifiable assets and liabilities of Amanah Mutual Berhad as at the date of acquisition were as follows:

	Note	Recognised acquisition value RM'000
Assets		
Cash and short-term funds		3,722
Deposits and placements with financial institutions		7,594
Other assets		9,377
Property, plant and equipment	23	168
Intangible assets	24	1,332
		22,193
Liabilities		
Other liabilities		8,275
Deferred tax liabilities	32	192
Provision for taxation		3,335
		11,802
Net identifiable asset		10,391
Intangible asset arising after Purchase Price Allocation (“PPA”) assesment	24	4,686
Deferred tax adjustments arising after PPA assesment	32	(1,125)
Goodwill on acquisition	24	2,168
Net cash outflow on acquisition		16,120

21. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The following are major events of the Group and of the Bank during the financial year ended 31 December 2018 (cont'd.):

(iii) Acquisition of Singapore Unit Trusts Limited

On 17 May 2018, Maybank Asset Management Singapore ("MAMS"), an 80% subsidiary of the Bank through Maybank Asset Management Group Berhad ("MAMG"), an 80% subsidiary of the Bank, completed the acquisition of 940,000 shares of Singapore Unit Trusts Limited. The total purchase consideration was RM34.88 million.

The purpose of this acquisition is in line with the Group's Asset Management business vision to tap into new growth areas with access to the retail market in Singapore, increasing its assets under management ("AUM") and consequently, management fee income.

The fair value of identifiable assets and liabilities of Singapore Unit Trusts Limited as at the date of acquisition were as follows:

	Note	Recognised acquisition value RM'000
Assets		
Cash and short-term funds		7,659
Deposits and placements with financial institutions		28,292
Other assets		1,369
Property, plant and equipment	23	250
		37,570
Liabilities		
Other liabilities		2,348
Net identifiable asset		35,222
Intangible asset arising after Purchase Price Allocation ("PPA") assessment	24	6,455
Deferred tax adjustments arising after PPA assessment	32	(1,097)
Goodwill on acquisition		(5,700)
Net cash outflow on acquisition		34,880

(iv) Subscription of rights issue of 57,354,000 new ordinary shares issued by Maybank Islamic Berhad ("MIB"), a wholly-owned subsidiary of the Bank

On 7 June 2018, the Bank subscribed to rights issue of 31,284,000 new ordinary shares issued by MIB, at an issue price of RM31.14 per ordinary share for a total consideration of RM974,183,760.

On 3 December 2018, the Bank subscribed to rights issue of 26,070,000 new ordinary shares issued by MIB, at an issue price of RM28.44 per ordinary share for a total consideration of RM741,430,800.

(v) Disposal of Maybank Syariah Equity Fund

On 8 June 2018, the Bank sold 439,201,171 shares representing 99.2% ownership in Maybank Syariah Equity Fund.

The Group and the Bank recorded a loss on disposal of deemed controlled structured entities amounting to RM15,409,000 and RM27,902,000 respectively as disclosed in Note 44.

(vi) Capital injection into Maybank Offshore Corporate Services (Labuan) Sdn. Bhd. ("MOCS")

On 6 June 2018, the Bank injected additional capital of RM546.3 million to MOCS, a wholly-owned subsidiary of the Bank, to fund its subscription of the rights issue of PT Bank Maybank Indonesia Tbk ("MBI"), an indirect subsidiary of the Bank.

(vii) Capital injection into Etiqa General Insurance Berhad

On 3 July 2018, Maybank Ageas Holdings Berhad, a 69.05% subsidiary of the Bank injected additional capital of RM60.0 million to Etiqa General Insurance Berhad, a 69.05% subsidiary of the Bank.

Notes to the Financial Statements

31 December 2018

21. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The following are major events of the Group and of the Bank during the financial year ended 31 December 2018 (cont'd.):

(viii) Incorporation of Maybank Singapore Limited

Maybank had on 1 February 2018 incorporated a new wholly-owned subsidiary in Singapore, namely Maybank Singapore Limited (“MSL”). MSL is a directly wholly-owned by an intermediate holding company, Cepak Mentari Berhad, which in turn is directly wholly-owned subsidiary of the Bank.

On 5 November 2018, the Bank transferred its Community Financial Services business in Maybank Singapore Branch to MSL.

The Bank injected SGD2.4 billion (or equivalent amount of RM7.3 billion). The assets and liabilities of MSL as at the date of business transfer were as follows:

	Note	RM'000
Assets		
Cash and short-term funds		8,543,566
Deposits and placements with financial institutions		16,588,223
Financial investment at fair value through other comprehensive income		11,968,096
Loans, advances and financing to customers		67,522,053
Derivative assets		86,619
Other assets		779,735
Property, plant and equipment	23	60,063
Intangible assets	24	249,803
		105,798,158
Liabilities		
Deposits from customers		94,492,115
Deposits and placements from financial institutions		1,102,689
Bills and acceptances payable		410,623
Derivative liabilities		81,434
Other liabilities		2,426,548
		98,513,409
Net assets		7,284,749

Further details of the incorporation of MSL are disclosed in Note 65(i)(f).

(ix) Capital injection into Etiqa Insurance Pte Ltd

On 28 December 2018, Maybank Ageas Holdings Berhad, a 69.05% subsidiary of the Bank injected additional capital of SGD15.0 million (or equivalent amount of RM45.9 million) to Etiqa Insurance Pte Ltd, a 69.05% subsidiary of the Bank.

The following are major events of the Group and of the Bank during the previous financial year ended 31 December 2017:

(x) Capital injection into Maybank Cambodia Plc, a wholly-owned subsidiary of the Bank

During the previous financial year ended 31 December 2017, the Bank injected additional share capital of USD15.0 million (or equivalent amount of RM66.4 million) to comply with the minimum regulatory capital requirement as well as to strengthen its capital level.

(xi) Reduction of share capital for Maybank International (L) Ltd., a wholly-owned subsidiary of the Bank

During the previous financial year ended 31 December 2017, Maybank International (L) Ltd., a wholly-owned subsidiary of the Bank repatriated excess share capital to the Bank of USD56.5 million (or equivalent amount of RM166.1 million) in order to optimise its capital level.

(xii) Investment in deemed controlled structured entities by the Bank

During the previous financial year ended 31 December 2017, the Bank invested directly into Maybank Asset Management Group Berhad traditional funds, namely Akshayam Asia Fund Ltd., Bluewaterz Total Return Bond Fund, Maybank Bluewaterz Total Return Bond Fund and Maybank Syariah Equity Fund for equivalent amount of RM480.3 million.

These direct investments are treated as the deemed controlled structured entities as disclosed in Note 68(b).

21. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The following are major events of the Group and of the Bank during the previous financial year ended 31 December 2017 (cont'd.):

(xiii) Capital injection into Maybank Asset Management Group Berhad, a wholly-owned subsidiary of the Bank

During the previous financial year ended 31 December 2017, the Bank injected additional share capital of RM90.0 million for future business expansion.

(xiv) Acquisition of PT Asuransi Asoka Mas

During the previous financial year ended 31 December 2017, Etiqa International Holdings Sdn. Bhd., a wholly-owned subsidiary of the Bank completed the acquisition of 75% shareholding in PT Asuransi Asoka Mas, a general insurance company based in Indonesia, for a purchase consideration of IDR207.2 billion (or equivalent amount of RM64.9 million). The acquisition of 750,000,000 shares was purchased from PT Transpacific Mutualcapita who keeps the remaining 25% shareholding in PT Asuransi Asoka Mas.

All relevant approvals including those from Bank Negara Malaysia and Otoritas Jasa Keuangan of Indonesia have been obtained. This acquisition is in line with the Group's Insurance and Takaful business vision to be a leading regional insurance player.

The fair value of the identifiable assets and liabilities of PT Asuransi Asoka Mas as at the date of acquisition were as follows:

	Note	Recognised acquisition value RM'000
Assets		
Cash and short-term funds		21,007
Trade and other receivables		240,578
Property, plant and equipment	23	1,546
		263,131
Liabilities		
Trade and other payables		210,617
Provision for taxation		208
		210,825
Net identifiable assets		52,306
Non-controlling interest		(7,825)
		44,481
Goodwill on acquisition	24	55,882
Cash and short-term funds paid on acquisition		100,363
Less: Cash of subsidiary acquired		(21,007)
Net cash outflow on acquisition		79,356

Notes to the Financial Statements

31 December 2018

21. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details and financial information of subsidiaries that have material non-controlling interests are as follows:

- (i) Etiqa International Holdings Sdn. Bhd. ("EIH"); and
- (ii) Maybank Kim Eng Holdings Limited ("MKEH").

The proportion of effective equity interest held by non-controlling interests within EIH and MKEH are disclosed in Note 68(a).

The summarised financial information of EIH and MKEH are disclosed as follows:

	EIH		MKEH	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Summarised income statements:				
Interest income	1,187,103	1,127,796	392,983	317,790
Interest expense	(24,095)	(34,222)	(149,080)	(114,191)
Net interest income	1,163,008	1,093,574	243,903	203,599
Net earned insurance premiums	5,933,563	5,250,890	-	-
Other operating income	(353,021)	821,150	512,904	593,542
Total operating income	6,743,550	7,165,614	756,807	797,141
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(5,165,661)	(5,274,877)	-	-
Net operating income	1,577,889	1,890,737	756,807	797,141
Overhead expenses	(782,971)	(811,109)	(715,109)	(815,790)
Operating profit/(loss) before impairment losses	794,918	1,079,628	41,698	(18,649)
Writeback of/(allowances for) impairment losses on loans, advances, financing and other debts, net	4,486	(5,820)	(8,117)	(16,209)
(Allowances for)/writeback of impairment losses on financial investments, net	(436)	(56,533)	1,094	(3,721)
Writeback of impairment losses on other financial assets, net	5,732	-	2,535	-
Operating profit/(loss)	804,700	1,017,275	37,210	(38,579)
Share of profits in associates	-	-	5,857	11,191
Profit/(loss) before taxation and zakat	804,700	1,017,275	43,067	(27,388)
Taxation and zakat	(103,857)	(246,843)	(30,307)	(27,474)
Profit/(loss) for the financial year	700,843	770,432	12,760	(54,862)
Attributable to:				
Equity holders of the Bank	488,623	540,719	5,673	(66,763)
Non-controlling interests	212,220	229,713	7,087	11,901
	700,843	770,432	12,760	(54,862)
Dividends paid to non-controlling interests of the Group	77,450	79,133	10,309	18,566
Summarised statements of financial position:				
Total assets	36,226,991	34,587,143	8,261,204	8,543,671
Total liabilities	(29,777,121)	(28,425,441)	(6,119,734)	(6,260,212)
Total equity	6,449,870	6,161,702	2,141,470	2,283,459
Attributable to:				
Equity holders of the Bank	4,296,461	4,077,367	2,042,633	2,175,044
Non-controlling interests	2,153,409	2,084,335	98,837	108,415
	6,449,870	6,161,702	2,141,470	2,283,459
Summarised cash flow statements:				
Operating activities	1,375,325	341,083	989,015	(1,111,182)
Investing activities	(237,509)	(24,855)	(59,992)	24,312
Financing activities	(954,633)	(111,509)	(812,474)	1,137,396
Net increase in cash and cash equivalents	183,183	204,719	116,549	50,526

Details of the subsidiaries of the Bank are disclosed in Note 68(a).



22. INTEREST IN ASSOCIATES AND JOINT VENTURES

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Equity interest				
Unquoted shares, at cost	453,341	493,455	472,016	472,016
Quoted shares, at cost	2,864,864	2,825,135	-	-
Exchange differences	(1,455,364)	(954,600)	-	-
	1,862,841	2,363,990	472,016	472,016
Share of post-acquisition reserves	808,326	779,202	-	-
	2,671,167	3,143,192	472,016	472,016
Less: Accumulated impairment losses	(370,868)	(370,868)	-	-
	2,300,299	2,772,324	472,016	472,016
Market value of quoted shares	1,275,589	1,734,645	-	-

- (i) The carrying amount of interest in joint ventures of the Group amounting to approximately RM824,000 (2017: RM3,724,000) is included in the total carrying amount of interest in associates and joint ventures.
- (ii) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures:

Summarised income statements:

Group 2018	MCB Bank RM'000	An Binh Commercial Joint Stock Bank RM'000	Other individually immaterial associates and joint ventures RM'000	Total RM'000
Interest income	2,731,588	979,249	31,316	3,742,153
Interest expense	(1,171,992)	(640,572)	(8,109)	(1,820,673)
Net interest income	1,559,596	338,677	23,207	1,921,480
Other operating income	344,837	133,667	12,671	491,175
Net operating income	1,904,433	472,344	35,878	2,412,655
Overhead expenses	(1,207,652)	(254,639)	(25,634)	(1,487,925)
Operating profit before impairment losses	696,781	217,705	10,244	924,730
Writeback of/(allowances for) impairment losses on loans, advances and financing, net	71,658	(70,056)	(1,973)	(371)
Operating profit	768,439	147,649	8,271	924,359
Share of profits in associates	21,175	-	-	21,175
Profit before taxation	789,614	147,649	8,271	945,534
Taxation	(389,454)	(26,726)	(2,526)	(418,706)
Profit for the financial year	400,160	120,923	5,745	526,828
Group's share of profits/(losses) for the financial year	75,150	24,185	(1,050)	98,285
Dividends paid by the associates during the financial year	98,610	-	398	99,008

Notes to the Financial Statements

31 December 2018

22. INTEREST IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

- (ii) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures (cont'd.):

Summarised income statements (cont'd.):

Group 2017	MCB Bank RM'000	An Binh Commercial Joint Stock Bank RM'000	Other individually immaterial associates and joint ventures RM'000	Total RM'000
Interest income	3,297,144	1,031,285	44,352	4,372,781
Interest expense	(1,428,601)	(638,976)	(7,540)	(2,075,117)
Net interest income	1,868,543	392,309	36,812	2,297,664
Other operating income	692,580	116,816	17,853	827,249
Net operating income	2,561,123	509,125	54,665	3,124,913
Overhead expenses	(1,357,844)	(263,863)	(58,271)	(1,679,978)
Operating profit/(loss) before impairment losses	1,203,279	245,262	(3,606)	1,444,935
Writeback of/(allowances for) impairment losses on loans, advances and financing, net	85,094	(114,506)	(3,119)	(32,531)
Operating profit/(loss)	1,288,373	130,756	(6,725)	1,412,404
Share of profits in associates	25,214	-	-	25,214
Profit/(loss) before taxation	1,313,587	130,756	(6,725)	1,437,618
Taxation	(288,689)	(19,458)	(3,129)	(311,276)
Profit/(loss) for the financial year	1,024,898	111,298	(9,854)	1,126,342
Group's share of profits/(losses) for the financial year	197,504	22,259	(5,143)	214,620
Dividends paid by the associates during the financial year	120,817	7,351	2,505	130,673



22. INTEREST IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

- (ii) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures (cont'd.):

Summarised statements of financial position:

Group	MCB Bank RM'000	An Binh Commercial Joint Stock Bank RM'000	Other individually immaterial associates and joint ventures RM'000	Total RM'000
2018				
Total assets	40,341,422	14,150,897	443,537	54,935,856
Total liabilities	(36,166,531)	(12,929,192)	(129,910)	(49,225,633)
Total equity	4,174,891	1,221,705	313,627	5,710,223
Proportion of Group's ownership	784,045	244,341	45,994	1,074,380
Goodwill	1,021,580	204,339	–	1,225,919
Carrying amount of the investment	1,805,625	448,680	45,994	2,300,299
2017				
Total assets	49,157,194	13,865,378	237,834	63,260,406
Total liabilities	(43,575,092)	(12,803,163)	(104,097)	(56,482,352)
Total equity	5,582,102	1,062,215	133,737	6,778,054
Proportion of Group's ownership	1,047,202	212,443	42,598	1,302,243
Goodwill	1,266,541	203,540	–	1,470,081
Carrying amount of the investment	2,313,743	415,983	42,598	2,772,324

- (iii) Details of the associates and joint ventures of the Group and of the Bank are disclosed in Note 68(c) and Note 68(d) respectively.
- (iv) The details of goodwill included within the Group's carrying amount of interest in associates and joint ventures are as follows:

Group	2018 RM'000	2017 RM'000
At 1 January	1,470,081	1,708,078
Exchange differences	(244,162)	(237,997)
At 31 December	1,225,919	1,470,081

Notes to the Financial Statements

31 December 2018

23. PROPERTY, PLANT AND EQUIPMENT

Group As at 31 December 2018	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Work- in-Progress RM'000	Total RM'000
Cost							
At 1 January 2018	2,193,787	1,539,253	1,705,301	306,772	64,771	43,249	5,853,133
Additions	3,506	77,386	175,355	12,226	6,440	16,898	291,811
Disposals	(9,738)	(24,982)	(37,162)	(4,456)	(6,042)	(20)	(82,400)
Acquisition of subsidiaries (Note 21(ii) & (iii))	-	831	4,118	318	240	-	5,507
Write-offs (Note 46)	-	(21,936)	(26,072)	(6,851)	(378)	-	(55,237)
Transferred between categories	12,904	9,057	46	6,283	-	(28,290)	-
Transferred from/(to) intangible assets (Note 24)	-	-	1,441	-	-	(4,323)	(2,882)
Exchange differences	(1,327)	(15,087)	(10,858)	223	(1,339)	(337)	(28,725)
At 31 December 2018	2,199,132	1,564,522	1,812,169	314,515	63,692	27,177	5,981,207
Accumulated depreciation and impairment losses							
At 1 January 2018	657,157	1,186,602	1,114,126	216,636	43,594	-	3,218,115
Depreciation charge for the financial year (Note 46)	45,329	135,752	189,102	22,434	8,374	-	400,991
Disposals	(5,099)	(23,242)	(36,997)	(3,095)	(4,413)	-	(72,846)
Acquisition of subsidiaries (Note 21(ii) & (iii))	-	743	3,889	315	142	-	5,089
Impairment losses (Note 46)	(45)	-	-	-	-	-	(45)
Write-offs (Note 46)	-	(19,626)	(26,054)	(6,834)	(378)	-	(52,892)
Exchange differences	2,757	(8,725)	(6,523)	(3)	(536)	-	(13,030)
At 31 December 2018	700,099	1,271,504	1,237,543	229,453	46,783	-	3,485,382
Analysed as:							
Accumulated depreciation	692,595	1,271,500	1,237,543	229,453	46,783	-	3,477,874
Accumulated impairment losses	7,504	4	-	-	-	-	7,508
	700,099	1,271,504	1,237,543	229,453	46,783	-	3,485,382
Net carrying amount							
At 31 December 2018	1,499,033	293,018	574,626	85,062	16,909	27,177	2,495,825



23. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31 December 2017	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Work- in-Progress RM'000	Total RM'000
Cost							
At 1 January 2017	2,259,227	1,522,057	1,332,241	291,501	71,319	77,366	5,553,711
Additions	2,848	59,214	438,856	10,276	8,315	43,361	562,870
Disposals	(38,626)	(14,089)	(10,687)	(2,461)	(8,076)	-	(73,939)
Acquisition of a subsidiary (Note 21(xiv))	-	3,190	1,604	-	168	-	4,962
Write-offs (Note 46)	(208)	(6,551)	(7,907)	(1,821)	(1,235)	(164)	(17,886)
Transferred between categories	30,455	29,766	1,398	11,002	-	(72,621)	-
Transferred to intangible assets (Note 24)	-	-	(400)	-	-	(4,360)	(4,760)
Exchange differences	(59,909)	(54,334)	(49,804)	(1,725)	(5,720)	(333)	(171,825)
At 31 December 2017	2,193,787	1,539,253	1,705,301	306,772	64,771	43,249	5,853,133
Accumulated depreciation and impairment losses							
At 1 January 2017	644,497	1,078,547	993,297	198,189	43,684	-	2,958,214
Depreciation charge for the financial year (Note 46)	43,133	165,399	176,867	22,582	10,936	-	418,917
Disposals	(16,058)	(11,975)	(10,628)	(1,395)	(5,892)	-	(45,948)
Acquisition of a subsidiary (Note 21(xiv))	-	2,247	1,082	-	87	-	3,416
Write-offs (Note 46)	(208)	(6,269)	(7,894)	(1,734)	(1,235)	-	(17,340)
Exchange differences	(14,207)	(41,347)	(38,598)	(1,006)	(3,986)	-	(99,144)
At 31 December 2017	657,157	1,186,602	1,114,126	216,636	43,594	-	3,218,115
Analysed as:							
Accumulated depreciation	649,608	1,186,598	1,114,126	216,636	43,594	-	3,210,562
Accumulated impairment losses	7,549	4	-	-	-	-	7,553
	657,157	1,186,602	1,114,126	216,636	43,594	-	3,218,115
Net carrying amount							
At 31 December 2017	1,536,630	352,651	591,175	90,136	21,177	43,249	2,635,018

Notes to the Financial Statements

31 December 2018

23. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land		Leasehold Land		Total RM'000
			Less Than 50 Years RM'000	50 Years or More RM'000	Less Than 50 Years RM'000	50 Years or More RM'000	
As at 31 December 2018							
*Properties consist of:							
Cost							
At 1 January 2018	112,664	477,940	389,589	636,901	158,353	418,340	2,193,787
Additions	-	-	538	1,645	1,323	-	3,506
Disposals	(3,174)	(5,663)	(901)	-	-	-	(9,738)
Transferred between categories	-	-	12,904	(199)	-	199	12,904
Exchange differences	69	8,419	(4,888)	(78)	(5,069)	220	(1,327)
At 31 December 2018	109,559	480,696	397,242	638,269	154,607	418,759	2,199,132
Accumulated depreciation and impairment losses							
At 1 January 2018	54	224,306	185,738	170,758	17,712	58,589	657,157
Depreciation charge for the financial year	-	11,373	14,894	13,195	297	5,570	45,329
Impairment losses	-	(58)	-	-	-	13	(45)
Disposals	-	(4,360)	(739)	-	-	-	(5,099)
Transferred within categories	-	-	-	(4)	(9,867)	9,871	-
Exchange differences	-	8,574	(6,147)	228	12	90	2,757
At 31 December 2018	54	239,835	193,746	184,177	8,154	74,133	700,099
Analysed as:							
Accumulated depreciation	-	233,856	192,878	183,751	8,154	73,956	692,595
Accumulated impairment losses	54	5,979	868	426	-	177	7,504
	54	239,835	193,746	184,177	8,154	74,133	700,099
Net carrying amount							
At 31 December 2018	109,505	240,861	203,496	454,092	146,453	344,626	1,499,033
As at 31 December 2017							
*Properties consist of:							
Cost							
At 1 January 2017	114,526	508,988	410,523	629,592	170,368	425,230	2,259,227
Additions	-	-	1,955	-	865	28	2,848
Disposals	(1,530)	(34,721)	(1,175)	-	(392)	(808)	(38,626)
Write-offs	-	-	(208)	-	-	-	(208)
Transferred between categories	-	10,124	-	20,331	1,572	(1,572)	30,455
Exchange differences	(332)	(6,451)	(21,506)	(13,022)	(14,060)	(4,538)	(59,909)
At 31 December 2017	112,664	477,940	389,589	636,901	158,353	418,340	2,193,787
Accumulated depreciation and impairment losses							
At 1 January 2017	54	229,361	182,681	160,532	15,221	56,648	644,497
Depreciation charge for the financial year	-	11,600	11,995	13,464	1,843	4,231	43,133
Disposals	-	(14,714)	(828)	-	(201)	(315)	(16,058)
Write-offs	-	-	(208)	-	-	-	(208)
Transferred within categories	-	-	-	-	1,089	(1,089)	-
Exchange differences	-	(1,941)	(7,902)	(3,238)	(240)	(886)	(14,207)
As at 31 December 2017	54	224,306	185,738	170,758	17,712	58,589	657,157
Analysed as:							
Accumulated depreciation	-	218,269	184,870	170,332	17,712	58,425	649,608
Accumulated impairment losses	54	6,037	868	426	-	164	7,549
	54	224,306	185,738	170,758	17,712	58,589	657,157
Net carrying amount							
At 31 December 2017	112,610	253,634	203,851	466,143	140,641	359,751	1,536,630



23. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Work- in-Progress RM'000	Total RM'000
As at 31 December 2018							
Cost							
At 1 January 2018	1,273,224	1,033,391	548,170	227,299	15,136	28,928	3,126,148
Additions	1,685	26,155	49,771	8,227	4	13,920	99,762
Disposals	(3,209)	(2,230)	(11,347)	(55)	(197)	-	(17,038)
Disposal to subsidiary	-	(638)	-	-	-	-	(638)
Write-offs (Note 46)	-	(20,456)	(22,304)	(6,533)	(376)	-	(49,669)
Transferred within categories	12,904	4,539	-	-	-	(17,443)	-
Transferred from intangible assets (Note 24)	-	-	1,062	-	-	-	1,062
Transferred to a subsidiary (Note 21(viii))	-	(119,646)	(101,655)	(16,412)	(2,787)	(6,507)	(247,007)
Exchange differences	(507)	(126)	305	(49)	28	40	(309)
At 31 December 2018	1,284,097	920,989	464,002	212,477	11,808	18,938	2,912,311
Accumulated depreciation							
At 1 January 2018	493,724	813,770	480,858	160,365	11,523	-	1,960,240
Depreciation charge for the financial year (Note 46)	23,499	87,924	30,338	16,909	1,480	-	160,150
Disposals	(1,628)	(2,212)	(11,334)	(55)	(197)	-	(15,426)
Disposal to subsidiary	-	(451)	-	-	-	-	(451)
Write-offs (Note 46)	-	(18,205)	(22,300)	(6,520)	(375)	-	(47,400)
Transferred to a subsidiary (Note 21(viii))	-	(96,291)	(77,472)	(11,472)	(1,709)	-	(186,944)
Exchange differences	66	165	453	(9)	35	-	710
At 31 December 2018	515,661	784,700	400,543	159,218	10,757	-	1,870,879
Net carrying amount							
At 31 December 2018	768,436	136,289	63,459	53,259	1,051	18,938	1,041,432
As at 31 December 2017							
Cost							
At 1 January 2017	1,283,057	996,824	544,289	212,393	16,331	58,852	3,111,746
Additions	253	26,446	20,733	7,708	1,858	39,028	96,026
Disposals	(29,640)	(6,540)	(5,202)	(8)	(1,490)	-	(42,880)
Write-offs (Note 46)	-	(4,325)	(7,055)	(1,821)	(1,069)	(164)	(14,434)
Transferred within categories	30,455	28,377	-	9,748	-	(68,580)	-
Exchange differences	(10,901)	(7,391)	(4,595)	(721)	(494)	(208)	(24,310)
At 31 December 2017	1,273,224	1,033,391	548,170	227,299	15,136	28,928	3,126,148
Accumulated depreciation							
At 1 January 2017	480,489	725,060	458,273	145,180	11,983	-	1,820,985
Depreciation charge for the financial year (Note 46)	24,327	104,166	38,528	17,350	2,234	-	186,605
Disposals	(7,071)	(6,383)	(5,200)	(8)	(1,256)	-	(19,918)
Write-offs (Note 46)	-	(4,141)	(7,053)	(1,734)	(1,069)	-	(13,997)
Exchange differences	(4,021)	(4,932)	(3,690)	(423)	(369)	-	(13,435)
At 31 December 2017	493,724	813,770	480,858	160,365	11,523	-	1,960,240
Net carrying amount							
At 31 December 2017	779,500	219,621	67,312	66,934	3,613	28,928	1,165,908

The net carrying amount of property, plant and equipment of the Group held under finance leases as at 31 December 2018 was RM275,363,000 (2017: RM302,675,000).

Notes to the Financial Statements

31 December 2018

23. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land		Leasehold Land		Total RM'000
			Less Than 50 Years RM'000	50 Years or More RM'000	Less Than 50 Years RM'000	50 Years or More RM'000	
As at 31 December 2018							
*Properties consist of:							
Cost							
At 1 January 2018	106,468	406,499	310,564	340,643	13,913	95,137	1,273,224
Additions	-	-	40	1,645	-	-	1,685
Disposals	(1,383)	(926)	(900)	-	-	-	(3,209)
Transferred between categories	-	-	12,904	(199)	-	199	12,904
Exchange differences	16	16	(372)	(196)	-	29	(507)
At 31 December 2018	105,101	405,589	322,236	341,893	13,913	95,365	1,284,097
Accumulated depreciation							
At 1 January 2018	-	207,669	147,166	111,536	6,575	20,778	493,724
Depreciation charge for the financial year	-	8,169	6,681	7,403	244	1,002	23,499
Disposals	-	(889)	(739)	-	-	-	(1,628)
Transferred within categories	-	-	-	(4)	-	4	-
Exchange differences	-	8	(120)	164	-	14	66
At 31 December 2018	-	214,957	152,988	119,099	6,819	21,798	515,661
Net carrying amount							
At 31 December 2018	105,101	190,632	169,248	222,794	7,094	73,567	768,436
As at 31 December 2017							
*Properties consist of:							
Cost							
At 1 January 2017	108,317	422,639	312,797	328,654	12,529	98,121	1,283,057
Additions	-	-	22	-	204	27	253
Disposals	(1,530)	(25,735)	(1,175)	-	(392)	(808)	(29,640)
Transferred between categories	-	10,124	-	20,331	1,572	(1,572)	30,455
Exchange differences	(319)	(529)	(1,080)	(8,342)	-	(631)	(10,901)
At 31 December 2017	106,468	406,499	310,564	340,643	13,913	95,137	1,273,224
Accumulated depreciation							
At 1 January 2017	-	204,836	142,297	106,718	5,234	21,404	480,489
Depreciation charge for the financial year	-	8,684	6,659	7,521	453	1,010	24,327
Disposals	-	(5,727)	(828)	-	(201)	(315)	(7,071)
Transferred within categories	-	-	-	-	1,089	(1,089)	-
Exchange differences	-	(124)	(962)	(2,703)	-	(232)	(4,021)
At 31 December 2017	-	207,669	147,166	111,536	6,575	20,778	493,724
Net carrying amount							
At 31 December 2017	106,468	198,830	163,398	229,107	7,338	74,359	779,500



24. INTANGIBLE ASSETS

Group	Goodwill RM'000	Core Deposit Intangibles RM'000	Agency Force RM'000	Customer Relationship RM'000	Investment Management Agreement RM'000	Computer Software RM'000	Software-in- Development RM'000	Total RM'000
As at 31 December 2018								
Cost								
At 1 January 2018	7,377,597	318,447	82,742	162,062	-	2,075,236	274,516	10,290,600
Additions	-	-	-	-	-	66,394	315,650	382,044
Disposals	-	-	-	-	-	(694)	-	(694)
Acquisition of subsidiaries (Note 21(ii) & (iii))	2,168	-	-	-	11,141	6,747	-	20,056
Write-offs (Note 46)	-	-	-	-	-	(7,015)	-	(7,015)
Transferred within categories	-	-	-	-	-	124,449	(124,449)	-
Transferred from property, plant and equipment (Note 23)	-	-	-	-	-	4,323	(1,441)	2,882
Exchange differences	(211,062)	(13,358)	-	82	-	(7,007)	557	(230,788)
At 31 December 2018	7,168,703	305,089	82,742	162,144	11,141	2,262,433	464,833	10,457,085
Accumulated amortisation								
At 1 January 2018	-	318,447	75,006	160,358	-	1,361,620	-	1,915,431
Amortisation charge for the financial year (Note 46)	-	-	5,185	10,072	-	220,814	-	236,071
Disposals	-	-	-	-	-	(18)	-	(18)
Acquisition of subsidiaries (Note 21(ii))	-	-	-	-	-	5,415	-	5,415
Write-offs (Note 46)	-	-	-	-	-	(5,884)	-	(5,884)
Exchange differences	-	(13,358)	(5,152)	(9,740)	-	(5,239)	-	(33,489)
At 31 December 2018	-	305,089	75,039	160,690	-	1,576,708	-	2,117,526
Accumulated impairment losses								
At 1 January 2018	1,621,230	-	-	-	-	-	-	1,621,230
Exchange differences	2	-	-	-	-	-	-	2
At 31 December 2018	1,621,232	-	-	-	-	-	-	1,621,232
Net carrying amount								
At 31 December 2018	5,547,471	-	7,703	1,454	11,141	685,725	464,833	6,718,327
As at 31 December 2017								
Cost								
At 1 January 2017	7,938,278	355,682	82,742	163,749	-	1,973,975	169,275	10,683,701
Additions	-	-	-	-	-	79,411	159,298	238,709
Disposals	-	-	-	-	-	(289)	-	(289)
Acquisition of a subsidiary (Note 21(xiv))	55,882	-	-	-	-	-	-	55,882
Write-offs (Note 46)	-	-	-	-	-	(2,618)	-	(2,618)
Transferred within categories	-	-	-	-	-	51,512	(51,512)	-
Transferred from property, plant and equipment (Note 23)	-	-	-	-	-	4,035	725	4,760
Exchange differences	(616,563)	(37,235)	-	(1,687)	-	(30,790)	(3,270)	(689,545)
At 31 December 2017	7,377,597	318,447	82,742	162,062	-	2,075,236	274,516	10,290,600
Accumulated amortisation								
At 1 January 2017	-	350,068	75,358	152,959	-	1,138,522	-	1,716,907
Amortisation charge for the financial year (Note 46)	-	5,406	6,555	16,352	-	245,360	-	273,673
Write-offs (Note 46)	-	-	-	-	-	(1,385)	-	(1,385)
Exchange differences	-	(37,027)	(6,907)	(8,953)	-	(20,877)	-	(73,764)
At 31 December 2017	-	318,447	75,006	160,358	-	1,361,620	-	1,915,431
Accumulated impairment losses								
At 1 January 2017	1,621,270	-	-	-	-	-	-	1,621,270
Exchange differences	(40)	-	-	-	-	-	-	(40)
At 31 December 2017	1,621,230	-	-	-	-	-	-	1,621,230
Net carrying amount								
At 31 December 2017	5,756,367	-	7,736	1,704	-	713,616	274,516	6,753,939

Notes to the Financial Statements

31 December 2018

24. INTANGIBLE ASSETS (CONT'D.)

Bank	Goodwill RM'000	Computer Software RM'000	Software-in- Development RM'000	Total RM'000
As at 31 December 2018				
Cost				
At 1 January 2018	81,015	1,030,665	236,124	1,347,804
Additions	-	14,081	106,395	120,476
Transferred to a subsidiary (Note 21 (viii))	-	(262,393)	(150,679)	(413,072)
Transferred within categories	-	103,969	(103,969)	-
Transferred to property, plant and equipment (Note 23)	-	-	(1,062)	(1,062)
Exchange differences	-	567	294	861
At 31 December 2018	81,015	886,889	87,103	1,055,007
Accumulated amortisation				
At 1 January 2018	-	779,774	-	779,774
Amortisation charge for the financial year (Note 46)	-	76,737	-	76,737
Transferred to a subsidiary (Note 21 (viii))	-	(163,269)	-	(163,269)
Exchange differences	-	900	-	900
At 31 December 2018	-	694,142	-	694,142
Net carrying amount				
At 31 December 2018	81,015	192,747	87,103	360,865
As at 31 December 2017				
Cost				
At 1 January 2017	81,015	987,220	147,450	1,215,685
Additions	-	8,527	133,992	142,519
Write-offs (Note 46)	-	(3)	-	(3)
Transferred within categories	-	42,779	(42,779)	-
Exchange differences	-	(7,858)	(2,539)	(10,397)
At 31 December 2017	81,015	1,030,665	236,124	1,347,804
Accumulated amortisation				
At 1 January 2017	-	685,636	-	685,636
Amortisation charge for the financial year (Note 46)	-	99,177	-	99,177
Exchange differences	-	(5,039)	-	(5,039)
At 31 December 2017	-	779,774	-	779,774
Net carrying amount				
At 31 December 2017	81,015	250,891	236,124	568,030



24. INTANGIBLE ASSETS (CONT'D.)

(i) Goodwill

Goodwill has been allocated to the Group's Cash-Generating Units ("CGUs") identified according to the following business segments:

Group	Note	2018 RM'000	2017 RM'000
American Express ("AMEX") card services business in Malaysia	(a)	81,015	81,015
Acquisition of PT Bank Maybank Indonesia Tbk ("Maybank Indonesia")	(b)	5,807,085	5,807,085
Less: Accumulated impairment losses		(1,619,518)	(1,619,518)
		4,187,567	4,187,567
Acquisition of Maybank Kim Eng Holdings Limited ("MKEH")	(c)	2,001,914	2,001,914
Less: Accumulated impairment losses		(1,422)	(1,422)
		2,000,492	2,000,492
Acquisition of PT Maybank Asset Management		20,162	20,162
Acquisition of PT Asuransi Asoka Mas	21(xiv)	55,882	55,882
Acquisition of Amanah Mutual Berhad	21(ii)	2,168	-
Exchange differences		(799,815)	(588,751)
		5,547,471	5,756,367

Bank	Note	2018 RM'000	2017 RM'000
American Express ("AMEX") card services business in Malaysia	(a)	81,015	81,015

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. The recoverable amount of the CGUs are assessed based on value-in-use and compared to the carrying amount of the CGUs to determine whether any impairment exists. Impairment loss is recognised in the income statement when the carrying amount of the CGUs exceeds its recoverable amount. During the financial year ended 31 December 2018, no additional impairment losses were recognised or reversed for the CGUs.

- (a) The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a 10-year period.

The other key assumptions for the computation of value-in-use are as follows:

- (i) The Bank expects the AMEX card services business to be a going concern;
- (ii) The growth in business volume is expected to be consistent with the industry growth rate of 9.0% to 10.0% per annum; and
- (iii) The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which is estimated to be 7.44% per annum (2017: 9.25% per annum).

- (b) The value-in-use discounted cash flow model uses free cash flow to equity ("FCFE") projections prepared and approved by management covering a 5-year period.

The other key assumptions for the computation of value-in-use are as follows:

- (i) The Bank expects Maybank Indonesia's banking business operations to be a going concern;
- (ii) The discount rate applied is based on current specific country risks which is estimated to be approximately 14.5% per annum (2017: 15.0% per annum); and
- (iii) Terminal value whereby cash flow growth rate of 6.6% (2017: 5.5%).

For sensitivity analysis purposes, a 10 basis points change in the discount rate would increase or decrease the recoverable amount by RM201.0 million, while a 10 basis points change in the terminal growth rate on the annual cash flows of Maybank Indonesia would increase or decrease the recoverable amount by RM156.0 million.

Notes to the Financial Statements

31 December 2018

24. INTANGIBLE ASSETS (CONT'D.)

(i) Goodwill (cont'd.)

- (c) Maybank Kim Eng Group (“MKEG”) is segregated into two business pillars, namely, Investment Banking and Advisory (“IB&A”) and Brokerage, Equity & Commodity Derivatives (“ECDG”) and other businesses. MKEG comprises mainly Maybank Investment Bank Berhad (“MIBB”) and Maybank Kim Eng (“MKE”) whilst MKEG forms the Investment Banking sub-segment within Global Banking.

The value-in-use discounted cash flow model uses free cash flow to the firm (“FCFF”) projections prepared and approved by management covering a 5-year period of MIBB and MKE collectively.

The other key assumptions for the computation of value-in-use are as follows:

- (i) The Bank expects MKEG’s business operations to be a going concern;
- (ii) The discount rate applied is the internal weighted average cost of capital of MKEG at the time of assessment, which is estimated to be 8.6% per annum (2017: 8.3% per annum); and
- (iii) Terminal value whereby cash flow growth rate is 5.4% (2017: 5.7%), which is consistent with the average Gross Domestic Product rate of Malaysia and Singapore, the major MKEG’s operating markets.

For sensitivity analysis purposes, if the annual cash flows growth rate of MKEG is at a constant negative growth rate of 3.7% or the discount rate increased to approximately 15.5%, the recoverable amount would be reduced to its carrying amount of the CGU.

(ii) Core Deposit Intangibles (“CDI”)

Core deposit intangibles arise from the acquisition of Maybank Indonesia’s banking business operations. The CDI is deemed to have a finite useful life of 8 years and is amortised based on a reducing balance method.

(iii) Agency force

The agency force arises from the acquisition of MKEH’s investment banking business operations. The agency force is deemed to have a finite useful life of 11 years and is amortised based on a reducing balance method.

(iv) Customer relationship

The customer relationship arises from the acquisition of MKEH’s investment banking business operations. The customer relationship is deemed to have a finite useful life of 3 – 9 years and is amortised based on a reducing balance method.

(v) Investment Management Agreements

The Group has recognised the investment management agreements acquired through the acquisition of AMB and SUTL as an intangible asset as it is expected to provide consistent revenue flow and future economic benefits to the Group. The investment management agreements are initially recognised at cost and subsequently carried at cost less any accumulated impairment losses. The useful life of the investment management agreements is estimated to be indefinite as it is believed that there is no foreseeable limit to the period over which the investment management agreements are expected to generate net cash inflows for the Group.

25. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed deposits and negotiable instruments of deposits				
– One year or less	312,630,907	285,822,118	123,641,231	167,002,740
– More than one year	6,262,601	11,605,917	1,049,608	9,296,982
	318,893,508	297,428,035	124,690,839	176,299,722
Money market deposits	26,939,821	18,167,679	26,939,821	18,167,679
Savings deposits	72,552,819	71,591,820	27,308,716	47,602,272
Demand deposits	114,346,475	114,829,911	76,220,939	86,868,927
	532,732,623	502,017,445	255,160,315	328,938,600

The deposits are sourced from the following types of customers:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Business enterprises	243,864,537	238,688,009	156,302,192	166,333,827
Individuals	208,707,696	205,434,319	75,316,213	141,356,982
Government and statutory bodies	35,291,078	28,731,383	8,806,390	9,327,767
Others	44,869,312	29,163,734	14,735,520	11,920,024
	532,732,623	502,017,445	255,160,315	328,938,600



25. DEPOSITS FROM CUSTOMERS (CONT'D.)

The maturity profile of fixed deposits and negotiable instruments of deposits are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within six months	257,314,133	226,669,904	103,502,412	124,598,343
Six months to one year	55,316,775	59,152,214	20,138,819	42,404,397
One year to three years	5,821,123	10,813,684	984,301	9,221,071
Three years to five years	441,477	792,233	65,307	75,911
	318,893,508	297,428,035	124,690,839	176,299,722

26. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Licensed banks	39,504,617	37,657,509	51,341,923	35,529,964
Licensed finance companies	64,257	75,407	64,257	75,407
Licensed investment banks	98,277	31,021	98,277	31,021
Other financial institutions	4,183,426	4,834,194	1,436,290	2,008,742
	43,850,577	42,598,131	52,940,747	37,645,134

The maturity profile of deposits and placements from financial institutions are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
One year or less	41,092,831	39,516,290	52,405,495	36,024,326
More than one year	2,757,746	3,081,841	535,252	1,620,808
	43,850,577	42,598,131	52,940,747	37,645,134

Notes to the Financial Statements

31 December 2018

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Structured deposits	1,640,430	2,366,966	1,254,743	1,474,271
Borrowings				
Unsecured				
Medium term notes				
– More than one year				
Denominated in:				
– USD	6,598,010	3,362,727	6,598,010	3,362,727
– RM	654,251	646,122	654,251	646,122
	7,252,261	4,008,849	7,252,261	4,008,849
	8,892,691	6,375,815	8,507,004	5,483,120

The Group and the Bank have designated certain structured deposits and borrowings at FVTPL. This designation is permitted under MFRS 9 *Financial Instruments: Recognition and Measurement* as it significantly reduces accounting mismatch. These instruments are managed by the Group and the Bank on the basis of their fair values and include terms that have substantive derivative characteristics.

The carrying amounts of both structured deposits and borrowings designated at FVTPL of the Group and of the Bank as at 31 December 2018 were RM9,616,975,000 and RM9,231,989,000 (2017: RM6,590,566,000 and RM5,692,384,000) respectively. The fair value changes of the financial liabilities at FVTPL that are attributable to the changes in own credit risk are not significant.

The movements in the borrowings are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	4,008,849	2,027,176	4,008,849	2,027,176
Drawdown ¹	620,775	2,097,150	620,775	2,097,150
Non-cash changes:				
Fair value changes	(737,572)	(16,338)	(737,572)	(16,338)
Transfers ² (Note 2.4(i))	3,000,594	–	3,000,594	–
Others	225,980	50,271	225,980	50,271
Exchange differences	133,635	(149,410)	133,635	(149,410)
At 31 December	7,252,261	4,008,849	7,252,261	4,008,849

¹ On 29 March 2018, the Bank issued USD150.0 million callable zero coupon notes with a tenor of 30 years pursuant to its USD15.0 billion Multicurrency Medium Term Note Programme.

² Upon initial application of MFRS 9, callable zero coupon notes with a total of USD660.0 million in nominal value were designated at fair value through profit or loss (“FVTPL”). These callable zero coupon notes were previously recognised as part of Borrowings as disclosed in Note 33.



28. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

Group	Note	2018 RM'000	2017 RM'000
Insurance/takaful contract liabilities	(i)	26,176,660	24,577,568
Other insurance payables	(ii)	676,442	541,275
		26,853,102	25,118,843

(i) Insurance/takaful contract liabilities

Group	Note	Gross contract liabilities RM'000	Reinsurance/retakaful assets (Note 17) RM'000	Net contract liabilities RM'000
2018				
Life insurance/family takaful	(a)	20,779,777	(122,913)	20,656,864
General insurance/general takaful	(b)	5,396,883	(3,162,356)	2,234,527
		26,176,660	(3,285,269)	22,891,391
2017				
Life insurance/family takaful	(a)	19,275,837	(109,129)	19,166,708
General insurance/general takaful	(b)	5,301,731	(3,113,326)	2,188,405
		24,577,568	(3,222,455)	21,355,113

(a) Life insurance/family takaful

The breakdown of life insurance/family takaful contract liabilities and its movements are further analysed as follows:

(A) Life insurance/family takaful contract liabilities

Group	Gross contract liabilities RM'000	Reinsurance/retakaful assets RM'000	Net contract liabilities RM'000
2018			
Claims liabilities	228,328	(17,445)	210,883
Actuarial liabilities	15,186,267	(105,468)	15,080,799
Unallocated surplus	3,813,477	-	3,813,477
FVOCI reserve	27,900	-	27,900
Net asset value ("NAV") attributable to unitholders	1,523,805	-	1,523,805
	20,779,777	(122,913)	20,656,864
2017			
Claims liabilities	225,021	(9,445)	215,576
Actuarial liabilities	13,961,280	(99,684)	13,861,596
Unallocated surplus	3,648,905	-	3,648,905
AFS reserve	(33,021)	-	(33,021)
Net asset value ("NAV") attributable to unitholders	1,473,652	-	1,473,652
	19,275,837	(109,129)	19,166,708

Notes to the Financial Statements

31 December 2018

28. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(a) Life insurance/family takaful (cont'd.)

The breakdown of life insurance/family takaful contract liabilities and its movements are further analysed as follows (cont'd.):

(B) Movements of life insurance/family takaful contract liabilities and reinsurance/retakaful assets

Group	Gross contract liabilities					Total gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
	Claims liabilities RM'000	Actuarial liabilities RM'000	Unallocated surplus RM'000	FVOCI reserve RM'000	NAV attributable to unitholders RM'000			
As at 31 December 2018								
At 1 January 2018	225,021	13,961,280	3,648,905	(33,021)	1,473,652	19,275,837	(109,129)	19,166,708
- effect of adopting MFRS 9	-	-	(5,877)	3,711	-	(2,166)	-	(2,166)
As at 1 January 2018 (restated)	225,021	13,961,280	3,643,028	(29,310)	1,473,652	19,273,671	(109,129)	19,164,542
Net earned insurance premiums	-	-	1,401,808	-	99,662	1,501,470	(67,953)	1,433,517
Other revenue	-	-	375,003	-	4,571	379,574	-	379,574
Experience/benefit variation	3,303	-	-	-	-	3,303	20,175	23,478
Benefits and claims	(11,611)	818,081	(803,828)	-	(27,287)	(24,645)	43,534	18,889
Other expenses	-	-	(362,877)	-	(20,301)	(383,178)	-	(383,178)
Adjustments due to changes in:								
- Discounting	-	37,908	(12,585)	-	-	25,323	(25,323)	-
- Assumptions	-	(222,924)	171,599	-	-	(51,325)	51,325	-
- Policy movements	11,615	727,763	(516,441)	29,051	(7,864)	244,124	(35,542)	208,582
Changes in FVOCI reserve	-	7,073	-	28,159	-	35,232	-	35,232
Taxation	-	-	(811)	-	1,372	561	-	561
Transfer to shareholders' fund	-	-	(211,337)	-	-	(211,337)	-	(211,337)
Surplus attributable to policyholders during the financial year	-	(142,914)	142,191	-	-	(723)	-	(723)
Hibah paid to participants	-	-	(12,273)	-	-	(12,273)	-	(12,273)
At 31 December 2018	228,328	15,186,267	3,813,477	27,900	1,523,805	20,779,777	(122,913)	20,656,864
As at 31 December 2017								
At 1 January 2017	216,303	12,623,670	3,552,633	55,356	1,194,537	17,642,499	(75,444)	17,567,055
Net earned insurance premiums	-	-	1,202,338	-	79,763	1,282,101	(63,031)	1,219,070
Other revenue	-	-	522,349	-	4,625	526,974	-	526,974
Experience/benefit variation	(445)	-	-	-	(9)	(454)	27,802	27,348
Benefits and claims	12,185	741,953	(731,615)	-	(8,533)	13,990	35,140	49,130
Other expenses	-	-	(312,116)	-	(492)	(312,608)	-	(312,608)
Adjustments due to changes in:								
- Discounting	-	5,718	(5,718)	-	-	-	-	-
- Assumptions	-	85,606	(85,606)	-	-	-	-	-
- Policy movements	(3,022)	520,102	(366,927)	(50,167)	204,091	304,077	(33,596)	270,481
Exchange differences	-	(15,769)	-	-	-	(15,769)	-	(15,769)
Changes in AFS reserve	-	-	-	(38,210)	-	(38,210)	-	(38,210)
Taxation	-	-	2,026	-	(330)	1,696	-	1,696
Transfer to shareholders' fund	-	-	(100,764)	-	-	(100,764)	-	(100,764)
Hibah paid to participants	-	-	(27,695)	-	-	(27,695)	-	(27,695)
At 31 December 2017	225,021	13,961,280	3,648,905	(33,021)	1,473,652	19,275,837	(109,129)	19,166,708



28. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(b) General insurance/general takaful

Group	Note	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
2018				
Claims liabilities	(A)	3,889,742	(2,778,887)	1,110,855
Premiums/contribution liabilities	(B)	1,328,894	(383,469)	945,425
Unallocated surplus of general takaful fund		186,569	-	186,569
FVOCI reserve		(8,322)	-	(8,322)
		5,396,883	(3,162,356)	2,234,527
2017				
Claims liabilities	(A)	3,808,751	(2,649,941)	1,158,810
Premiums/contribution liabilities	(B)	1,309,433	(463,385)	846,048
Unallocated surplus of general takaful fund		196,299	-	196,299
AFS reserve		(12,752)	-	(12,752)
		5,301,731	(3,113,326)	2,188,405

(A) Claims liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2018			
At 1 January 2018	3,808,751	(2,649,941)	1,158,810
Claims incurred in the current accident year	807,706	(48,417)	759,289
Adjustment to claims incurred in prior accident year due to changes in assumptions	1,888	(1,573)	315
Other movements in claims incurred in prior accident year	59,639	(79,800)	(20,161)
Claims paid during the financial year	(771,049)	(3,357)	(774,406)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(17,385)	4,256	(13,129)
Exchange differences	192	(55)	137
At 31 December 2018	3,889,742	(2,778,887)	1,110,855
As at 31 December 2017			
At 1 January 2017	4,599,820	(3,316,484)	1,283,336
Claims incurred in the current accident year	796,815	(37,569)	759,246
Claims paid during the financial year	(1,581,401)	774,193	(807,208)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	6,192	(76,244)	(70,052)
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	(8,490)	6,038	(2,452)
Exchange differences	(4,185)	125	(4,060)
At 31 December 2017	3,808,751	(2,649,941)	1,158,810

Notes to the Financial Statements

31 December 2018

28. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(b) General insurance/general takaful (cont'd.)

(B) Premiums/contribution liabilities

Group	Gross contract liabilities RM'000	Reinsurance/retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2018			
At 1 January 2018	1,309,433	(463,385)	846,048
Premiums/contributions written in the financial year	2,710,712	(957,080)	1,753,632
Premiums/contributions earned during the financial year	(2,700,173)	1,030,459	(1,669,714)
Exchange differences	8,922	6,537	15,459
At 31 December 2018	1,328,894	(383,469)	945,425
As at 31 December 2017			
At 1 January 2017	1,115,571	(300,653)	814,918
Premiums/contributions written in the financial year	2,502,313	(959,084)	1,543,229
Premiums/contributions earned during the financial year	(2,305,969)	795,586	(1,510,383)
Exchange differences	(2,482)	766	(1,716)
At 31 December 2017	1,309,433	(463,385)	846,048

(ii) Other insurance payables

Group	2018 RM'000	2017 RM'000
Due to agents and intermediaries	136,397	81,154
Due to reinsurers and cedants	492,310	371,874
Due to retakaful operators	47,735	88,247
	676,442	541,275

29. OTHER LIABILITIES

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due to brokers and clients	59	3,038,388	2,807,623	-	-
Deposits, other creditors and accruals		11,383,153	10,426,200	6,775,654	11,787,648
Defined benefit pension plans	(i)	474,018	531,809	-	-
Provisions for commitments and contingencies	(ii)	32,003	41,953	27,416	41,953
Allowances for impairment losses on loan commitments and financial guarantee contracts	(iii)	287,436	-	229,103	-
Finance lease liabilities	(iv)	272,311	290,559	-	-
Structured deposits		6,301,362	5,080,996	308,888	5,080,996
		21,788,671	19,179,140	7,341,061	16,910,597

(i) Defined benefit pension plans

The Bank's subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labour laws of respective countries. The Bank's subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial assumptions using Projected Unit Credit Method. Such determination is made based on the present value of expected cash flows of benefits to be paid in the future taking into account the actuarial assumptions, including salaries, turnover rate, mortality rate, years of service and other factors.



29. OTHER LIABILITIES (CONT'D.)

(i) Defined benefit pension plans (cont'd.)

The defined benefit plans expose the Bank's subsidiaries to actuarial risks, such as longevity risk, interest rate risk, currency risk and market (investment) risk.

(a) Funding to defined benefit plans

The defined benefit plans are fully funded by the Bank's subsidiaries. The funding requirements are based on the pension funds actuarial measurement framework set out in the funding policies of the plans. The subsidiaries' employees are not required to contribute to the plans.

The following payments are expected contributions to be made by the Bank's subsidiaries to the defined benefit plans obligations in the future years:

Group	2018 RM'000	2017 RM'000
Within the next 12 months	25,790	17,224
Between 1 and 5 years	134,788	135,459
Between 5 and 10 years	405,370	398,491
Beyond 10 years	3,689,764	3,762,292
Total expected payments	4,255,712	4,313,466

(b) Movements in net defined benefit liabilities

The following table shows a reconciliation of net defined benefit liabilities and its components:

Group	Defined benefit obligations RM'000	Fair value of plan assets RM'000	Net defined benefit liabilities RM'000
As at 31 December 2018			
At 1 January 2018	562,498	(30,689)	531,809
Included in income statements:			
Current service cost	50,117	-	50,117
Past service cost	608	-	608
Interest cost/(income)	35,967	(1,386)	34,581
Actuarial (gain)/loss on other long-term employee benefits plans	(2,676)	589	(2,087)
	84,016	(797)	83,219
Included in statements of comprehensive income:			
Remeasurement (gain)/loss:			
- Actuarial (gain)/loss arising from:			
- Demographic assumptions	(1,605)	-	(1,605)
- Financial assumptions	(34,404)	278	(34,126)
- Experience adjustments	(25,562)	-	(25,562)
- Return on plan assets (excluding interest income)	-	(566)	(566)
	(61,571)	(288)	(61,859)
Others:			
Contributions paid by employers	1,009	(10,111)	(9,102)
Benefits paid	(40,953)	9,613	(31,340)
Exchange differences	(40,338)	1,629	(38,709)
	(80,282)	1,131	(79,151)
At 31 December 2018	504,661	(30,643)	474,018

Notes to the Financial Statements

31 December 2018

29. OTHER LIABILITIES (CONT'D.)

(i) Defined benefit pension plans (cont'd.)

(b) Movements in net defined benefit liabilities (cont'd.)

The following table shows a reconciliation of net defined benefit liabilities and its components (cont'd.):

Group As at 31 December 2017	Defined benefit obligations RM'000	Fair value of plan assets RM'000	Net defined benefit liabilities RM'000
At 1 January 2017	583,533	(31,071)	552,462
Included in income statements:			
Current service cost	52,292	–	52,292
Past service cost	124	–	124
Interest cost	39,135	–	39,135
Actuarial gain on other long-term employee benefits plans	(375)	–	(375)
	91,176	–	91,176
Included in statements of comprehensive income:			
Remeasurement (gain)/loss:			
– Actuarial (gain)/loss arising from:			
– Demographic assumptions	(2,144)	–	(2,144)
– Financial assumptions	20,223	(65)	20,158
– Experience adjustments	(33,292)	–	(33,292)
– Return on plan assets (excluding interest income)	–	(528)	(528)
	(15,213)	(593)	(15,806)
Others:			
Contributions paid by employers	(1,125)	(804)	(1,929)
Benefits paid	(29,911)	99	(29,812)
Exchange differences	(65,962)	1,680	(64,282)
	(96,998)	975	(96,023)
At 31 December 2017	562,498	(30,689)	531,809

(c) Plan assets

The major categories of plan assets included as part of the fair value of total plan assets are as follows:

Group	2018 RM'000	2017 RM'000
Cash and cash equivalents	7,243	16,240
Quoted investments in active markets:		
Equity securities:		
– Financial institutions	9,300	3,161
Bonds issued by foreign governments	8,257	9,247
Debt instruments	1,529	–
Unquoted investments:		
Debt instruments	1,530	–
Equity securities	4,820	2,692
Other receivables	3,885	687
Other payables	(5,921)	(1,338)
	30,643	30,689

For Bank's subsidiaries which have plan assets, an Asset-Liability Matching Study ("ALM") is performed at each reporting date. The principal technique of the ALM is to ensure the expected return on assets is sufficient to support the desired level of funding arising from the defined benefit plans.



29. OTHER LIABILITIES (CONT'D.)**(i) Defined benefit pension plans (cont'd.)**

(d) Defined benefit obligations

(A) Actuarial assumptions

The principal assumptions used by subsidiaries in determining its pension obligations are as follows:

Group	2018 %	2017 %
Discount rate		
– Indonesia	8.21	7.71
– Philippines	5.14	5.51
– Thailand	3.21	3.21
Future salary growth		
– Indonesia	7.50	7.50
– Philippines	5.33	5.33
– Thailand	6.00	6.00

Group	2018 Years	2017 Years
Indonesia:		
Life expectancy for individual retiring at age of 55 – 56:		
– Male	17.84	17.70
– Female	18.84	18.70
Philippines:		
Life expectancy for individual retiring at age of 50:		
– Male	8.00	8.00
– Female	8.00	8.00
Thailand:		
Life expectancy for individual retiring at age of 60:		
– Male	6.35	6.32
– Female	6.35	6.32

The average duration of the defined benefit plans obligations at the end of each reporting year are as follows:

Group	2018 Years	2017 Years
Duration of defined benefit plans obligations		
– Indonesia	9.29	10.40
– Philippines	19.17	14.66
– Thailand	6.80	7.15

Notes to the Financial Statements

31 December 2018

29. OTHER LIABILITIES (CONT'D.)

(i) Defined benefit pension plans (cont'd.)

(B) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

Group	Defined benefit obligations	
	Increased by 1% RM'000	Decreased by 1% RM'000
2018		
Discount rate (1% movement)	8,109	86,187
Future salary growth (1% movement)	85,888	7,749
Future mortality (1% movement)	-	-
2017		
Discount rate (1% movement)	(43,681)	52,233
Future salary growth (1% movement)	51,532	(43,886)
Future mortality (1% movement)	(30)	32

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of each reporting year.

(ii) The movements of provisions for commitments and contingencies are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	41,953	35,507	41,953	35,507
Addition	-	6,446	-	6,446
Provisions written back during the financial year	(9,950)	-	(14,537)	-
At 31 December	32,003	41,953	27,416	41,953

(iii) Movements in the allowances for impairment losses on loan commitments and financial guarantee contracts are as follows:

Group	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018 - effect of adopting MFRS 9 (Note 2.4(i))	90,574	75,163	74,027	239,764
At 1 January 2018, as restated	90,574	75,163	74,027	239,764
Transferred to Stage 1	8,664	(8,383)	(281)	-
Transferred to Stage 2	(594)	24,579	(23,985)	-
Transferred to Stage 3	(117)	(33)	150	-
Net remeasurement of allowances	12,188	(21,314)	(3,158)	(12,284)
New financial assets originated or purchased	29,707	23,756	118,811	172,274
Financial assets derecognised	(53,040)	(40,669)	(18,453)	(112,162)
Changes in models/risk parameters	(1,489)	(779)	-	(2,268)
Exchange differences	(1,416)	356	3,172	2,112
At 31 December 2018	84,477	52,676	150,283	287,436



29. OTHER LIABILITIES (CONT'D.)

(iii) Movements in the allowances for impairment losses on loan commitments and financial guarantee contracts are as follows (cont'd.):

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
Bank				
As at 31 December 2018				
At 1 January 2018				
– effect of adopting MFRS 9 (Note 2.4(i))	53,498	66,506	67,083	187,087
At 1 January 2018, as restated	53,498	66,506	67,083	187,087
Transferred to Stage 1	7,798	(7,654)	(144)	–
Transferred to Stage 2	(517)	24,053	(23,536)	–
Transferred to Stage 3	(117)	(33)	150	–
Net remeasurement of allowances	(1,596)	(21,633)	(1,847)	(25,076)
New financial assets originated or purchased	23,059	19,868	118,542	161,469
Financial assets derecognised	(41,625)	(36,315)	(16,110)	(94,050)
Changes in models/risk parameters	24	–	–	24
Transfer to subsidiary	(1,522)	(654)	–	(2,176)
Exchange differences	1,036	(270)	1,059	1,825
At 31 December 2018	40,038	43,868	145,197	229,103

(iv) Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
Group			
2018			
Less than one year	82,486	(3,884)	78,602
Between one and five years	209,770	(16,061)	193,709
	292,256	(19,945)	272,311
2017			
Less than one year	69,886	(2,533)	67,353
Between one and five years	242,320	(19,114)	223,206
	312,206	(21,647)	290,559

The Group leases certain computer equipment and software under finance lease. At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

The movement in finance lease liabilities are as follows:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	290,559	9,925
(Repayment)/drawdown, net	(18,248)	280,634
At 31 December	272,311	290,559

Notes to the Financial Statements

31 December 2018

30. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	1,543,501	974,588	1,543,501	974,588
Amount sold to Cagamas during the financial year	1,543,500	1,543,501	1,543,500	1,543,501
Repayment forwarded	(1,543,501)	(974,588)	(1,543,501)	(974,588)
Changes in fair value	3,772	-	3,772	-
At 31 December	1,547,272	1,543,501	1,547,272	1,543,501
Represented by:				
Sold directly to Cagamas	1,543,500	1,543,501	1,543,500	1,543,501

Based on the agreement, the Group and the Bank undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

The loans and financing sold to Cagamas Berhad with recourse are mainly housing loans.

31. PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Taxation	352,997	723,961	79,815	385,876
Zakat	42,795	22,533	-	-
	395,792	746,494	79,815	385,876

32. DEFERRED TAX

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January				
- as previously stated	(127,239)	(152,518)	(315,013)	(358,687)
- effect of adopting MFRS 9 (Note 2.4(i))	(94,831)	-	(5,886)	-
At 1 January 2018, as restated	(222,070)	(152,518)	(320,899)	(358,687)
Acquisition of subsidiaries	2,414	(619)	-	-
Recognised in income statements, net (Note 51)	(396,032)	(130,945)	(30,891)	(63,288)
Recognised in statements of other comprehensive income, net	9,638	107,493	5,868	105,905
Insurance/takaful contract liabilities	-	(5,900)	-	-
Exchange differences	18,467	55,250	736	1,057
At 31 December	(587,583)	(127,239)	(345,186)	(315,013)



32. DEFERRED TAX (CONT'D.)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	(1,085,549)	(859,318)	(345,186)	(315,013)
Deferred tax liabilities	497,966	732,079	-	-
	(587,583)	(127,239)	(345,186)	(315,013)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Impairment losses on loans, financial investments and other financial assets RM'000	FVOCI reserve, amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2018					
At 1 January 2018					
- as previously stated	12,470	(7,586)	(550,272)	(313,930)	(859,318)
- effect of adopting MFRS 9 (Note 2.4(i))	(104,489)	(22,207)	-	12,376	(114,320)
At 1 January 2018, as restated	(92,019)	(29,793)	(550,272)	(301,554)	(973,638)
Recognised in income statements	(76,697)	(5,140)	(42,700)	(24,158)	(148,695)
Recognised in statements of other comprehensive income	8,391	8,286	1,463	-	18,140
Exchange differences	9,130	(829)	6,774	3,568	18,643
At 31 December 2018	(151,195)	(27,476)	(584,735)	(322,144)	(1,085,550)

	Impairment losses on loans, financial investments and other financial assets RM'000	AFS reserve, amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2017					
At 1 January 2017	(700)	(120,220)	(478,425)	(330,999)	(930,344)
Acquisition of subsidiaries	-	-	-	(619)	(619)
Recognised in income statements	18,806	(187)	(89,889)	(31,091)	(102,361)
Recognised in statements of other comprehensive income	212	112,821	2,995	-	116,028
Exchange differences	(5,848)	-	15,047	48,779	57,978
At 31 December 2017	12,470	(7,586)	(550,272)	(313,930)	(859,318)

Notes to the Financial Statements

31 December 2018

32. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax liabilities of the Group:

	Unabsorbed capital allowance RM'000	FVOCI reserve and accretion of discounts RM'000	Provision for liabilities RM'000	Non-DPF unallocated surplus RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2018						
At 1 January 2018						
– as previously stated	108,630	38,413	(3,233)	495,367	92,902	732,079
– effect of adopting MFRS 9 (Note 2.4(i))	–	(628)	–	20,117	–	19,489
At 1 January 2018, as restated	108,630	37,785	(3,233)	515,484	92,902	751,568
Acquisition of subsidiaries (Note 21(ii) & (iii))	–	–	–	–	2,414	2,414
Recognised in income statements	26,639	2,678	–	(273,929)	(2,725)	(247,337)
Recognised in statements of other comprehensive income	–	(2,621)	–	(5,881)	–	(8,502)
Exchange differences	331	2,218	–	–	(2,725)	(176)
At 31 December 2018	135,600	40,060	(3,233)	235,674	89,866	497,967

	Unabsorbed capital allowance RM'000	AFS reserve and accretion of discounts RM'000	Provision for liabilities RM'000	Non-DPF unallocated surplus RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2017						
At 1 January 2017	109,100	47,278	(13,815)	502,752	132,511	777,826
Recognised in income statements	(2,747)	160	10,256	6,034	(42,287)	(28,584)
Recognised in statements of other comprehensive income	–	5,563	–	(13,419)	(679)	(8,535)
Insurance/takaful contract liabilities	–	(5,900)	–	–	–	(5,900)
Exchange differences	2,277	(8,688)	326	–	3,357	(2,728)
At 31 December 2017	108,630	38,413	(3,233)	495,367	92,902	732,079

Deferred tax assets of the Bank:

	Impairment losses on loan, financial investments and other financial assets RM'000	FVOCI reserve and amortisation of premium RM'000	Provision for liabilities RM'000	Total RM'000
As at 31 December 2018				
At 1 January 2018, as restated				
– as previously stated	–	(38,404)	(329,533)	(367,937)
– effect of adopting MFRS 9 (Note 2.4(i))	–	(25,292)	–	(25,292)
At 1 January 2018, as restated	–	(63,696)	(329,533)	(393,229)
Recognised in income statements	(2,828)	–	(1,862)	(4,690)
Recognised in statements of other comprehensive income	–	2,777	–	2,777
Exchange differences	–	–	736	736
At 31 December 2018	(2,828)	(60,919)	(330,659)	(394,406)



32. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax assets of the Bank (cont'd.):

	AFS reserve and amortisation of premium RM'000	Provision for liabilities RM'000	Total RM'000
As at 31 December 2017			
At 1 January 2017	(144,309)	(292,421)	(436,730)
Recognised in income statements	-	(38,169)	(38,169)
Recognised in statements of other comprehensive income	105,905	-	105,905
Exchange differences	-	1,057	1,057
At 31 December 2017	(38,404)	(329,533)	(367,937)

Deferred tax liabilities of the Bank:

	FVOCI Reserves RM'000	Unabsorbed capital allowance RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2018				
At 1 January 2018				
- as previously stated	-	52,924	-	52,924
- effect of adopting MFRS 9 (Note 2.4(i))	7,030	-	12,376	19,406
At 1 January 2018, as restated	7,030	52,924	12,376	72,330
Recognised in income statements	-	(26,201)	-	(26,201)
Recognised in statement of other comprehensive income	3,091	-	-	3,091
At 31 December 2018	10,121	26,723	12,376	49,220

	Unabsorbed capital allowance RM'000	Total RM'000
As at 31 December 2017		
At 1 January 2017		78,043
Recognised in income statements		(25,119)
At 31 December 2017		52,924

Deferred tax assets have not been recognised in respect of the following items:

Group	2018 RM'000	2017 RM'000
Unutilised tax losses	334,055	205,287
Others	-	9
	334,055	205,296

The above items are available for offsetting against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of those items as they may not be used to offset taxable profits of other subsidiaries within the Group. They have arisen from subsidiaries that have past losses in which the deferred tax assets are recognised to the extent that future taxable profits will be available.

Notes to the Financial Statements

31 December 2018

33. BORROWINGS

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Secured:	(a)				
(i) Borrowings					
– Less than one year					
Denominated in:					
– SGD		684	668	–	–
– PHP		–	80	–	–
– IDR		1,123,402	1,159,884	–	–
– VND		12,493	5,138	–	–
		1,136,579	1,165,770	–	–
– More than one year					
Denominated in:					
– SGD		236,572	236,302	–	–
– IDR		1,628,153	1,982,846	–	–
		1,864,725	2,219,148	–	–
(ii) Medium Term Notes					
– More than one year					
Denominated in:					
– IDR		71,515	74,588	–	–
Total secured borrowings		3,072,819	3,459,506	–	–
Unsecured:	(b)				
(i) Borrowings					
– Less than one year					
Denominated in:					
– USD		3,159,728	4,272,752	2,346,972	3,861,646
– SGD		1,390,760	1,616,118	–	–
– HKD		77,913	121,905	–	–
– IDR		994,104	30,788	–	–
– THB		1,249,281	1,232,326	–	–
– VND		–	3	–	–
– EURO		–	193,671	–	193,671
– INR		11,801	6,358	–	–
– RM		411,361	2,533,470	411,361	2,533,470
– JPY		1,733	5	–	–
		7,296,681	10,007,396	2,758,333	6,588,787
– More than one year					
Denominated in:					
– USD		4,862,217	3,746,250	4,862,217	3,746,250
– IDR		547,870	519,091	–	–
– JPY		–	1,970	–	–
		5,410,087	4,267,311	4,862,217	3,746,250



33. BORROWINGS (CONT'D.)

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unsecured:	(b)				
(ii) Medium Term Notes					
– Less than one year					
Denominated in:					
– USD		509,232	1,768,020	509,232	1,768,020
– SGD		219	164,087	219	164,087
– HKD		641,654	357,950	641,654	357,950
– JPY		1,879,013	668,664	1,879,013	668,664
– AUD		242,059	3,250	242,059	3,250
– CNH		606,377	449,015	606,377	449,015
– RM		100,967	476,918	100,967	476,918
– CHF		39	39	39	39
– CNY		7,292	5,801	7,292	5,801
		3,986,852	3,893,744	3,986,852	3,893,744
– More than one year					
Denominated in:					
– USD		4,389,228	3,705,750	4,389,228	3,705,750
– HKD		2,843,328	2,432,872	2,843,328	2,432,872
– JPY		2,503,979	4,197,152	2,503,979	4,197,152
– AUD		175,344	328,346	175,344	328,346
– CNH		899,073	956,940	899,073	956,940
– RM		–	220,000	–	220,000
– CHF		420,088	414,301	420,088	414,301
– CNY		602,718	622,300	602,718	622,300
		11,833,758	12,877,661	11,833,758	12,877,661
Total unsecured borrowings		28,527,378	31,046,112	23,441,160	27,106,442
Total borrowings		31,600,197	34,505,618	23,441,160	27,106,442

The movements in the borrowings are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	34,505,618	34,867,056	27,106,442	28,927,427
Drawdown/(repayment), net	387,671	3,661,438	(799,087)	(76,897)
Non-cash changes:				
Transfers ¹ (Note 2.4(i))	(3,052,163)	–	(3,052,163)	–
Others	115,295	46,504	48,139	44,941
Exchange differences	(356,224)	(4,069,380)	137,829	(1,789,029)
At 31 December	31,600,197	34,505,618	23,441,160	27,106,442

¹ Upon initial application of MFRS 9, callable zero coupon notes with a total of USD660.0 million in nominal value were designated at fair value through profit or loss ("FVTPL") as disclosed in Note 27.

Notes to the Financial Statements

31 December 2018

33. BORROWINGS (CONT'D.)

(a) Secured borrowings

The secured borrowings are secured against the following collaterals:

- (i) Fiduciary transfer of the subsidiary's receivables with an aggregate amount of not less than 50% to 110% of the total outstanding loan;
- (ii) Fiduciary transfer of the subsidiary's receivables with day past due not more than 30 to 90 days; and
- (iii) Specific collaterals are as follows:
 - (1) certain motor vehicles; and
 - (2) land together with the buildings erected thereon and properties at 48 and 50 North Canal Road, Singapore.

(b) Unsecured borrowings

The unsecured borrowings include term loans, commercial papers ("CP"), medium term notes ("MTN") and overdrafts denominated in multi-currencies.

The following are the changes in the borrowings which include bonds, MTN, CP and structured notes issued/redeemed by the Group and the Bank during the financial year ended 31 December 2018:

(1) Issuance/Redemption of Medium Term Notes pursuant to the USD15.0 billion Multicurrency Medium Term Note Programme by the Bank

Issuance/Redemption	Issue/Maturity Date	Nominal Value	Description	Tenor
Issuance	11 January 2018	HKD300.0 million	Floating Rate Notes	3 years
Issuance	12 January 2018	USD100.0 million	Floating Rate Notes	5 years
Issuance	18 January 2018	HKD701.0 million	Fixed Rate Notes	5 years
Issuance	15 February 2018	USD10.0 million	Floating Rate Notes	5 years
Issuance	19 March 2018	USD100.0 million	Floating Rate Notes ¹	5 years
Issuance	30 April 2018	HKD315.0 million	Fixed Rate Notes	2 years
Issuance	15 May 2018	HKD150.0 million	Floating Rate Notes	3 years
Issuance	15 May 2018	HKD150.0 million	Fixed Rate Notes	2 years
Issuance	19 June 2018	USD25.0 million	Floating Rate Notes (tap issuance) ¹	5 years
Issuance	18 July 2018	USD 60.0 million	Floating Rate Notes	1.5 years
Issuance	10 August 2018	USD 280.0 million	Floating Rate Notes	5 years
Issuance	7 September 2018	HKD100.0 million	Fixed Rate Notes	3 years
Issuance	19 September 2018	CNY200.0 million	Fixed Rate Notes	5 years
Issuance	24 September 2018	USD35.0 million	Floating Rate Notes	5 years
Issuance	5 October 2018	CNY385.0 million	Fixed Rate Notes	5 years
Issuance	10 October 2018	HKD120.0 million	Fixed Rate Notes	5 years
Issuance	10 October 2018	CNY250.0 million	Fixed Rate Notes	1 year
Issuance	16 October 2018	CNY100.0 million	Fixed Rate Notes	1 year
Issuance	18 October 2018	USD165.0 million	Floating Rate Notes	5 years
Issuance	29 October 2018	USD30.0 million	Floating Rate Notes	5 years
Issuance	7 November 2018	USD30.0 million	Floating Rate Notes	5 years
Issuance	13 November 2018	USD70.0 million	Floating Rate Notes	1.5 years
Issuance	12 December 2018	USD22.0 million	Floating Rate Notes	5 years
Redemption	22 January 2018	HKD200.0 million	Fixed Rate Notes	2 years
Redemption	27 April 2018	CNY190.0 million	Fixed Rate Notes	2 years
Redemption	27 April 2018	CNY180.0 million	Fixed Rate Notes	2 years
Redemption	15 May 2018	USD200.0 million	Fixed Rate Notes	5 years
Redemption	11 June 2018	USD80.0 million	Floating Rate Notes	1.5 years
Redemption	26 June 2018	SGD54.0 million	Fixed Rate Notes	3 years
Redemption	13 August 2018	CNY 323.0 million	Fixed Rate Notes	3 years
Redemption	5 November 2018	USD70.0 million	Floating Rate Notes	1.5 years
Redemption	20 November 2018	HKD435.0 million	Fixed Rate Notes	3 years

¹ Form a single series.



33. BORROWINGS (CONT'D.)

The following are the changes in the borrowings which include bonds, MTN, CP and structured notes issued/redeemed by the Group and the Bank during the financial year ended 31 December 2018 (cont'd.):

(2) Issuance/Redemption of Ringgit Medium Term Notes pursuant to the RM10.0 billion Commercial Paper/Medium Term Note Programme by the Bank

Issuance/Redemption	Issue/Maturity Date	Nominal Value	Description	Tenor
Issuance	3 October 2018	RM21.5 million	Zero Coupon Notes	1 year
Issuance	4 October 2018	RM15.5 million	Zero Coupon Notes	1 year
Issuance	9 October 2018	RM50.0 million	Zero Coupon Notes	1 year
Issuance	30 October 2018	RM13.8 million	Zero Coupon Notes	1 year
Redemption	8 March 2018	RM60.0 million	Zero Coupon Notes	1 year
Redemption	22 March 2018	RM44.1 million	Zero Coupon Notes	1 year
Redemption	7 June 2018	RM43.0 million	Zero Coupon Notes	1 year
Redemption	14 June 2018	RM35.0 million	Zero Coupon Notes	1 year
Redemption	26 July 2018	RM15.0 million	Zero Coupon Notes	1 year
Redemption	8 August 2018	RM21.0 million	Zero Coupon Notes	1 year
Redemption	8 August 2018	RM22.0 million	Zero Coupon Notes	1 year
Redemption	17 August 2018	RM200.0 million	Zero Coupon Notes	1 year
Redemption	4 October 2018	RM19.0 million	Zero Coupon Notes	1 year
Redemption	9 October 2018	RM17.0 million	Zero Coupon Notes	1 year

(3) Redemption of Samurai Bonds by the Bank

Redemption	Maturity Date	Nominal Value	Description	Tenor
Redemption	27 April 2018	JPY18.5 billion	Fixed Rate Notes	3 years

(4) Redemption of Ringgit Medium Term Notes pursuant to the RM10.0 billion Senior Medium Term Note Programme by the Bank

Redemption	First Call Date	Maturity Date	Nominal Value	Description	Tenor
Redemption	26 November 2018	24 November 2025	RM220.0 million	Fixed Rate Notes ²	10 years

² These notes were fully redeemed on 26 November 2018.

(5) Issuance of Commercial Papers and Structured Notes by the Bank

The aggregate nominal value of the commercial papers and structured notes issued by the Bank which are still outstanding as at 31 December 2018 are as follows:

Programme Name	Tenor	Nominal Value
USD500.0 million U.S. Commercial Paper Programme	61 – 360 days	RM2,067.8 million
RM10.0 billion Commercial Paper/Medium Term Note Programme	174 – 363 days	RM420.6 million
RM3.0 billion Structured Note Programme	5 years	RM114.0 million

33. BORROWINGS (CONT'D.)

The following are the changes in the borrowings which include bonds, MTN, CP and structured notes issued/redeemed by the Group and the Bank during the financial year ended 31 December 2018 (cont'd.):

(6) Issuance/Redemption of bonds by PT Bank Maybank Indonesia Tbk and its subsidiaries

Issuance/Redemption	Issue/Maturity Date	Nominal Value	Description	Tenor
Issuance	15 March 2018	IDR645.0 billion	Fixed Rate Notes	5 years
Issuance	6 April 2018	IDR55.0 billion	Fixed Rate Notes	2 years
Issuance	6 April 2018	IDR112.0 billion	Fixed Rate Notes	3 years
Issuance	16 April 2018	IDR626.0 billion	Fixed Rate Notes	370 days
Issuance	17 May 2018	IDR400.0 billion	Fixed Rate Notes	3 years
Issuance	17 May 2018	IDR100.0 billion	Fixed Rate Notes	5 years
Issuance	8 June 2018	IDR67.5 billion	Fixed Rate Notes	3 years
Issuance	18 June 2018	IDR293.0 billion	Fixed Rate Notes	370 days
Issuance	26 October 2018	IDR69.0 billion	Fixed Rate Notes	3 years
Issuance	26 October 2018	IDR75.0 billion	Fixed Rate Notes	5 years
Issuance	6 November 2018	IDR225.0 billion	Fixed Rate Notes	370 days
Issuance	20 December 2018	IDR40.0 billion	Fixed Rate Notes	2 years
Issuance	20 December 2018	IDR50.0 billion	Fixed Rate Notes	3 years
Issuance	30 December 2018	IDR411.5 billion	Fixed Rate Notes	370 days
Redemption	2 April 2018	IDR860.0 billion	Fixed Rate Notes	3 years
Redemption	19 May 2018	IDR1,500.0 billion	Fixed Rate Notes	7 years
Redemption	19 June 2018	IDR525.0 billion	Fixed Rate Notes	5 years
Redemption	1 September 2018	IDR400.0 billion	Fixed Rate Notes	370 days
Redemption	12 November 2018	IDR300.0 billion	Fixed Rate Notes	3 years
Redemption	6 December 2018	IDR500.0 billion	Fixed Rate Notes	7 years
Redemption	16 December 2018	IDR601.5 billion	Fixed Rate Notes	370 days
Redemption	22 December 2018	IDR397.0 billion	Fixed Rate Notes	3 years

(7) Issuance of Islamic Commercial Papers by Maybank Islamic Berhad

The aggregate nominal value of the Islamic commercial papers issued by Maybank Islamic Berhad which are still outstanding as at 31 December 2018 are as follows:

Programme Name	Tenor	Nominal Value
RM10.0 billion Islamic Commercial Paper/Medium Term Note Programme	68 – 364 days	RM2,750.0 million



34. SUBORDINATED OBLIGATIONS

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
RM250.0 million subordinated notes due in 2023	(i)	-	245,122	-	250,113
RM2,100.0 million subordinated notes due in 2024	(ii)	2,112,226	2,112,715	2,112,226	2,112,715
RM1,600.0 million subordinated notes due in 2024	(iii)	1,633,293	1,627,964	1,633,293	1,633,078
RM2,200.0 million subordinated notes due in 2025	(iv)	2,221,855	2,221,855	2,221,855	2,221,855
RM1,100.0 million subordinated notes due in 2025	(v)	1,109,253	1,109,435	1,109,253	1,109,435
USD500.0 million subordinated notes due in 2026	(vi)	2,080,683	2,035,330	2,080,683	2,035,330
RM500.0 million subordinated notes due in 2023	(vii)	-	510,119	-	-
RM300.0 million subordinated sukuk due in 2024	(viii)	301,189	301,189	-	-
IDR1.5 trillion BMI subordinated bond due in 2018	(ix)	-	387,666	-	-
IDR500.0 billion BMI subordinated bond due in 2018	(x)	-	150,218	-	-
IDR1.0 trillion BMI subordinated bond due in 2019	(xi)	290,556	303,037	-	-
IDR1.5 trillion BMI subordinated bonds due in 2021	(xii)	64,468	67,221	-	-
IDR800.0 billion BMI subordinated bonds due in 2023	(xiii)	94,722	98,796	-	-
RM1,500.0 million subordinated sukuk due in 2024	(xiv)	808,760	808,656	-	-
		10,717,005	11,979,323	9,157,310	9,362,526

The movements in the subordinated obligations are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	11,979,323	15,900,706	9,362,526	13,202,872
Issuance during the financial year	44,250	35,000	-	-
Redemption during the financial year	(745,012)	(3,240,000)	(250,000)	(3,240,000)
Non-cash changes:				
Others	(11,137)	(36,200)	(385)	(34,619)
Exchange differences	(550,419)	(680,183)	45,169	(565,727)
As 31 December	10,717,005	11,979,323	9,157,310	9,362,526

Note	Description	Issue date	First call date	Maturity date	Coupon/Profit rate (% p.a.)	Nominal value
	Malayan Banking Berhad					
	RM3.0 billion Subordinated Note Programme					
(i)	RM Subordinated notes ¹	28-Dec-11	28-Dec-18	28-Dec-23	4.12	RM250.0 million
	RM20.0 billion Subordinated Note Programme					
(ii)	RM Subordinated notes ²	10-May-12	10-May-19	10-May-24	4.25	RM2,100.0 million
(iii)	RM Subordinated notes ^{3, 6}	29-Jan-14	29-Jan-19	29-Jan-24	4.90	RM1,600.0 million
(iv)	RM Subordinated notes ^{3, 6}	19-Oct-15	19-Oct-20	17-Oct-25	4.90	RM2,200.0 million
(v)	RM Subordinated notes ^{3, 6}	27-Oct-15	27-Oct-20	27-Oct-25	4.90	RM1,100.0 million
	USD15.0 billion Multicurrency MTN Programme					
(vi)	USD Subordinated notes ^{4, 6}	29-Apr-16	29-Oct-21	29-Oct-26	3.905	USD500.0 million
	Etika Insurance Berhad					
(vii)	RM Subordinated notes ¹	5-Jul-13	5-Jul-18	5-Jul-23	4.13	RM500.0 million
	Etika Takaful Berhad					
(viii)	RM Subordinated Sukuk Musyarakah ⁵	30-May-14	30-May-19	30-May-24	4.52	RM300.0 million

Notes to the Financial Statements

31 December 2018

34. SUBORDINATED OBLIGATIONS (CONT'D.)

Note	Description	Issue date	First call date	Maturity date	Coupon/Profit rate (% p.a.)	Nominal value
	<u>PT Bank Maybank Indonesia Tbk</u>					
(ix)	Subordinated Bonds I Bank BII Year 2011 ⁷	19-May-11	-	19-May-18	10.75	IDR1,500.0 billion
(x)	Shelf Subordinated Bonds I Bank BII Year 2011 - Tranche I ⁷	6-Dec-11	-	6-Dec-18	10.00	IDR500.0 billion
(xi)	Shelf Subordinated Bonds I Bank BII Year 2012 - Tranche II	31-Oct-12	-	31-Oct-19	9.25	IDR1,000.0 billion
(xii)	Shelf Subordinated Bonds II Bank BII Year 2014 - Tranche I	8-Jul-14	-	8-Jul-21	11.35	IDR1,500.0 billion
(xiii)	Shelf Subordinated Bonds II Bank Maybank Indonesia Year 2016 - Tranche II	10-Jun-16	-	10-Jun-23	9.625	IDR800.0 billion
	<u>Maybank Islamic Berhad</u>					
	<u>RM10.0 billion Subordinated Sukuk Murabahah Programme</u>					
(xiv)	RM Subordinated Sukuk Murabahah ^{5, 6}	7-Apr-14	5-Apr-19	5-Apr-24	4.75	RM1,500.0 million

¹ These subordinated notes were fully redeemed on the respective first call dates.

² The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part on the first call date and on each interest payment date thereafter.

³ The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole or in part on the first call date and on each interest payment date thereafter.

⁴ The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole or in part, on 29 October 2021 (the "Optional Redemption Date"). Should the Bank decides not to exercise its call option, the rate of interest payable on these subordinated notes from the Optional Redemption Date up to, and including, the maturity date will be reset to the prevailing 5-year U.S. Dollar mid swap rate plus the initial spread per annum.

⁵ The subsidiary may, subject to the prior consent of BNM, redeem these subordinated sukuk, in whole or in part, on the first call date and on each profit payment date thereafter.

⁶ These subordinated notes/sukuk are Basel III-compliant.

⁷ These subordinated bonds were fully redeemed.

All the subordinated instruments above constitute unsecured liabilities of the Group and of the Bank and are subordinated to the senior indebtedness of the Group and of the Bank in accordance with the respective terms and conditions of their issues.

35. CAPITAL SECURITIES

Description	Issue date	First call date	Maturity date	Group		Bank	
				2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Malayan Banking Berhad</u>							
RM3,500 million 6.85% Stapled Capital Securities ¹	27-Jun-08	27-Jun-18	27-Jun-38	-	63,059	-	63,059
Less: Transaction costs				-	(3)	-	(3)
				-	63,056	-	63,056
<u>RM4.0 billion Innovative Tier 1 Capital Securities ("IT1CS") Programme</u>							
SGD600.0 million 6.00% IT1CS ²	11-Aug-08	11-Aug-18	10-Aug-68	-	1,611,995	-	1,611,995
RM1,100.0 million 6.30% IT1CS ³	25-Sep-08	25-Sep-18	25-Sep-68	-	1,118,607	-	1,118,607
Less: Transaction costs				-	(398)	-	(398)
				-	2,730,204	-	2,730,204



35. CAPITAL SECURITIES (CONT'D.)

Description	Issue date	First call date	Maturity date	Group		Bank	
				2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<i>RM10.0 billion Additional Tier 1 Capital Securities ("AT1CS") Programme</i>							
RM3,500 million 5.30% AT1CS ⁴	10-Sep-14	10-Sep-19	Perpetual	3,557,429	3,556,921	3,557,429	3,556,921
Less: Transaction costs				(26,400)	(66,001)	(26,400)	(66,001)
				3,531,029	3,490,920	3,531,029	3,490,920
				3,531,029	6,284,180	3,531,029	6,284,180

¹ **NCPCS**

On 27 June 2008, the Bank issued RM3.5 billion securities in nominal value comprising:

- (a) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- (b) Subordinated Notes ("Sub-Notes"), which are issued by Cepak Mentari Berhad ("CMB"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities").

Until an assignment event occurs, the Stapled Capital Securities cannot be transferred, dealt with or traded separately. Upon occurrence of an assignment event, the Stapled Capital Securities will unstaple, leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be re-assigned to the Bank pursuant to a forward purchase contract entered into by the Bank. Unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities, the assignment event would occur on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes.

Each of the NCPCS and Sub-Notes has a fixed interest rate of 6.85% per annum. However, the NCPCS distribution will not begin to accrue until the Sub-Notes are re-assigned to the Bank as referred to above. Thus effectively, the Stapled Capital Securities are issued by the Bank at a fixed rate of 6.85% per annum. Interest is payable semi-annually in arrears.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of the Bank on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The Sub-Notes have a tenor of thirty (30) years unless redeemed earlier under the terms of the Sub-Notes. The Sub-Notes are redeemable at the option of CMB on any interest payment date, which cannot be earlier than the occurrence of an assignment event, subject to redemption conditions being satisfied.

The Stapled Capital Securities comply with BNM Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of the Group. Claims in respect of the NCPCS rank pari passu and without preference among themselves, other Tier 1 capital securities of the Bank and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of CMB.

An "assignment event" means the occurrence of any of the following events:

- (a) The Bank is in breach of BNM's minimum capital adequacy ratio requirements applicable to the Bank; or
- (b) Commencement of a winding-up proceeding in respect of the Bank or CMB; or
- (c) Appointment of an administrator in connection with a restructuring of the Bank; or
- (d) Occurrence of a default of the NCPCS distribution payments or Sub-Notes interest payments; or
- (e) CMB ceases to be, directly or indirectly, a wholly-owned subsidiary of the Bank; or
- (f) BNM requires that an assignment event occurs; or
- (g) The Bank elects that an assignment event occurs; or
- (h) The twentieth (20th) Interest Payment Date of the Sub-Notes; or
- (i) Sixty (60) days after a regulatory event (means at any time there is more than an insubstantial risk, as determined by the Bank, that the NCPCS will no longer qualify as Non-Innovative Tier 1 capital of the Bank for the purposes of BNM's capital adequacy requirements under any applicable regulations) has occurred, subject to such regulatory event continuing to exist at the end of such sixty (60) days; or
- (j) Any deferral of interest payment of the Sub-Notes; or
- (k) Thirty (30) years from the issue date of the Sub-Notes.

In addition to the modes of redemption, the NCPCS and the Sub-Notes can be redeemed in the following circumstances:

- (a) If the NCPCS and the Sub-Notes were issued for the purpose of funding a merger or acquisition which is subsequently aborted, at the option of the Bank and CMB subject to BNM's prior approval;
- (b) At any time if there is more than an insubstantial risk in relation to changes in applicable tax regulations, as determined by the Bank or CMB, that could result in the Bank or CMB paying additional amounts or will no longer be able to deduct interest in respect of the Sub-Notes or the inter-company loan (between the Bank and CMB) for taxation purposes; and
- (c) At any time if there is more than an insubstantial risk in relation to changes in applicable regulatory capital requirements, as determined by the Bank or CMB, that could disqualify the NCPCS to be regarded as part of Non-Innovative Tier 1 capital for the purpose of regulatory capital requirements.

On 10 September 2014, the Bank had completed a partial redemption of RM3,437.0 million in nominal value. On 27 June 2018, the Bank had fully redeemed the entire outstanding amount of the Stapled Capital Securities of RM63.0 million in nominal value.

Notes to the Financial Statements

31 December 2018

35. CAPITAL SECURITIES (CONT'D.)

² On 21 January 2015, the Bank had purchased SGD78.0 million out of the SGD600.0 million IT1CS through a private treaty arrangement. The SGD78.0 million IT1CS bought back was cancelled on 28 January 2015.

On 13 August 2018 (being the next business day following the first call date), the Bank had fully redeemed the entire outstanding amount of the IT1CS of SGD522.0 million in nominal value.

³ On 25 September 2018, the Bank had fully redeemed the entire outstanding amount of the IT1CS of RM1,100.0 million in nominal value.

⁴ The Bank may, subject to the prior consent of BNM, redeem the AT1CS, in whole or in part, on the first call date and on every coupon payment date thereafter. This AT1CS is Basel III-compliant.

The movements in capital securities are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	6,284,180	6,199,993	6,284,180	6,225,926
Redemption during the financial year	(2,744,404)	-	(2,744,404)	-
Non-cash changes:				
Others	(8,747)	82,324	(8,747)	56,391
Exchange differences	-	1,863	-	1,863
At 31 December	3,531,029	6,284,180	3,531,029	6,284,180

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST

Group and Bank	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid ordinary shares:				
At 1 January	10,782,745	10,193,200	44,250,380	10,193,200
Transfer from share premium	-	-	-	28,878,703
Shares issued under the:				
- Dividend Reinvestment Plan ("DRP") issued on:				
- 30 October 2018	104,487	-	918,685	-
- 1 November 2017	-	181,677	-	1,634,777
- 6 June 2017	-	243,600	-	2,009,409
- Maybank Group Employees' Share Scheme ("ESS"):				
- Employee Share Option Scheme ("ESOS")	158,063	154,648	1,532,436	1,445,239
- Restricted Share Unit ("RSU")	4,388	4,099	45,941	38,118
- Supplemental Restricted Share Unit ("SRSU")	-	110	-	935
- Shares held-in-trust	-	5,411	-	49,999
At 31 December	11,049,683	10,782,745	46,747,442	44,250,380



36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(a) Increase in share capital

During the current financial year ended 31 December 2018, the Bank increased its share capital from RM44,250,380,043 to RM46,747,441,623 via:

- (i) Issuance of 158,063,100 new ordinary shares amounting to RM1,532,435,821 to eligible employees who exercised their share options under the ESS, as disclosed in Note 36(e)(i);
- (ii) Issuance of 4,387,816 new ordinary shares amounting to RM45,940,434 arising from the Restricted Share Unit ("RSU"), as disclosed in Note 36(f)(i); and
- (iii) Issuance of 104,486,785 new ordinary shares amounting to RM918,685,326 arising from the DRP relating to electable portion of the interim dividend of 10 sen per ordinary share in respect of the financial year ended 31 December 2018, as disclosed in Note 55(c)(ii).

(b) Dividend Reinvestment Plan ("DRP")

Maybank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional dividend reinvestment plan that allows shareholders of Maybank ("shareholders") to reinvest their dividend into new ordinary share(s) in Maybank ("Maybank Shares") (collectively known as the Dividend Reinvestment Plan ("DRP")).

The rationale of Maybank embarking on the DRP are as follows:

- (i) To enhance and maximise shareholders' value via the subscription of new Maybank Shares where the issue price of a new Maybank Share shall be at a discount;
- (ii) To provide the shareholders with greater flexibility in meeting their investment objectives, as they would have the choice of receiving cash or reinvesting in the Bank through subscription of additional Maybank Shares without having to incur material transaction or other related costs;
- (iii) To benefit from the participation by shareholders in the DRP to the extent that if the shareholders elect to reinvest into new Maybank Shares, the cash which would otherwise be payable by way of dividend will be reinvested to fund the continuing business growth of the Group. The DRP will not only enlarge Maybank's share capital base and strengthen its capital position, but will also add liquidity of Maybank Shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Whenever a cash dividend (either an interim, final, special or other dividend) is announced, the Board may, in its absolute discretion, determine that the DRP will apply to the whole or a portion of the cash dividend ("Electable Portion") and where applicable any remaining portion of the dividend will be paid in cash; and

- (iv) Each shareholder has the following options in respect of the Electable Portion:
 - (1) elect to receive the Electable Portion in cash; or
 - (2) elect to reinvest the entire Electable Portion into new Maybank Shares credited as fully paid-up at an issue price to be determined on a price fixing date subsequent to the receipt of all relevant regulatory approvals.

(c) Maybank Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The Group and the Bank have implemented a new employee's share scheme named as the Maybank Group Employees' Share Grant Plan ("ESGP") and the scheme was awarded to the participating Maybank Group who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

Other principal features of the ESGP are as follows:

- (i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and has not served a notice of resignation or received a notice of termination.

Participating Maybank Group includes the Bank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.
- (ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of the Bank in a general meeting.
- (iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, the Bank may terminate the ESGP at any time during the duration of the scheme subject to consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS")

Maybank Group ESS has expired on 23 June 2018. The ESS was governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It was in force for a maximum period of seven (7) years from the effective date and was administered by the ESS Committee. The ESS consisted of two (2) types of performance-based awards in the form of Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU").

The CESS was governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The aggregate maximum allocation of share options under ESS to Chief Executive Officer and senior management of the Group and of the Bank shall not exceed 50% of the Maximum Allowable Scheme Shares. The actual allocation of share options to Chief Executive Officer and senior management is 19.3% as at 31 December 2018 (2017: 19.4%).

Other principal features of the ESS were as follows:

- (i) The employees eligible to participate in the ESS must have been employed on a full time basis and on the payroll of the Participating Maybank Group and was confirmed in service.

Participating Maybank Group included the Bank and its overseas branches and subsidiaries which include PT Bank Maybank Indonesia Tbk, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.
- (ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, was subject to the approval of the shareholders of the Bank in a general meeting.
- (iii) The ESS was valid for a period of seven (7) years from the effective date.

Notwithstanding the above, the Bank may have terminated the ESS at any time during the duration of the scheme subject to:

- consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, voted in favour of termination; and
- written consent of all participants of ESS who had yet to exercise their ESS option, either in part or in whole, and all participants whose Restricted Shares Unit ("RSU") Agreement were still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU should be deemed as cancelled and be null and void.

- (iv) ESS consists of Employee Share Option Scheme ("ESOS") and Restricted Shares Unit ("RSU").

(1) ESOS

Under the ESOS award, the Bank may from time to time within the offer period, have offered to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants would have been granted the ESOS options which could have been exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares in the Bank, provided all the conditions including performance-related conditions were duly and fully satisfied.

(2) RSU

Under the RSU award, the Bank may from time to time within the offer period, have invited selected participants to enter into an agreement with the Bank, whereupon the Bank should have agree to award the scheme's shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions were duly and fully satisfied. The scheme's shares as specified under the RSU award would only vest based on a three (3) years cliff vesting schedule or a two (2) years cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions were fully and duly satisfied.

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(v) Key features of the ESOS award were as follows:

(1) Number of ESOS granted, vested and awarded as at 31 December 2018 are as follows:

Grant date	Number of share options ('000)						
	Original Grant	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche	Sixth Tranche
23.6.2011 – ESOS First Grant*	405,309 [#]	80,871	42,136	78,885	74,254	69,861	34,955
30.4.2012 – ESOS Second Grant**	62,339 [#]	6,187	12,874	12,002	10,809	9,425	4,687
30.4.2013 – ESOS Third Grant	53,594 [#]	9,200	10,523	9,198	7,861	7,382	–
30.4.2014 – ESOS Fourth Grant	54,028 [#]	9,752	10,592	9,019	8,531	8,177	–
30.4.2015 – ESOS Fifth Grant	48,170 [#]	11,439	11,260	10,475	9,746	–	–
30.9.2015 – ESOS Special Grant	992 [#]	309	216	108	–	–	–

[#] The number of share options granted were based on the assumptions that the eligible employees met the average performance targets.

* The ESOS quantum allotted under the sixth tranche of ESOS First Grant was prorated based on six months period.

** The ESOS quantum allotted under the first and fifth tranche of ESOS Second Grant was prorated based on six months period. The sixth tranche was awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December.

- (2) The new ordinary shares in the Bank allotted upon any exercise of options under the scheme would upon allotment, rank pari passu in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued would not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and would be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise.
- (3) The subscription price of the ESOS was at the Volume Weighted Average Market Price ("VWAMP") of Maybank Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.
- (4) In the implementation of ESS, the Bank has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee would be entitled from time to time to accept funding and/or assistance from the Bank.
- (5) The first tranche of ESOS First Grant was exercisable by way of self-funding by the respective eligible employees within twelve (12) months from the ESOS commencement date.
- (6) Subsequent tranches and any ESOS which were unexercised after the initial twelve (12) months from the ESOS commencement date may be exercised during the remainder of the ESOS option period by way of self-funding or ESOS Trust Funding ("ETF") mechanism.
- (7) ETF mechanism was a trust funding mechanism for the ESOS award involving an arrangement under which Maybank would fund a certain quantum of money for the subscription of Maybank shares by the Trustee, to be held in a pool and placed into an omnibus Central Depository System ("CDS") account of the Trustee or an authorised nominee, to facilitate the exercise of ESOS options by the eligible employees and at the request of selected employees whereupon part of the proceeds of such sale shall be utilised towards payment of the ESOS option price and the related costs. The shares to be issued and allotted under the ETF mechanism would rank equally in all respects with the existing issued Maybank shares. On 12 April 2012, the ESS Committee approved the subscription of new Maybank shares with value of RM100 million for ETF mechanism pool.

Maybank had on 28 June 2012 announced the issuance of 11,454,700 new ordinary shares under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

Maybank had on 7 May 2013 issued additional 4,000 new ordinary shares under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements

Maybank had on 23 June 2014 issued additional 2,831,509 new ordinary shares under the ETF mechanism due to RSU. Subsequent to the issuance, 2,794,826 options have been vested to eligible Senior Management of the Group and of the Bank. The remaining Maybank shares are recorded as "shares held-in-trust" in the financial statements.

Maybank had on 23 April 2015 and 14 May 2015 issued additional 2,753,823 and 30,419 new ordinary shares respectively under the ETF mechanism due to RSU. Subsequent to the issuance, 2,784,277 options have been vested to eligible Senior Management of the Group and of the Bank.

Maybank had on 28 April 2016 issued additional 3,155,659 new ordinary shares under the ETF mechanism due to RSU. Subsequent to the issuance, 3,155,659 options have been vested to eligible Senior Management of the Group and of the Bank.

Maybank had on 28 April 2017 issued additional 5,411,200 new ordinary shares under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

Maybank had on 2 May 2017 issued additional 4,098,732 new ordinary shares under the ETF mechanism due to RSU. Subsequent to the issuance, 4,084,433 options have been vested to eligible Senior Management of the Group and of the Bank.

During the financial year ended 31 December 2017, Maybank vested 14,299 options to eligible Senior Management of the Group and of the Bank using the ordinary shares under ETF mechanism.

Maybank had on 3 March 2018 issued additional 4,387,816 new ordinary shares under the ETF mechanism due to RSU. Subsequent to the issuance, 4,433,158 options have been vested to eligible Senior Management of the Group and of the Bank.

Notes to the Financial Statements

31 December 2018

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

- (v) Key features of the ESOS award were as follows (cont'd.):
(7) (cont'd.)

The movements of shares held-in-trust for the financial year ended 31 December 2018 are as follows:

Group and Bank As at 31 December 2018	Number of ordinary shares	Amount RM'000
At 1 January 2018	20,801,891	183,438
Exercise of ESOS options by eligible employees	(130,241,100)	-
	(109,439,209)	183,438
Replenishment of shares held-in-trust	130,241,100	-
	20,801,891	183,438
Additional shares issued under ETF mechanism due to RSU	4,387,816	45,940
RSU vested to the Eligible Senior Management of the Group and of the Bank	(4,433,158)	(46,350)
Utilisation of shares held-in-trust	(12,138,609)	(107,061)
Disposal of shares held-in-trust	(8,617,940)	(75,967)
At 31 December 2018	-	-

The movements of shares held-in-trust for the financial year ended 31 December 2017 are as follows:

Group and Bank As at 31 December 2017	Number of ordinary shares	Amount RM'000
At 1 January 2017	14,442,769	125,309
Exercise of ESOS options by eligible employees	(146,301,500)	-
	(131,858,731)	125,309
Replenishment of shares held-in-trust	146,301,500	-
	14,442,769	125,309
Additional shares issued under ETF mechanism due to replenish of ESOS pool	5,411,200	49,999
Additional shares issued under ETF mechanism due to election under DRP	947,922	8,127
Additional shares issued under ETF mechanism due to RSU	4,098,732	38,118
RSU vested to the Eligible Senior Management of the Group and of the Bank	(4,098,732)	(38,115)
At 31 December 2017	20,801,891	183,438

- (vi) Key features of the RSU award were as follows:

- The RSU granted would be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.
- The scheme shares on RSU may be settled by way of issuance and transfer of new Maybank Shares or by cash at the absolute discretion of the ESS Committee. The new Maybank Shares to be issued and transferred to eligible employees pursuant to physical settlement would not require any payment to the Bank by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price would be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of Maybank Shares for the five (5) market days immediately preceding the RSU vesting date.
- The ESS Committee may, from time to time during the ESS period, made further RSU grant designated as Supplemental RSU grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may have consisted of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU would be vested on a two (2) to three (3) years cliff vesting schedule.

- (vii) Cash-settled Performance-based Employees' Share Scheme ("CESS")

A separate Cash-settled Performance-based Employees' Share Scheme ("CESS") comprising of Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") were made available at the appropriate time to the eligible employees of overseas branches and subsidiaries of the Bank which include PT Bank Maybank Indonesia Tbk, PT Bank Maybank Syariah Indonesia and Maybank Philippines Incorporated, subjected to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries.



36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(vii) Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

Key features of the CESS award were as follows:

- The CESS award was a cash plan and may be awarded from time to time up to five (5) tranches. The award were subject to fulfilling the performance targets, performance period, service period and other vesting conditions as stipulated in the CESS Guidelines.
- The amount paid for each CESS tranche will corresponds to the number of reference shares awarded multiplied by the appreciation in the Bank's share price between the price at the time of award and the time of vesting of which the vesting date was at the end of the three (3) years from the grant date of each CESS tranche.

(e) Details of share options under ESOS

(i) Details of share options granted:

Grant date	Number of share options '000	Original exercise price RM/option	Exercise period
23.6.2011 – ESOS First Grant	405,309 [#]	8.82 [*]	30.6.2011 – 22.6.2018
30.4.2012 – ESOS Second Grant	62,339 [#]	8.83 [*]	7.5.2012 – 22.6.2018
30.4.2013 – ESOS Third Grant	53,594 [#]	9.61 [*]	21.5.2013 – 22.6.2018
30.4.2014 – ESOS Fourth Grant	54,028 [#]	9.91 [*]	21.5.2014 – 22.6.2018
30.4.2015 – ESOS Fifth Grant	48,170 [#]	9.35 [*]	21.5.2015 – 22.6.2018
30.9.2015 – ESOS Special Grant	992 [#]	8.39 [*]	21.10.2015 – 22.6.2018

[#] The number of share options granted are based on the assumptions that the eligible employees met average performance targets.

^{*} The ESS Committee approved the reduction of the ESOS exercise prices following the issuance of new ordinary shares pursuant to the implementation of DRP.

Following the issuance of new ordinary shares pursuant to the implementation of DRP, the revision to the exercise prices are as follows:

Grant date	Exercise price RM/option	Exercise period
23.6.2011 – ESOS First Grant	8.82	30.6.2011 – 28.12.2011
	8.78	29.12.2011 – 4.6.2012
	8.76	5.6.2012 – 28.10.2012
	8.75	29.10.2012 – 5.6.2016
	8.74	6.6.2016 – 31.10.2016
	8.71	1.11.2016 – 22.6.2018
30.4.2012 – ESOS Second Grant	8.83	7.5.2012 – 28.10.2012
	8.82	29.10.2012 – 5.6.2016
	8.81	6.6.2016 – 31.10.2016
	8.78	1.11.2016 – 22.6.2018
30.4.2013 – ESOS Third Grant	9.61	21.5.2013 – 27.6.2013
	9.59	28.6.2013 – 21.11.2013
	9.58	22.11.2013 – 24.6.2014
	9.56	25.6.2014 – 29.6.2015
	9.54	30.6.2015 – 5.6.2016
	9.51	6.6.2016 – 31.10.2016
30.4.2014 – ESOS Fourth Grant	9.47	1.11.2016 – 22.6.2018
	9.91	21.5.2014 – 24.6.2014
	9.88	25.6.2014 – 28.10.2014
	9.87	29.10.2014 – 29.6.2015
	9.84	30.6.2015 – 5.6.2016
	9.80	6.6.2016 – 31.10.2016
30.4.2015 – ESOS Fifth Grant	9.75	1.11.2016 – 22.6.2018
	9.35	21.5.2016 – 5.6.2016
	9.32	6.6.2016 – 31.10.2016
30.9.2015 – ESOS Special Grant	9.28	1.11.2016 – 22.6.2018
	8.39	21.10.2015 – 31.10.2016
	8.37	1.11.2016 – 22.6.2018

Notes to the Financial Statements

31 December 2018

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

The following tables illustrate the number and weighted average exercise price ("WAEP") and weighted average share price ("WASP") of, and movements in share options during the financial year:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ¹ '000	Forfeited '000	Expired '000	
30.4.2013	11,760	(10,047)	(7)	(1,706)	-
30.4.2014	20,018	(18,186)	(25)	(1,807)	-
30.4.2015	26,456	(24,036)	(35)	(2,385)	-
30.9.2015	12,346	(11,113)	(20)	(1,213)	-
	70,580	(63,382)	(87)	(7,111)	-
WAEP (RM)	8.71	8.71	-	-	-
WASP (RM)	-	10.18	-	-	-

¹ Issuance of 57,757,300 new ordinary share to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 5,624,600 ordinary shares under ESOS Trust Fund Pool.

4,585,200 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ² '000	Forfeited '000	Expired '000	
30.4.2013	1,937	(1,759)	-	(178)	-
30.4.2014	2,886	(2,694)	(18)	(174)	-
30.4.2015	3,761	(3,490)	(11)	(260)	-
3.5.2016	3,862	(3,636)	(13)	(213)	-
30.9.2016	1,761	(1,660)	(4)	(97)	-
	14,207	(13,239)	(46)	(922)	-
WAEP (RM)	8.78	8.78	-	-	-
WASP (RM)	-	10.21	-	-	-

² Issuance of 12,028,100 new ordinary share to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 1,210,700 ordinary shares under ESOS Trust Fund Pool.

772,300 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Third Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ³ '000	Forfeited '000	Expired '000	
21.5.2013	3,948	(3,619)	(35)	(294)	-
30.4.2014	5,330	(4,953)	(53)	(324)	-
30.4.2015	5,734	(5,409)	(63)	(262)	-
3.5.2016	5,513	(5,144)	(63)	(306)	-
2.5.2017	5,768	(5,284)	(56)	(428)	-
	26,293	(24,409)	(270)	(1,614)	-
WAEP (RM)	9.47	9.47	-	-	-
WASP (RM)	-	10.25	-	-	-

³ Issuance of 23,255,900 new ordinary share to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 1,152,900 ordinary shares under ESOS Trust Fund Pool.

751,900 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.



36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

The following tables illustrate the number and weighted average exercise price ("WAEP") and weighted average share price ("WASP") of, and movements in share options during the financial year (cont'd.):

ESOS Fourth Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year				Outstanding as at 31.12.2018 '000
		Vested '000	Exercised ⁴ '000	Forfeited '000	Expired '000	
21.5.2014	7,307	-	(6,573)	(88)	(646)	-
30.4.2015	8,690	-	(7,734)	(131)	(825)	-
3.5.2016	8,008	-	(7,272)	(94)	(642)	-
2.5.2017	8,163	-	(7,105)	(105)	(953)	-
15.3.2018	-	8,177	(6,596)	(10)	(1,571)	-
	32,168	8,177	(35,280)	(428)	(4,637)	-
WAEP (RM)	9.75	9.75	9.75	-	-	-
WASP (RM)	-	10.39	-	-	-	-

⁴ Issuance of 33,021,300 new ordinary share to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 2,258,200 ordinary shares under ESOS Trust Fund Pool.

18,800 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Fifth Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year				Outstanding as at 31.12.2018 '000
		Vested '000	Exercised ⁵ '000	Forfeited '000	Expired '000	
21.5.2015	6,309	-	(5,674)	(127)	(508)	-
3.5.2016	6,935	-	(6,179)	(188)	(568)	-
2.5.2017	7,750	-	(6,732)	(212)	(806)	-
15.3.2018	-	9,746	(8,164)	(19)	(1,563)	-
	20,994	9,746	(26,749)	(546)	(3,445)	-
WAEP (RM)	9.28	9.28	9.28	-	-	-
WASP (RM)	-	10.30	-	-	-	-

⁵ Issuance of 25,028,300 new ordinary share to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 1,720,800 ordinary shares under ESOS Trust Fund Pool.

721,600 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

ESOS Special Grant (Vested)

Vesting date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Exercised ⁶ '000	Forfeited '000	Expired '000	
21.10.2015	33	(28)	-	(5)	-
3.5.2016	48	(42)	-	(6)	-
2.10.2017	58	(53)	-	(5)	-
	139	(123)	-	(16)	-
WAEP (RM)	8.37	8.37	-	-	-
WASP (RM)	-	10.07	-	-	-

⁶ Issuance of 116,400 new ordinary share to eligible employees who exercised their share options during the financial year ended 31 December 2018 and utilisation of 6,700 ordinary shares under ESOS Trust Fund Pool.

6,000 of the share options exercised in the previous financial year ended 31 December 2017 were issued and quoted in the Main Market of Bursa Malaysia Securities Berhad in the current financial year ended 31 December 2018.

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) Details of share options under ESOS (cont'd.)

(ii) Fair value of share options granted on 23 June 2011

The fair value of share options granted on 23 June 2011 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/After DRP
Fair value of share options under ESOS First Grant:	
– tranche 1: vested on 30 June 2011 (RM)	0.635
– tranche 2: vested on 30 April 2012 (RM)	0.695
– tranche 3: vested on 30 April 2013 (RM)	0.748
– tranche 4: vested on 30 April 2014 (RM)	0.768
– tranche 5: vested on 30 April 2015 (RM)	0.784
– tranche 6: vested on 30 September 2015 (RM)	0.566
Weighted average exercise price (RM)	8.71
Expected volatility (%)	15.60
Expected life (years)	3 – 5
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(iii) Fair value of share options granted on 30 April 2012

The fair value of share options granted on 30 April 2012 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/After DRP
Fair value of share options under ESOS Second Grant:	
– tranche 1: vested on 7 May 2012 (RM)	0.459
– tranche 2: vested on 30 April 2013 (RM)	0.496
– tranche 3: vested on 30 April 2014 (RM)	0.512
– tranche 4: vested on 30 April 2015 (RM)	0.524
– tranche 5: vested on 3 May 2016 (RM)	0.533
– tranche 6: vested on 30 September 2016 (RM)	0.539
Weighted average exercise price (RM)	8.78
Expected volatility (%)	15.60
Expected life (years)	3 – 5
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(iv) Fair value of share options granted on 30 April 2013

The fair value of share options granted on 30 April 2013 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/After DRP
Fair value of share options under ESOS Third Grant:	
– tranche 1: vested on 21 May 2013 (RM)	0.566
– tranche 2: vested on 30 April 2014 (RM)	0.606
– tranche 3: vested on 30 April 2015 (RM)	0.627
– tranche 4: vested on 3 May 2016 (RM)	0.640
– tranche 5: vested on 2 May 2017 (RM)	0.646
Weighted average exercise price (RM)	9.47
Expected volatility (%)	15.60
Expected life (years)	1 – 5
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.



36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) Details of share options under ESOS (cont'd.)

(v) Fair value of share options granted on 30 April 2014

The fair value of share options granted on 30 April 2014 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/After DRP
Fair value of share options under ESOS Fourth Grant:	
– tranche 1: vested on 21 May 2014 (RM)	0.527
– tranche 2: vested on 30 April 2015 (RM)	0.577
– tranche 3: vested on 3 May 2016 (RM)	0.601
– tranche 4: vested on 2 May 2017 (RM)	0.613
– tranche 5: vested on 15 March 2018 (RM)	0.622
Weighted average exercise price (RM)	9.75
Expected volatility (%)	15.60
Expected life (years)	1 – 3
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(vi) Fair value of share options granted on 30 April 2015

The fair value of share options granted on 30 April 2015 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/After DRP
Fair value of share options under ESOS Fifth Grant:	
– tranche 1: vested on 21 May 2015 (RM)	0.364
– tranche 2: vested on 3 May 2016 (RM)	0.388
– tranche 3: vested on 2 May 2017 (RM)	0.399
– tranche 4: vested on 15 March 2018 (RM)	0.405
Weighted average exercise price (RM)	9.28
Expected volatility (%)	15.60
Expected life (years)	1 – 3
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(vii) Fair value of share options granted on 30 September 2015

The fair value of share options granted on 30 September 2015 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/After DRP
Fair value of share options under ESOS Special Grant:	
– tranche 1: vested on 21 October 2015 (RM)	0.499
– tranche 2: vested on 3 May 2016 (RM)	0.530
– tranche 3: vested on 2 May 2017 (RM)	0.545
Weighted average exercise price (RM)	8.37
Expected volatility (%)	15.60
Expected life (years)	1 – 3
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

Notes to the Financial Statements

31 December 2018

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(f) Details of RSU

(i) Details of RSU granted

All the RSU granted by the Bank were allocated to eligible senior management of the Group and of the Bank. Details of the RSU granted are as follows:

Grant date	Number of share options granted '000	Fair value RM	Number of share options vested and awarded '000	Vesting date
23.6.2011 – RSU First Grant	3,690	7.247	2,795	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2012 – RSU Second Grant	4,355	6.902	2,784	
30.4.2013 – RSU Third Grant	4,820	7.732	3,156	
30.4.2014 – RSU Fourth Grant	5,520	7.850	4,113	
30.4.2015 – RSU Fifth Grant	6,610	7.159	4,414	

The following table illustrates the number of, and movements in, RSU during the financial year ended 31 December 2018:

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000	Vesting date
		Adjustment '000	Vested and awarded '000	Forfeited '000		
23.6.2011 – RSU First Grant	4	–	(4) ¹	–	–	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2015 – RSU Fifth Grant	5,665	195 ²	(4,414) ³	(1,446)	–	
	5,669	195	(4,418)	(1,446)	–	

¹ RSU shares which belonged to deceased employee have been vested and disposed during the financial year ended 31 December 2018. All proceeds were transferred to deceased employee's next-of-kin.

² Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2018.

³ Issuance of 4,387,816 new ordinary shares to eligible employees during the financial year ended 31 December 2018 and utilisation of 26,680 ordinary shares under ESOS Trust Fund Pool.

Total RSU granted to the directors of the Bank as at 31 December 2018 are disclosed under the director's interest section in the Director's Report.

(ii) Fair value of RSU granted

The fair value of RSU granted was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

	Grant Date				
	30.4.2015 Fifth Grant	30.4.2014 Fourth Grant	30.4.2013 Third Grant	30.4.2012 Second Grant	23.6.2011 First Grant
Fair value of RSU (RM)	7.159	7.85	7.732	6.902	7.247
Closing share price at grant date (RM)	9.21	9.9	9.62	8.63	8.82
Expected volatility (%)	13.08	13.87	13.96	14.11	14.59
Vesting period (years)	3	3	3	3	3
Risk free rate (%)	3.4	3.45	3.03	3.19	3.31
Expected dividend yield (%)	6.37	5.84	5.35	5.49	4.49

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.



36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(f) Details of RSU (cont'd.)

(iii) Details of SRSU granted

During the financial year ended 31 December 2018, a total of 34,000 SRSU (2017: 110,000) had been vested to eligible employees.

The following table illustrates the number of, and movements in, SRSU during the financial year ended 31 December 2018:

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Granted '000	Vested '000	
3.5.2016	34	-	(34) ¹	-

¹ Utilisation of 34,000 ordinary shares under ESOS Trust Fund Pool.

The fair value of SRSU was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the SRSU were granted. The fair value of SRSU measured, closing share price at grant date and the assumptions were as follows:

	Grant Date
	3.5.2016
Fair value of SRSU (RM)	7.743
Closing share price at grant date (RM)	8.78
Expected volatility (%)	14.80
Vesting period (years)	2
Risk free rate (%)	3.10
Expected dividend yield (%)	6.42

(g) Details of CESOS

(i) Details of CESOS granted

CESOS granted, vested and awarded to eligible employees are as follows:

CESOS First Grant

Grant date	Number of share options	
	Granted '000	Vested and awarded '000
23.6.2011 – First Tranche*	720	-
30.4.2012 – Second Tranche	395	287
30.4.2013 – Third Tranche	678	518
30.4.2014 – Fourth Tranche	596	461
30.4.2015 – Fifth Tranche	555	437
30.9.2015 – Sixth Tranche	276	224

CESOS Second Grant

Grant date	Number of share options	
	Granted '000	Vested and awarded '000
30.4.2012 – First Tranche	554	750
30.4.2013 – Second Tranche	1,298	838
30.4.2014 – Third Tranche	1,013	709
30.4.2015 – Fourth Tranche	781	602
30.9.2015 – Fifth Tranche	70	63

* Not vested and considered forfeited due to vesting price was lower than award price.

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(g) Details of CESOS (cont'd.)

(i) Details of CESOS granted (cont'd.)

CESOS granted, vested and awarded to eligible employees are as follows (cont'd.):

CESOS Third Grant

Grant date	Number of share options	
	Granted '000	Vested and awarded '000
30.4.2013 – First Tranche	618	339
30.4.2014 – Second Tranche*	699	–
30.4.2015 – Third Tranche	533	317

CESOS Forth Grant

Grant date	Number of share options	
	Granted '000	Vested and awarded '000
30.4.2014 – First Tranche*	557	–
30.4.2015 – Second Tranche	582	244

CESOS Fifth Grant

Grant date	Number of share options	
	Granted '000	Vested and awarded '000
30.4.2015 – First Tranche	774	452

* Not vested and considered forfeited due to vesting price was lower than award price.

The following tables illustrate the numbers of, and movements in, CESOS during the financial year ended 31 December 2018:

CESOS First Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	452	(437)	(15)	–
30.9.2015	232	(224)	(8)	–
	684	(661)	(23)	–

CESOS Second Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	603	(602)	(1)	–
30.9.2016	64	(63)	(1)	–
	667	(665)	(2)	–



36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(g) Details of CESOS (cont'd.)

(i) Details of CESOS granted (cont'd.)

The following tables illustrate the numbers of, and movements in, CESOS during the financial year ended 31 December 2018 (cont'd.):

CESOS Third Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	332	(317)	(15)	-

CESOS Fourth Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	245	(244)	(1)	-

CESOS Fifth Grant

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year		Outstanding as at 31.12.2018 '000
		Vested and awarded '000	Forfeited '000	
30.4.2015	552	(452)	(100)	-

(ii) Fair value of CESOS granted

The fair value of CESOS granted was estimated by a valuer using the binomial model, taking into account the terms and conditions upon which the CESOS were granted.

(h) Details of CRSU

(i) Details of CRSU granted

All the CRSU granted by the Bank were allocated to eligible senior management of the Group and of the Bank. Details of the CRSU granted are as follows:

Grant date	Number of share options		Fair value RM	Vesting date
	Granted '000	Vested* '000		
23.6.2011 – CRSU First Grant	15	16	7.247	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2012 – CRSU Second Grant	95	54	6.902	
30.4.2013 – CRSU Third Grant	185	42	7.732	
30.4.2014 – CRSU Fourth Grant	145	43	7.850	
30.4.2015 – CRSU Fifth Grant	238	(105)	7.159	

* Inclusive of DRP.

The following tables illustrate the numbers of, and movements in, CRSU during the financial year ended 31 December 2018:

Grant date	Outstanding as at 1.1.2018 '000	Movements during the financial year			Vesting date
		Adjustment '000	Vested and awarded '000	Forfeited '000	
30.4.2015 – CRSU Fifth Grant	168	5 ¹	(105)	(68)	Based on 3-year cliff vesting from the grant date and performance metrics

¹ Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2018.

Notes to the Financial Statements

31 December 2018

36. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(h) Details of CRSU (cont'd.)

(ii) Fair value of CRSU granted

The fair value of CRSU granted was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the CRSU were granted. The fair value of CRSU measured, closing share price at grant date and the assumptions were as follows:

	Grant Date				
	30.4.2015	30.4.2014	30.4.2013	30.4.2012	23.6.2011
Fair value of CRSU (RM)	7.159	7.850	7.732	6.902	7.247
Closing share price at grant date (RM)	9.21	9.90	9.62	8.63	8.82
Expected volatility (%)	13.08	13.87	13.96	14.11	14.59
Vesting period (years)	3	3	3	3	3
Risk free rate (%)	3.40	3.45	3.03	3.19	3.31
Expected dividend yield (%)	6.37	5.84	5.35	5.49	4.49

37. RETAINED PROFITS

(a) The Group's retained profits

The retained profits of the Group include the non-distributable Non-DPF unallocated surplus of an insurance subsidiary as a result of the Revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers. This non-distributable Non-DPF unallocated surplus is only available for distribution to shareholders based on the amount recommended by the Appointed Actuary in accordance with the Financial Services Act 2013.

The breakdown of distributable and non-distributable retained profits of the Group are as follows:

Group	Non-Distributable Non-DPF Unallocated Surplus RM'000	Distributable Retained Profits RM'000	Total Retained Profits RM'000
As at 31 December 2018			
At 1 January 2018			
– as previously stated	1,221,933	24,046,810	25,268,743
– effect of adopting MFRS 9 (Note 2.4(i))	–	(1,097,608)	(1,097,608)
At 1 January 2018, as restated	1,221,933	22,949,202	24,171,135
Profit for the financial year	140,038	7,973,222	8,113,260
Other comprehensive income	–	18,337	18,337
Total comprehensive income for the financial year	140,038	7,991,559	8,131,597
Transfer from non-par surplus upon recommendation by the Appointed Actuary	(912,017)	912,017	–
Effects of changes in corporate structure within the Group	–	(5,362)	(5,362)
Transfer to statutory reserve	–	(35,951)	(35,951)
Transfer to regulatory reserve	–	(140,283)	(140,283)
Transfer from revaluation reserve	–	284	284
Utilisation of shares under ESOS Trust Fund Pool	–	3,012	3,012
Disposal of shares under ESOS Trust Fund Pool	–	8,732	8,732
ESS forfeited upon expiration of ESS	–	100,279	100,279
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 36(a)(ii))	–	(13,666)	(13,666)
Shares vested under RSU and Supplemental Restricted Share Unit ("SRSU")	–	(102)	(102)
Dividends (Note 55)	–	(6,234,092)	(6,234,092)
Total transactions with shareholders/other equity movements	(912,017)	(5,405,132)	(6,317,149)
At 31 December 2018	449,954	25,535,629	25,985,583



37. RETAINED PROFITS (CONT'D.)

(a) The Group's retained profits (cont'd.)

The breakdown of distributable and non-distributable retained profits of the Group are as follows (cont'd.):

Group As at 31 December 2017	Non-Distributable Non-DPF Unallocated Surplus RM'000	Distributable Retained Profits RM'000	Total Retained Profits RM'000
At 1 January 2017	1,188,223	13,220,472	14,408,695
Profit for the financial year	112,427	7,408,115	7,520,542
Total comprehensive income for the financial year	112,427	7,408,115	7,520,542
Transfer from non-par surplus upon recommendation by the Appointed Actuary	(78,717)	78,717	-
Transfer from revaluation reserve	-	10,575	10,575
Transfer from statutory reserve	-	10,731,889	10,731,889
Transfer to regulatory reserve	-	(1,689,288)	(1,689,288)
Issue of shares pursuant to Restricted Share Unit ("RSU")	-	(5,113)	(5,113)
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	-	(14)	(14)
Dividends (Note 55)	-	(5,708,543)	(5,708,543)
Total transactions with shareholders/other equity movements	(78,717)	3,418,223	3,339,506
At 31 December 2017	1,221,933	24,046,810	25,268,743

(b) The Bank's retained profits

The retained profits of the Bank as at 31 December 2018 and 31 December 2017 are distributable profits and may be distributed as dividends under the single-tier system based on the tax regulations in Malaysia.

The breakdown of retained profits of the Bank are disclosed in the statement of changes in equity.

38. RESERVES

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable:					
Statutory reserve	(a)	239,009	203,058	53,032	46,255
Regulatory reserve	(b)	2,127,290	2,747,285	1,778,997	2,233,563
Other reserves	(c)	(339,752)	(405,169)	-	-
FVOCI reserve	2.3(v)(b)(2)	457,045	-	279,332	-
AFS reserve	2.3(v)(b)(6)	-	29,616	-	(114,149)
Exchange fluctuation reserve	2.3(xix)(c)	113,510	858,752	2,328,702	2,228,315
ESS reserve	2.3(xxvi)(e)	-	219,387	-	219,387
		2,597,102	3,652,929	4,440,063	4,613,371

- (a) The statutory reserves are maintained in compliance with the requirements of certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.
- (b) Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, in accordance with BNM's Revised Financial Reporting Policy document issued on 2 February 2018.

Notes to the Financial Statements

31 December 2018

38. RESERVES (CONT'D.)

(c) Other reserves

Group As at 31 December 2018	Capital Reserve (Note 38(c)(i)) RM'000	Revaluation Reserve (Note 38(c)(ii)) RM'000	Defined Benefit Reserve RM'000	Net Investment Hedge and Cash Flow Hedge Reserve (Note 16) RM'000	Total Other Reserves RM'000
At 1 January 2018	13,557	(2,428)	(41,302)	(374,996)	(405,169)
Other comprehensive income	-	-	57,805	7,896	65,701
Defined benefit plan actuarial gain	-	-	57,805	-	57,805
Net gain on net investment hedge	-	-	-	7,017	7,017
Net gain on cash flow hedge	-	-	-	879	879
Total comprehensive income for the financial year	-	-	57,805	7,896	65,701
Transfer to retained profits	-	(284)	-	-	(284)
Total other equity movements	-	(284)	-	-	(284)
At 31 December 2018	13,557	(2,712)	16,503	(367,100)	(339,752)

Group As at 31 December 2017	Capital Reserve (Note 38(c)(i)) RM'000	Revaluation Reserve (Note 38(c)(ii)) RM'000	Defined Benefit Reserve RM'000	Net Investment Hedge and Cash Flow Hedge Reserve (Note 16) RM'000	Total Other Reserves RM'000
At 1 January 2017	13,557	8,147	(54,360)	(443,684)	(476,340)
Other comprehensive income	-	-	13,058	68,688	81,746
Defined benefit plan actuarial gain	-	-	13,058	-	13,058
Net gain on net investment hedge	-	-	-	69,135	69,135
Net loss on cash flow hedge	-	-	-	(447)	(447)
Total comprehensive income for the financial year	-	-	13,058	68,688	81,746
Transfer to retained profits	-	(10,575)	-	-	(10,575)
Total other equity movements	-	(10,575)	-	-	(10,575)
At 31 December 2017	13,557	(2,428)	(41,302)	(374,996)	(405,169)

- (i) The capital reserve of the Group arose from the corporate exercises undertaken by certain subsidiaries in previous years.
- (ii) Revaluation reserve relates to the transfer of self-occupied properties to investment properties subsequent to the change on occupation intention.



39. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the business of banking, income from Islamic Banking Scheme (“IBS”) operations, finance, investment banking, general and life insurance (including takaful), stockbroking, leasing and factoring, trustee and nominee services, asset management and venture capital but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest income, gross fee and gross commission income, investment income, gross dividends and other income derived from banking and finance operations.

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income	40	23,193,671	22,056,334	17,467,504	16,099,945
Income derived from investment of depositors' funds	67(b)	8,831,808	7,045,382	-	-
Income derived from investment of investment account funds	67(b)	1,099,068	1,526,848	-	-
Income derived from investment of Islamic Banking Funds	67(b)	511,559	402,161	-	-
Net earned insurance premiums	42	5,933,563	5,250,890	-	-
Dividends from subsidiaries and associates	43	-	-	2,393,819	1,920,144
Other operating income	44	4,918,997	6,027,304	4,098,618	3,681,248
Excluding non-operating revenue which comprises the following items:					
- Interest expense on derivatives*		2,810,972	3,308,839	2,804,631	3,248,909
- Direct costs on brokerage of subsidiaries		166,719	192,020	-	-
- Loss on disposal of deemed controlled structured entity	44	15,409	-	27,902	-
- Loss/(gain) on liquidation of subsidiaries	44	2,781	1,988	-	(101)
- (Gain)/loss on dilution of interest in associates	44	(896)	30,719	-	-
- Rental income	44	(45,467)	(43,574)	(36,913)	(32,165)
- Gain on disposal of property, plant and equipment	44	(70,596)	(201,003)	(61,117)	(62,415)
- Other non-operating income	44	(47,735)	(17,598)	(13,548)	(14,247)
		7,750,184	9,298,695	6,819,573	6,821,229
		47,319,853	45,580,310	26,680,896	24,841,318

* Interest expense on derivatives forms part of the “realised gain on derivatives” as disclosed in Note 44.

40. INTEREST INCOME

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans, advances and financing	16,902,847	16,465,364	12,231,807	11,675,791
Money at call and deposits and placements with financial institutions	804,384	781,866	907,081	855,031
Financial assets purchased under resale agreements	169,991	119,247	112,556	57,403
Financial assets at FVTPL	1,081,791	956,075	262,529	263,415
Financial investments at FVOCI	3,208,682	-	2,771,555	-
Financial investments at amortised cost	762,608	-	822,863	-
Financial investments AFS	-	3,061,837	-	2,566,120
Financial investments HTM	-	617,810	-	574,497
	22,930,303	22,002,199	17,108,391	15,992,257
Accretion of discounts, net	263,368	54,135	359,113	107,688
	23,193,671	22,056,334	17,467,504	16,099,945

Included in interest income for the current financial year was interest on impaired assets amounting to approximately RM387,346,000 (2017: RM313,375,000) for the Group and RM273,634,000 (2017: RM250,421,000) for the Bank.

Notes to the Financial Statements

31 December 2018

40. INTEREST INCOME (CONT'D.)

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL:

2018	Group RM'000	Bank RM'000
Financial assets modified during the financial year		
Amortised cost before modification	176,049	133,040
Modification gain	3,492	2,803
Net modification gain	179,541	135,843
Financial assets modified since initial recognition		
Gross carrying amount as at 31 December of financial assets for which loss allowance has changed to 12-month measurement during the financial year	104,666	21,646

41. INTEREST EXPENSE

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits and placements from financial institutions	1,180,629	671,140	1,146,577	629,109
Deposits from customers	7,255,369	6,636,215	5,500,634	4,744,993
Loans sold to Cagamas	64,750	71,108	64,750	71,108
Obligations on financial assets sold under repurchase agreements	176,634	77,619	193,157	77,619
Borrowings	1,060,928	1,097,184	548,916	639,336
Subordinated notes	547,594	683,401	419,339	506,105
Subordinated bonds	24,091	34,209	-	-
Capital securities	342,493	394,863	342,490	395,175
Structured deposits	127,817	108,806	107,236	108,806
Financial liabilities at fair value through profit or loss	340,460	134,748	340,460	134,748
	11,120,765	9,909,293	8,663,559	7,306,999

42. NET EARNED INSURANCE PREMIUMS

Group	2018 RM'000	2017 RM'000
Gross earned premiums	7,067,209	6,219,425
Premiums ceded to reinsurers	(1,133,646)	(968,535)
	5,933,563	5,250,890

43. DIVIDENDS FROM SUBSIDIARIES AND ASSOCIATES

Bank	2018 RM'000	2017 RM'000
Gross dividend income from:		
Subsidiaries	2,393,421	1,910,288
Associates	398	9,856
	2,393,819	1,920,144



44. OTHER OPERATING INCOME

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fee income:				
Commission	1,332,486	1,329,124	1,160,457	1,155,792
Service charges and fees	1,375,602	1,448,488	1,020,233	1,058,425
Underwriting fees	38,984	80,237	15,825	24,073
Brokerage income	397,870	452,874	-	-
Fees on loans, advances and financing	212,601	253,102	130,093	139,580
	3,357,543	3,563,825	2,326,608	2,377,870
Investment income:				
Net (loss)/gain on disposal of financial assets at FVTPL				
- Designated upon initial recognition	(129,766)	184,107	-	-
- Financial investments at FVTPL	(273,088)	-	82,456	-
- Held-for-trading	-	124,359	-	129,630
Net (loss)/gain on disposal of financial investments FVOCI	(13,331)	-	11,018	-
Net gain on redemption of financial investments at amortised cost	1,777	-	1,777	-
Net gain on disposal of financial investments AFS	-	657,483	-	212,536
Net gain on disposal/redemption of financial investments HTM	-	182	-	182
Net loss on disposal of deemed controlled structured entity	(15,409)	-	(27,902)	-
Net (loss)/gain on liquidation of subsidiaries	(2,781)	(1,988)	-	101
Net gain/(loss) on dilution of interest in associates	896	(30,719)	-	-
	(431,702)	933,424	67,349	342,449
Gross dividends from:				
Financial investments FVOCI				
- Quoted in Malaysia	22,400	63,562	1,166	2,363
- Unquoted in Malaysia	580	16,227	345	13,657
- Quoted outside Malaysia	19,695	11,186	-	-
	42,675	90,975	1,511	16,020
Financial assets at FVTPL				
- Quoted in Malaysia	57,199	20,283	25	189
- Quoted outside Malaysia	8,606	12,005	-	454
- Unquoted in Malaysia	5,034	-	4,256	-
	70,839	32,288	4,281	643
	113,514	123,263	5,792	16,663
Unrealised (loss)/gain on revaluation of:				
Financial assets at FVTPL				
- Designated upon initial recognition	(10,883)	(36,272)	-	-
- Financial investments at FVTPL	(226,583)	-	25,664	-
- Held-for-trading	-	179,112	-	31,878
Financial liabilities at FVTPL	709,918	20,824	709,918	20,824
Derivatives	(148,607)	(125,342)	(209,827)	(104,489)
Loans, advances and financing	9,943	-	9,943	-
	333,788	38,322	535,698	(51,787)
Other income:				
Foreign exchange gain, net	842,311	558,867	837,330	559,006
Realised gain on derivatives	369,087	398,606	210,205	374,827
Rental income	45,467	43,574	36,913	32,165
Gain on disposal of property, plant and equipment	70,596	201,003	61,117	62,415
(Loss)/gain on disposal of foreclosed properties	(8,702)	1,493	-	300
Other operating income	179,360	147,329	4,058	(46,907)
Other non-operating income	47,735	17,598	13,548	14,247
	1,545,854	1,368,470	1,163,171	996,053
Total other operating income	4,918,997	6,027,304	4,098,618	3,681,248

Notes to the Financial Statements

31 December 2018

45. NET INSURANCE BENEFITS AND CLAIMS INCURRED, NET FEE AND COMMISSION EXPENSES, CHANGE IN EXPENSE LIABILITIES AND TAXATION OF LIFE AND TAKAFUL FUND

Group	2018 RM'000	2017 RM'000
Gross benefits and claims paid	3,584,747	3,862,105
Claims ceded to reinsurers	(485,839)	(732,284)
Gross change to contract liabilities	1,502,083	1,062,601
Change in contract liabilities ceded to reinsurers	(27,980)	632,337
Net insurance benefits and claims incurred	4,573,011	4,824,759
Net fee and commission expenses	239,820	226,972
Change in expense liabilities	89,073	(9,845)
Taxation of life and takaful fund	5,625	45,456
Net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	334,518	262,583
	4,907,529	5,087,342

46. OVERHEAD EXPENSES

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel expenses				
Salaries, allowances and bonuses	4,938,739	4,685,520	3,038,161	2,867,817
Social security cost	40,489	43,640	21,209	19,749
Pension costs – defined contribution plan	595,443	531,482	449,330	410,587
ESS expenses ¹	3,946	17,083	2,426	11,106
Other staff related expenses	870,907	850,287	500,853	485,970
	6,449,524	6,128,012	4,011,979	3,795,229
Establishment costs				
Depreciation of property, plant and equipment (Note 23)	400,991	418,917	160,150	186,605
Amortisation of core deposit intangibles (Note 24)	–	5,406	–	–
Amortisation of agency force (Note 24)	5,185	6,555	–	–
Amortisation of customer relationship (Note 24)	10,072	16,352	–	–
Amortisation of computer software (Note 24)	220,814	245,360	76,737	99,177
Rental of leasehold land and premises	347,060	374,128	137,926	151,534
Repairs and maintenance of property, plant and equipment	166,277	170,723	97,570	98,379
Information technology expenses	647,084	631,651	861,986	850,743
Fair value adjustments on investment properties (Note 19)	(32,025)	60,173	–	–
Others	47,689	51,644	8,861	7,493
	1,813,147	1,980,909	1,343,230	1,393,931
Marketing costs				
Advertisement and publicity	209,560	217,446	111,950	118,891
Others	333,238	297,638	223,306	215,719
	542,798	515,084	335,256	334,610



46. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Administration and general expenses				
Fees and brokerage	1,011,899	995,078	684,400	664,526
Administrative expenses	575,519	592,002	248,355	278,537
General expenses	805,026	970,959	354,079	365,431
Others	15,754	144,802	10,756	116,205
	2,408,198	2,702,841	1,297,590	1,424,699
Overhead expenses allocated to subsidiaries	-	-	(1,182,344)	(1,067,766)
Total overhead expenses	11,213,667	11,326,846	5,805,711	5,880,703
Cost to income ratio ²	47.4%	48.6%	38.0%	40.9%
Included in overhead expenses are:				
Directors' fees and remuneration (Note 47)	17,023	17,215	14,365	13,917
Rental of equipment	93,047	96,327	16,943	21,185
Direct operating expenses of investment properties	4,384	3,054	-	-
Auditors' remuneration:	22,403	18,259	11,998	9,406
Statutory audit:				
- Ernst & Young Malaysia	10,874	7,998	8,035	5,328
- Other member firms of Ernst & Young Global	11,047	9,793	3,705	3,810
- Other auditors ³	482	468	258	268
Assurance and compliance related services:				
- Reporting accountants, review engagements and regulatory-related services	11,164	6,519	8,832	4,323
Non-audit services:				
- Other services	5,793	5,953	5,317	5,889
Employee benefit expenses (Note 29(i)(b))	83,219	91,176	-	-
Property, plant and equipment written-off (Note 23)	2,345	546	2,269	437
Intangible assets written-off (Note 24)	1,131	1,233	-	3
Impairment of investment properties (Note 19)	108	-	-	-
Impairment of property, plant and equipment (Note 23)	(45)	-	-	-

¹ ESS expenses comprise cash-settled and equity-settled share-based payment transactions. The amount arising from equity-settled share-based payment transactions for the Group and the Bank are approximately RM3,946,000 and RM2,426,000 (2017: RM17,083,000 and RM11,106,000) respectively.

² Cost to income ratio is computed using total cost over the net operating income. Total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for Maybank Kim Eng Holdings Limited of RM15,257,000 (2017: RM22,907,000) and PT Bank Maybank Indonesia Tbk (2017: RM5,406,000). Income is the net operating income amount, as disclosed on the face of income statements.

³ Relates to fees paid and payable to accounting firms other than Ernst & Young.

Notes to the Financial Statements

31 December 2018

47. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Bank:				
Executive directors:				
Salary	2,640	2,400	2,640	2,400
Bonus	3,300	4,300	3,300	4,300
Pension cost – defined contribution plan	953	1,075	953	1,075
ESS expenses	97	680	97	680
Other remuneration	291	241	291	241
Estimated monetary value of benefits-in-kind	39	39	39	39
	7,320	8,735	7,320	8,735
Non-executive directors:				
Fees	7,163	7,167	4,801	4,067
Other remuneration	2,579	1,352	2,283	1,154
Estimated monetary value of benefits-in-kind	144	247	144	247
	9,886	8,766	7,228	5,468
Sub-total for directors of the Bank	17,206	17,501	14,548	14,203
Indemnity given to or insurance effected for any directors	1,160	1,135	1,074	1,092
Total (including benefits-in-kind and indemnity given to or insurance effected for any directors) (Note 52(a)(iii))	18,366	18,636	15,622	15,295
Total (excluding benefits-in-kind and indemnity given to or insurance effected for any directors) (Note 46)	17,023	17,215	14,365	13,917

The Bank maintained on group basis, a Directors' and Officers' Liability Insurance against any legal liability incurred by the Directors in the discharge of their duties while holding office for the Bank. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.



47. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The remuneration attributable to the Group President & Chief Executive Officer of the Bank including benefits-in-kind during the financial year amounted to RM7,320,000 (2017: RM8,735,000).

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

	Group				Bank			
	Fees RM'000	Salary and/ or other emoluments* RM'000	Benefits- in-kind RM'000	Total RM'000	Fees RM'000	Salary and/ or other emoluments* RM'000	Benefits- in-kind RM'000	Total RM'000
2018								
Executive director:								
Datuk Abdul Farid bin Alias	–	7,281	39	7,320	–	7,281	39	7,320
Non-executive directors:								
Datuk Mohaiyani binti Shamsudin	610	611	44	1,265	610	611	44	1,265
Dato' Johan bin Ariffin ¹	747	90	44	881	102	11	44	157
Datuk R. Karunakaran	917	157	9	1,083	507	132	9	648
Mr Cheng Kee Check	629	242	5	876	524	235	5	764
Mr Edwin Gerungan	978	218	7	1,203	467	176	7	650
Mr Nor Hizam bin Hashim	573	182	4	759	404	144	4	552
Dr Hasnita binti Dato' Hashim	645	191	9	845	419	166	9	594
Mr Anthony Brent Elam	599	248	5	852	445	215	5	665
Datin Paduka Jamiah binti Abdul Hamid ²	567	180	5	752	451	165	5	621
Ms Che Zakiah binti Che Din ³	359	212	–	571	351	180	–	531
Ms Fauziah binti Hisham ⁴	272	116	5	393	254	116	5	375
Mr Shariffuddin bin Khalid ⁵	235	132	7	374	235	132	7	374
Mr Renato Tinio De Guzman ⁶	32	–	–	32	32	–	–	32
	7,163	2,579	144	9,886	4,801	2,283	144	7,228
Total directors' remuneration	7,163	9,860	183	17,206	4,801	9,564	183	14,548

* Includes bonus, pension cost, ESS expenses, duty allowances, social allowances, leave passage and meeting allowances.

¹ Retired on 12 April 2018

² Deceased on 19 November 2018

³ Appointed on 1 March 2018

⁴ Appointed on 15 May 2018

⁵ Appointed on 14 June 2018

⁶ Tendered his resignation on 18 January 2018. Approval by Bank Negara Malaysia was received on 5 March 2018

Notes to the Financial Statements

31 December 2018

47. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows (cont'd.):

	Group				Bank			
	Fees RM'000	Salary and/ or other emoluments* RM'000	Benefits- in-kind RM'000	Total RM'000	Fees RM'000	Salary and/ or other emoluments* RM'000	Benefits- in-kind RM'000	Total RM'000
2017								
Executive director:								
Datuk Abdul Farid bin Alias	-	8,696	39	8,735	-	8,696	39	8,735
Non-executive directors:								
Datuk Mohaiyani binti Shamsudin ¹	863	484	33	1,380	546	458	33	1,037
Dato' Johan bin Ariffin	797	92	6	895	356	53	6	415
Datuk R. Karunakaran	1,010	125	7	1,142	426	58	7	491
Mr Cheng Kee Check	527	86	-	613	434	81	-	515
Mr Edwin Gerungan	848	65	2	915	414	57	2	473
Mr Nor Hizam bin Hashim	502	75	3	580	369	54	3	426
Dr Hasnita binti Dato' Hashim	549	56	6	611	365	43	6	414
Mr Anthony Brent Elam	405	56	3	464	378	49	3	430
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor ²	360	199	136	695	153	197	136	486
Dato' Dr Tan Tat Wai ³	493	19	43	555	115	14	43	172
Datin Paduka Jamiah binti Abdul Hamid	483	84	3	570	430	79	3	512
Mr Renato Tinio De Guzman ⁴	330	11	5	346	81	11	5	97
	7,167	1,352	247	8,766	4,067	1,154	247	5,468
Total directors' remuneration	7,167	10,048	286	17,501	4,067	9,850	286	14,203

* Includes bonus, pension cost, ESS expenses, duty allowances, social allowances, leave passage and meeting allowances.

¹ Resignation as Chairman on 1 April 2017

² Retired on 31 March 2017

³ Retired on 6 April 2017

⁴ Appointed on 2 October 2017 and tendered his resignation on 18 January 2018. Approval by Bank Negara Malaysia was received on 5 March 2018.



48. ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES, FINANCING AND OTHER DEBTS, NET

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowances for/(writeback of) impairment losses on loans, advances and financing:				
– Stage 1 – 12-month ECL, net	(604,120)	–	(430,828)	–
– Stage 2 – Lifetime ECL not credit impaired, net	293,552	–	(117,183)	–
– Stage 3 – Lifetime ECL credit impaired, net	2,185,547	–	1,419,827	–
	1,874,979	–	871,816	–
– Individual allowance (Note 15(xii))				
Allowance made	–	1,830,104	–	1,237,538
Amount written back	–	(326,072)	–	(238,042)
Net	–	1,504,032	–	999,496
– Collective allowance (Note 15(xii))				
Allowance made	–	836,425	–	346,381
Amount written back	–	(390)	–	–
Net	–	836,035	–	346,381
Bad debts and financing:				
– Written-off	104,806	101,765	79,669	74,245
– Recovered	(388,635)	(485,473)	(222,065)	(259,169)
Net	(283,829)	(383,708)	(142,396)	(184,924)
Allowances for impairment losses on other debts	106	2,701	391	2,285
	1,591,256	1,959,060	729,811	1,163,238

49. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial investments FVOCI				
– Stage 1 – 12-month ECL, net	(18,786)	–	(13,680)	–
– Stage 2 – Lifetime ECL not credit impaired, net	(17,745)	–	(17,282)	–
– Stage 3 – Lifetime ECL credit impaired, net	73,287	–	30,261	–
	36,756	–	(701)	–
Financial investments AFS (Note 12(iii))				
– Allowance made	–	69,725	–	1,071
– Amount written back in respect of recoveries	–	(856)	–	(3,288)
Net	–	68,869	–	(2,217)
Financial investments at amortised cost				
– Stage 1 – 12-month ECL, net	(20,613)	–	(16,620)	–
– Stage 2 – Lifetime ECL not credit impaired, net	(19,628)	–	(15,375)	–
– Stage 3 – Lifetime ECL credit impaired, net	51,170	–	51,170	–
	10,929	–	19,175	–
Financial investments HTM (Note 14(iii))				
– Amount written back in respect of recoveries	–	(107)	–	–
Net	–	(107)	–	–
	47,685	68,762	18,474	(2,217)

Notes to the Financial Statements

31 December 2018

50. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and short-term funds				
– Stage 1 – 12-month ECL, net	(10,652)	–	(6,474)	–
	(10,652)	–	(6,474)	–
Deposit and placements with financial institutions				
– Stage 1 – 12-month ECL, net	3,312	–	3,139	–
	3,312	–	3,139	–
Financial assets purchased under resale agreements				
– Stage 1 – 12-month ECL, net	2,045	–	1,424	–
	2,045	–	1,424	–
Other assets				
– Stage 1 – 12-month ECL, net	(671)	–	–	–
– Stage 2 – Lifetime ECL not credit impaired, net	(38)	–	–	–
– Stage 3 – Lifetime ECL credit impaired, net	(7,673)	–	(4,129)	–
	(8,382)	–	(4,129)	–
Reinsurance/retakaful assets and others insurance receivables				
– Stage 1 – 12-month ECL, net	(5,985)	–	–	–
	(5,985)	–	–	–
Statutory deposit with central bank				
– Stage 1 – 12-month ECL, net	(6,366)	–	–	–
	(6,366)	–	–	–
	(26,028)	–	(6,040)	–



51. TAXATION AND ZAKAT

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian income tax	2,582,593	2,159,444	1,499,417	1,329,138
Foreign income tax	656,875	595,539	253,503	295,562
Less: Double taxation relief	(246,525)	(282,811)	(246,525)	(282,811)
	2,992,943	2,472,172	1,506,395	1,341,889
(Over)/underprovision in respect of prior years:				
Malaysian income tax	(79,168)	(15,409)	(26,481)	1,272
Foreign income tax	(13,255)	(48,272)	(8,408)	(50,134)
	2,900,520	2,408,491	1,471,506	1,293,027
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	(396,032)	(130,945)	(30,891)	(63,288)
Tax expense for the financial year	2,504,488	2,277,546	1,440,615	1,229,739
Zakat	40,922	23,676	-	-
	2,545,410	2,301,222	1,440,615	1,229,739

The Group's and the Bank's effective tax rate for the financial year ended 31 December 2018 was lower than the statutory tax rate due to certain income not subject to tax.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated chargeable profit for the financial year.

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	10,901,346	10,098,096	8,748,426	7,352,614
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	2,616,323	2,423,543	2,099,622	1,764,627
Different tax rates in other countries	10,387	16,632	12,525	14,644
Income not subject to tax	(324,549)	(557,188)	(691,002)	(600,055)
Expenses not deductible for tax purposes	381,880	507,040	54,359	99,385
Overprovision in income tax expense in prior years	(92,423)	(63,681)	(34,889)	(48,862)
Share of profits in associates and joint ventures	(87,130)	(48,800)	-	-
Tax expense for the financial year	2,504,488	2,277,546	1,440,615	1,229,739

Notes to the Financial Statements

31 December 2018

52. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Group and of the Bank.

The Group and the Bank have related party relationships with their substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows:

(a) Significant related party transactions

(i) Subsidiaries

	Note	Bank	
		2018 RM'000	2017 RM'000
Income:			
Interest on deposits		1,242,437	1,077,042
Dividend income	43	2,393,421	1,910,288
Rental of premises		3,090	3,090
Other income		323,947	322,250
		3,962,895	3,312,670
Expenditure:			
Interest on deposits		75,926	44,912
Other expenses	(A)	642,550	618,235
		718,476	663,147
Others:			
ESS expenses charged to subsidiaries		820	9,644
Overhead expenses allocated to subsidiaries	46	1,182,344	1,067,766
		1,183,164	1,077,410

(A) Other expenses analysed by type of intercompany charges and by geographical locations are as follows:

Bank	Malaysia RM'000	Singapore RM'000	Total RM'000
2018			
Information technology expenses	543,588	-	543,588
Research fees	8,051	17,959	26,010
Insurance premiums	35,099	-	35,099
Others	32,501	5,352	37,853
	619,239	23,311	642,550
2017			
Information technology expenses	511,610	-	511,610
Research fees	7,181	28,812	35,993
Insurance premiums	32,637	-	32,637
Others	37,436	559	37,995
	588,864	29,371	618,235

Transactions between the Bank and its subsidiaries are eliminated on consolidation at Group level.



52. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(a) Significant related party transactions (cont'd.):

Transactions between the Bank and its subsidiaries are eliminated on consolidation at Group level.

(ii) Associates

	Bank	
	2018 RM'000	2017 RM'000
Income:		
Dividend income (Note 43)	398	9,856

There were no significant transactions with joint ventures for the financial year ended 31 December 2018.

(iii) Key management personnel

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits				
- Fees	15,981	16,915	4,801	4,067
- Salaries, allowances and bonuses	70,419	72,037	8,514	8,095
- Pension cost – defined contribution plan	3,822	3,398	953	1,075
- Other staff benefits	3,393	6,803	183	286
Share-based payment				
- ESS expenses	388	3,000	97	680
Others				
- Indemnity given to or insurance effected for any directors (Note 47)	1,160	1,135	1,074	1,092
	95,163	103,288	15,622	15,295

Included in the total key management personnel compensation are:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration including benefits-in-kind and indemnity given to or insurance effected for any directors (Note 47)	18,366	18,636	15,622	15,295

The movements in ESOS vested to key management personnel are as follows:

	Group		Bank	
	2018 '000	2017 '000	2018 '000	2017 '000
<u>ESOS vested</u>				
At 1 January	8,337	10,908	1,526	1,601
Adjustment*	(141)	90	-	-
Vested and exercisable	1,195	1,490	375	300
Exercised	(9,096)	(3,884)	(1,901)	(375)
Forfeited	(295)	(247)	-	-
Expired	-	(20)	-	-
At 31 December	-	8,337	-	1,526

* Adjustment relates to changes in key management personnel during the financial year.

Notes to the Financial Statements

31 December 2018

52. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(a) Significant related party transactions (cont'd.):

(iii) Key management personnel (cont'd.)

The movements in the numbers of RSU to key management personnel are as follows:

Group	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Adjustment*	Vested and awarded	Forfeited	
Grant date					
30.4.2015 – RSU Fifth Grant	1,005	134	(880)	(259)	–
	1,005	134	(880)	(259)	–

Bank	Outstanding as at 1.1.2018 '000	Movements during the financial year			Outstanding as at 31.12.2018 '000
		Adjustment*	Vested and awarded	Forfeited	
Grant date					
30.4.2015 – RSU Fifth Grant	200	8	(178)	(30)	–
	200	8	(178)	(30)	–

* Adjustment due to DRP and relates to changes in key management personnel during the financial year ended 31 December 2018.

The number of shares awarded for ESGP Shares and CESGP to key management personnel are as follows:

(a) ESGP Shares

Award date	Number of ESGP Shares awarded	
	Group '000	Bank '000
14.12.2018 – First Grant	1,505	300

As at 31 December 2018, a total of 500,000 units of ESGP Shares was accepted by the key management personnel.

(b) CESGP

Award date	Number of CESGP awarded	
	Group '000	Bank '000
14.12.2018 – First Grant	282	–



52. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(b) Significant related party balances

(i) Subsidiaries

	Bank	
	2018 RM'000	2017 RM'000
Amounts due from:		
Current accounts and deposits	16,745,192	7,219,071
Negotiable instruments of deposits	597,301	–
Loans, advances and financing	17,071,800	17,944,182
Interest and other receivable on deposits	280,086	508,777
Corporate bonds and sukuk	6,153,260	8,988,217
Derivative assets	473,837	556,968
	41,321,476	35,217,215
Amounts due to:		
Current accounts and deposits	15,879,309	3,087,278
Private debt securities	–	9,999
Interest payable on deposits	11,618	4,216
Deposits and other creditors	4,366,806	7,192,640
Derivative liabilities	386,012	424,050
	20,643,745	10,718,183
Commitments and contingencies	140,300	148,300

Balances between the Bank and its subsidiaries are eliminated on consolidation at Group level.

(ii) Associates

	Bank	
	2018 RM'000	2017 RM'000
Amount due from:		
Current accounts and deposits	4,819	6,091

There were no significant balances with joint ventures as at 31 December 2018.

(iii) Key management personnel

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans, advances and financing	71,154	31,950	11,514	9,466
Deposits from customers	176,697	98,442	58,655	79,546

The balances relate to transactions with key management personnel of the Group.

52. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(c) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government-linked entity and a shareholder with significant influence on the Bank, with direct shareholding of 7.53% (2017: 7.40%) and indirect shareholding of 33.53% (2017: 33.97%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2018. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Group and the Bank.

All the transactions entered into by the Group and the Bank with the government-related entities are conducted in the ordinary course of the Group's and of the Bank's business on terms comparable to those with other entities that are not government-related. The Group has established credit policies, pricing strategy and approval process for loans and financing, which are independent of whether the counterparties are government-related entities or not.

(i) Individually significant transactions and balances with PNB due to its size of transactions:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Transactions during the financial year:				
Interest and finance income	359,042	381,148	223,815	289,789
Balances as at reporting dates:				
Loans, advances and financing	7,638,531	8,446,507	3,295,000	3,695,000

(ii) Collectively, but not individually, significant transactions

The Group has transactions with other government-related entities including but not limited to provision of loans and financing, deposits placement, brokerage services and underwriting of insurance and takaful.

For the financial year ended 31 December 2018, management estimates that the aggregate amount of the significant transactions with other government-related entities for the Group is at 0.5% (2017: 0.2%) and the Bank is at 0.6% (2017: 0.2%) of their total interest and finance income.

For the financial year ended 31 December 2018, management estimates that the aggregate amount of the significant balances due from other government-related entities for the Group and the Bank are 0.6% and 0.04% (2017: 0.2% and 0.1%) respectively of their total loans, advances and financing.

53. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder of the Bank and his close relatives;
- (iii) Influential shareholder of the Bank and his close relatives;
- (iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;
- (v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;
- (vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and
- (viii) Subsidiary of or an entity controlled by the Bank and its connected parties.



53. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (CONT'D.)

Credit transactions and exposures to connected parties as disclosed below include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

	Group		Bank	
	2018	2017	2018	2017
Outstanding credit exposures with connected parties (RM'000)	14,665,381	20,923,529	23,098,379	32,673,755
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	1.8%	2.7%	5.0%	6.0%
Percentage of outstanding credit exposures to connected parties which is impaired* or in default	-	-	-	-

* 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.

54. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

The basic EPS of the Group and of the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2018	2017	2018	2017
Net profit for the financial year attributable to equity holders of the Bank (RM'000)	8,113,260	7,520,542	7,307,811	6,122,875
Weighted average number of ordinary shares in issue ('000)	10,933,614	10,439,428	10,933,614	10,439,428
Basic earnings per share (sen)	74.2	72.0	66.8	58.7

(b) Diluted EPS

The diluted EPS of the Group and of the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue, which has been adjusted for the number of ordinary shares that could have been issued under the Maybank Group Employees' Share Scheme ("ESS") and the Dividend Reinvestment Plan ("DRP"). The details of ESS are disclosed in Note 36(d).

In the diluted EPS calculation, it is assumed that certain number of ordinary shares under the ESS relating to the RSU are vested and awarded to employees through issuance of additional ordinary shares. A calculation is done to determine the number of ordinary shares that could have been issued at fair value (determined as the average price of the Bank's ordinary shares during the financial year) based on the monetary value of the ESS entitlement attached to the outstanding RSU granted. This calculation serves to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment is made to the net profit for the financial year.

	Group		Bank	
	2018	2017	2018	2017
Net profit for the financial year attributable to equity holders of the Bank (RM'000)	8,113,260	7,520,542	7,307,811	6,122,875
Weighted average number of ordinary shares in issue ('000)	10,933,614	10,439,428	10,933,614	10,439,428
Effects of dilution ('000)	-	2,317	-	2,317
Adjusted weighted average number of ordinary shares in issue ('000)	10,933,614	10,441,745	10,933,614	10,441,745
Diluted earnings per share (sen)	74.2	72.0	66.8	58.6

Notes to the Financial Statements

31 December 2018

55. DIVIDENDS

Group and Bank	Net dividends per share			
	2018 RM'000	2017 RM'000	2018 sen	2017 sen
Final dividend of 32 sen single-tier dividend in respect of the financial year ended 31 December 2017 (Note 55(c)(i))	3,501,845	–	32.00	–
First single-tier interim dividend of 25 sen in respect of the financial year ended 31 December 2018 (Note 55(c)(ii))	2,736,299	–	25.00	–
Final dividend of 32 sen single-tier dividend in respect of the financial year ended 31 December 2016	–	3,282,722	–	32.00
First single-tier interim dividend of 23 sen in respect of the financial year ended 31 December 2017	–	2,436,992	–	23.00
	6,238,144	5,719,714	57.00	55.00
Less: Dividend on shares held-in-trust pursuant to ETF mechanism	(4,052)	(11,171)		
	6,234,092	5,708,543		

(a) Proposed final dividend

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2018 of 32 sen single-tier dividend per ordinary share amounting to a net dividend payable of RM3,535,898,553 (based on 11,049,682,979 ordinary shares issue as at 31 December 2018) will be proposed for the shareholders' approval.

The proposed final single-tier dividend consists of cash portion of 15 sen per ordinary share to be paid in cash amounting to RM1,657,452,447 and an electable portion of 17 sen per ordinary share amounting to RM1,878,446,106.

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 36(b) and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year ended 31 December 2018 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2019.

(b) Dividend Reinvestment Plan ("DRP")

The Bank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional DRP that allows shareholders of the Bank to reinvest electable portion of their dividends into new ordinary share(s) in the Bank.

Details of the DRP are disclosed in Note 36(b).

(c) Dividends paid during the financial year

(i) The final dividend consists of cash portion of 18 sen single-tier dividend per ordinary share amounting to RM1,969,788,059 and an electable portion of 14 sen per ordinary share amounting to RM1,532,057,379 where the electable portion could be elected to be reinvested in new Maybank shares in accordance with the DRP, in respect of the financial year ended 31 December 2017.

On 2 July 2018, Maybank announced that Board of Directors has resolved to exercise its rights not to proceed with the implementation of the 16th DRP in view of the softer equities market which has also affected its share price. The payment of the entire final cash dividend of 32 sen per ordinary share, amounting to a net dividend paid of RM3,501,845,438 was completed on 6 July 2018.

(ii) The interim single-tier dividend consists of cash portion of 15 sen per ordinary share paid in cash amounting to RM1,641,779,429 and an electable portion of 10 sen per ordinary share amounting to RM1,094,519,619 which elected to be reinvested in new Maybank Shares in accordance with the DRP, in respect of the current financial year ended 31 December 2018.

(d) Dividends paid by Maybank's subsidiaries to non-controlling interests

Dividends paid by Maybank's subsidiaries to non-controlling interests amounting to RM94,259,000 during the financial year ended 31 December 2018 (2017: RM99,998,000).



56. COMMITMENTS AND CONTINGENCIES

- (a) In the normal course of business, the Group and the Bank make various commitments and incur 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 Group and of the Bank are as follows:

Group 2018	Full commitment RM'000	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	11,317,594	10,576,726	6,071,968
Certain transaction-related contingent items	17,430,332	8,393,068	5,303,752
Short-term self-liquidating trade-related contingencies	5,086,749	888,197	525,082
Obligations under underwriting agreements	350,106	-	-
	34,184,781	19,857,991	11,900,802
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	118,062,536	20,228,370	9,690,283
– Maturity exceeding one year	32,001,526	26,577,486	11,034,057
	150,064,062	46,805,856	20,724,340
Miscellaneous commitments and contingencies	11,702,032	3,495,252	395,741
Total credit-related commitments and contingencies	195,950,875	70,159,099	33,020,883
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	287,282,306	2,409,408	690,829
– One year to less than five years	32,474,807	493,586	295,405
– Five years and above	2,895,022	357,517	363,386
	322,652,135	3,260,511	1,349,620
Interest rate related contracts:			
– Less than one year	80,323,763	1,209,318	638,948
– One year to less than five years	192,871,756	5,591,544	3,777,488
– Five years and above	71,574,767	992,323	1,253,145
	344,770,286	7,793,185	5,669,581
Equity and commodity related contracts:			
– Less than one year	7,127,130	218,094	136,698
– One year to less than five years	2,377,639	672,088	327,610
– Five years and above	27,063	-	-
	9,531,832	890,182	464,308
Credit related contracts:			
– Less than one year	50,000	-	-
Total treasury-related commitments and contingencies	677,004,253	11,943,878	7,483,509
Total commitments and contingencies	872,955,128	82,102,977	40,504,392

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.

Notes to the Financial Statements

31 December 2018

56. COMMITMENTS AND CONTINGENCIES (CONT'D.)

- (a) In the normal course of business, the Group and the Bank make various commitments and incur 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 Group and of the Bank are as follows (cont'd.):

Group 2017	Full commitment RM'000	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	12,970,421	12,064,534	6,552,472
Certain transaction-related contingent items	18,427,282	9,348,060	6,086,500
Short-term self-liquidating trade-related contingencies	6,029,951	1,107,435	694,977
	37,427,654	22,520,029	13,333,949
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	102,342,408	20,083,466	10,313,630
– Maturity exceeding one year	37,907,505	26,263,062	12,565,526
	140,249,913	46,346,528	22,879,156
Miscellaneous commitments and contingencies	12,098,705	412,246	180,312
Total credit-related commitments and contingencies	189,776,272	69,278,803	36,393,417
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	281,135,919	4,013,251	1,058,177
– One year to less than five years	30,150,396	1,450,112	1,176,205
– Five years and above	4,084,188	89,195	48,174
	315,370,503	5,552,558	2,282,556
Interest rate related contracts:			
– Less than one year	77,147,663	434,138	193,277
– One year to less than five years	163,085,655	4,039,064	1,659,736
– Five years and above	56,135,013	1,867,117	1,613,596
	296,368,331	6,340,319	3,466,609
Equity and commodity related contracts:			
– Less than one year	5,631,415	10,492	3,792
– One year to less than five years	4,193,817	10,944	1,976
– Five years and above	33,663	–	–
	9,858,895	21,436	5,768
Total treasury-related commitments and contingencies	621,597,729	11,914,313	5,754,933
Total commitments and contingencies	811,374,001	81,193,116	42,148,350

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.



56. COMMITMENTS AND CONTINGENCIES (CONT'D.)

- (a) In the normal course of business, the Group and the Bank make various commitments and incur 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 Group and of the Bank are as follows (cont'd.):

Bank 2018	Full commitment RM'000	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	8,923,891	8,308,592	4,103,156
Certain transaction-related contingent items	13,406,870	6,456,096	3,815,720
Short-term self-liquidating trade-related contingencies	4,382,002	660,908	355,990
	26,712,763	15,425,596	8,274,866
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	76,917,938	8,653,953	4,522,825
– Maturity exceeding one year	16,466,024	19,622,244	8,697,626
	93,383,962	28,276,197	13,220,451
Miscellaneous commitments and contingencies	7,281,538	3,207,675	355,374
Total credit-related commitments and contingencies	127,378,263	46,909,468	21,850,691
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	279,483,984	2,364,015	562,348
– One year to less than five years	31,402,000	433,705	264,475
– Five years and above	2,895,022	331,951	348,215
	313,781,006	3,129,671	1,175,038
Interest rate related contracts:			
– Less than one year	78,303,166	833,030	550,428
– One year to less than five years	181,037,946	4,044,624	2,745,023
– Five years and above	71,694,423	835,447	1,091,735
	331,035,535	5,713,101	4,387,186
Equity and commodity related contracts:			
– Less than one year	5,538,336	110,116	102,339
– One year to less than five years	2,377,639	672,088	327,610
	7,915,975	782,204	429,949
Credit related contracts:			
– Less than one year	50,000	–	–
Total treasury-related commitments and contingencies	652,782,516	9,624,976	5,992,173
Total commitments and contingencies	780,160,779	56,534,444	27,842,864

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.

Notes to the Financial Statements

31 December 2018

56. COMMITMENTS AND CONTINGENCIES (CONT'D.)

- (a) In the normal course of business, the Group and the Bank make various commitments and incur 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 Group and of the Bank are as follows (cont'd.):

Bank 2017	Full commitment RM'000	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	10,665,916	10,373,876	5,071,621
Certain transaction-related contingent items	14,618,417	7,207,090	4,429,669
Short-term self-liquidating trade-related contingencies	5,600,847	937,807	548,026
	30,885,180	18,518,773	10,049,316
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	79,885,420	14,787,173	6,948,719
– Maturity exceeding one year	30,199,078	23,168,096	10,967,370
	110,084,498	37,955,269	17,916,089
Miscellaneous commitments and contingencies	9,798,574	411,803	180,312
Total credit-related commitments and contingencies	150,768,252	56,885,845	28,145,717
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	273,366,420	3,815,458	991,438
– One year to less than five years	30,556,992	1,366,385	1,118,455
– Five years and above	4,084,188	243	125
	308,007,600	5,182,086	2,110,018
Interest rate related contracts:			
– Less than one year	75,797,820	296,628	148,788
– One year to less than five years	163,096,687	3,484,049	1,374,343
– Five years and above	55,929,064	1,879,885	1,610,746
	294,823,571	5,660,562	3,133,877
Equity and commodity related contracts:			
– Less than one year	3,649,780	10,492	3,792
– One year to less than five years	4,192,152	10,944	1,976
	7,841,932	21,436	5,768
Total treasury-related commitments and contingencies	610,673,103	10,864,084	5,249,663
Total commitments and contingencies	761,441,355	67,749,929	33,395,380

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.



56. COMMITMENTS AND CONTINGENCIES (CONT'D.)

- (a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).
- (i) The Group's and the Bank's derivative financial instruments are subject to market, credit and liquidity risks, as follows:
- Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange rates, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amount at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions;
 - Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. As at 31 December 2018, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM6,963.5 million (2017: RM6,704.7 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices; and
 - Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.
- (ii) During the financial year ended 31 December 2018, the Group and the Bank have entered into a new credit derivative financial contract – credit default swap.
- (iii) Other than as disclosed in Note (ii) above, there have been no changes since the end of the previous financial year in respect of the following:
- The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
 - The risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
 - The related accounting policies.
- (b) Arising from the recourse obligation on loans and financing sold to Cagamas Berhad as disclosed in Note 30, the Group and the Bank are contingently liable in respect of loans and financing sold to Cagamas Berhad on the condition that they undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

(c) Contingent liabilities

There is no material contingent liabilities during the financial year ended 31 December 2018.

(d) Operating lease commitments

The Group and the Bank as a lessee

The Group and the Bank lease a number of premises and equipments under operating leases.

The future minimum lease payments under these non-cancellable operating leases are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	65,173	23,991	20,528	12,294
Between one and five years	578,765	510,094	148,175	210,751
More than 5 years	291,618	494,880	56,544	49,758
	935,556	1,028,965	225,247	272,803

The Group as a lessor

The Group leases out its properties including investment properties under operating leases with the term of the leases ranging up to 3 years.

The future minimum lease payments under these non-cancellable operating leases are as follows:

	Group	
	2018 RM'000	2017 RM'000
Within one year	24,677	20,937
Between one and five years	21,997	13,428
	46,674	34,365

57. FINANCIAL RISK MANAGEMENT POLICIES

(a) Financial risk management overview

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are business sectors and support sectors. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Group.

The Management-level Risk Management Committees, which include the Group Executive Risk Committee, Group Operational Risk Management Committee, Group Asset and Liability Management Committee ("Group ALCO") and Group Management Credit Committee, are responsible for the management of all material risks within the Group.

The Group's approach to risk management is premised on the following Seven Principles of Risk Management:

- (i) Establishment of a risk appetite and strategy which articulates the nature, type and level of risk the Group is willing to assume and must be approved by the Board.
- (ii) Capital management driven by the Group's strategic objectives and accounts for the relevant regulatory, economic and commercial environments in which the Group operates.
- (iii) Proper governance and oversight through a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility established within the Group.
- (iv) Promotion of a strong risk culture which supports and provides appropriate standards and incentives for professional and responsible behaviour.
- (v) Implementation of risk frameworks and policies to ensure that risk management practices and processes are effective at all levels.
- (vi) Execution of sound risk management processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group.
- (vii) Ensure sufficient resources and systems infrastructure are in place to enable effective risk management.

(b) Impairment assessment (*Policy applicable from 1 January 2018*)

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of significant accounting policies.

- The Group's definition and assessment of default and cure (Note 57(b)(i)).
- An explanation of the Group's internal grading system (Note 57(e)(5)).
- How the Group defines, calculates and monitors the probability of default, exposure at default and loss given default (Note 57(e)(1)).
- When the Group considers there has been a significant increase in credit risk of an exposure (Note 57(b)(ii)).
- The Group's policy of segmenting financial assets where ECL is assessed on a collective basis (Note 57(b)(iii)).
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note 2.3(v)(d)).

(i) Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when:

- Principal or interest/profit or both are past due for more than 90 days; or
- Account less than 90 days past due which exhibit indications of credit weaknesses; or
- Impaired loans, advances and financing have been rescheduled and restructured, the loans, advances and financing will continue to be classified as impaired until repayments based on rescheduled or restructured terms have been observed continuously for a period of six (6) months; or
- Default occurs for repayments scheduled on intervals of three (3) months or longer.

The Group considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- significant deterioration in borrower's credit rating from initial recognition or last reviewed date
- breach of covenant not waived by the Group
- borrower is insolvent
- it is becoming probable that the borrower will enter bankruptcy
- debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Impairment assessment (Policy applicable from 1 January 2018) (cont'd.)

(i) Definition of default and cure (cont'd.)

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated indicators at the time of the cure, and the asset no longer showing significant increase in credit risk compared to initial recognition.

(ii) Significant increase in credit risk

The Group continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that events explained in Note 57(b)(i) are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly.

When estimating ECL on a collective basis for a group of similar assets (as set out in Note 57(b)(iii)), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

(iii) Grouping financial assets measured on a collective basis

As explained in Note 2.3(v)(d)(ii), depending on the factors below, the Group and the Bank calculate ECL either on a collective or an individual basis.

Financial assets subject to ECL that have been assessed individually but for which no impairment is required and all individually insignificant exposure are then assessed collectively, in groups of assets with similar credit risk characteristics.

The Group and the Bank group these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

(c) Analysis of inputs to the ECL model under multiple economic scenarios (Policy applicable from 1 January 2018)

An overview of the approach to estimating ECLs is set out in Note 2.3 *Summary of significant accounting policies* and in Note 3 *Significant accounting judgements, estimates and assumptions*. To ensure completeness and accuracy, the Group and the Bank obtain the data used from Group Economist, Maybank Kim Eng, including determining the weights attributable to the multiple scenarios as at every year end to apply on next financial year's ECL computation.

The following table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2018. The figures for "Subsequent years" represent a long-term average and the same are applied for each scenario.

31 December 2018

Key Variables	ECL Scenario	Assigned Probabilities (%)	2018	2019	2020	2021	2022	Subsequent years
Real GDP (%)	Base case	80	5.3	5.1	5.0	5.0	5.0	5.0
	Upside	10	5.6	5.4	5.3	5.3	5.3	5.3
	Downside	10	5.0	4.8	4.7	4.7	4.7	4.7
Property Price Index (%)	Base case	80	5.0	4.0	3.0	3.0	3.0	3.0
	Upside	10	5.3	4.2	3.2	3.2	3.2	3.2
	Downside	10	4.7	3.8	2.8	2.8	2.8	2.8
Overnight Policy Rate (%)	Base case	80	3.3	3.5	3.5	3.5	3.5	3.5
	Upside	10	3.3	3.5	3.5	3.5	3.5	3.5
	Downside	10	3.0	3.3	3.3	3.3	3.3	3.3
Unemployment Rate (%)	Base case	80	3.3	3.3	3.2	3.2	3.1	3.1
	Upside	10	3.1	3.1	3.0	3.0	2.9	2.9
	Downside	10	3.5	3.5	3.4	3.4	3.3	3.3

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instrument by category

Group 2018	Fair value through profit or loss RM'000	Designated at fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised cost RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets							
Cash and short-term funds	-	-	-	55,025,127	55,025,127	-	55,025,127
Deposits and placements with financial institutions	-	-	-	12,502,877	12,502,877	-	12,502,877
Financial assets purchased under resale agreements	-	-	-	4,030,245	4,030,245	-	4,030,245
Financial investments portfolio	14,252,900	15,716,038	120,913,888	27,069,261	177,952,087	-	177,952,087
Loans, advances and financing to financial institutions	-	-	-	1,576,199	1,576,199	-	1,576,199
Loans, advances and financing to customers	396,950	-	8,968,438	496,142,232	505,507,620	-	505,507,620
Derivative assets	6,963,521	-	-	-	6,963,521	-	6,963,521
Reinsurance/retakaful assets and other insurance receivables	-	-	-	514,778	514,778	3,285,269	3,800,047
Other assets	-	-	-	7,825,402	7,825,402	2,047,938	9,873,340
Investment properties	-	-	-	-	-	895,769	895,769
Statutory deposits with central banks	-	-	-	16,264,849	16,264,849	-	16,264,849
Interest in associates and joint ventures	-	-	-	-	-	2,300,299	2,300,299
Property, plant and equipment	-	-	-	-	-	2,495,825	2,495,825
Intangible assets	-	-	-	-	-	6,718,327	6,718,327
Deferred tax assets	-	-	-	-	-	1,085,549	1,085,549
Total assets	21,613,371	15,716,038	129,882,326	620,950,970	788,162,705	18,828,976	806,991,681

Group 2018	Fair value through profit or loss RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities						
Customers' funding:						
- Deposits from customers	-	-	532,732,623	532,732,623	-	532,732,623
- Investment accounts of customers*	-	-	23,565,061	23,565,061	-	23,565,061
Deposits and placements from financial institutions	-	-	43,850,577	43,850,577	-	43,850,577
Obligations on financial assets sold under repurchase agreements	-	-	13,797,993	13,797,993	-	13,797,993
Derivative liabilities [^]	7,975,784	-	-	7,975,784	-	7,975,784
Financial liabilities at fair value through profit or loss	-	8,892,691	-	8,892,691	-	8,892,691
Bills and acceptances payable	-	-	1,508,658	1,508,658	-	1,508,658
Insurance/takaful contract liabilities and other insurance payables	-	-	676,441	676,441	26,176,661	26,853,102
Other liabilities	-	-	15,580,470	15,580,470	6,208,201	21,788,671
Recourse obligation on loans and financing sold to Cagamas	-	-	1,547,272	1,547,272	-	1,547,272
Provision for taxation and zakat	-	-	-	-	395,792	395,792
Deferred tax liabilities	-	-	-	-	497,966	497,966
Borrowings	-	-	31,600,197	31,600,197	-	31,600,197
Subordinated obligations	-	-	10,717,005	10,717,005	-	10,717,005
Capital securities	-	-	3,531,029	3,531,029	-	3,531,029
Total liabilities	7,975,784	8,892,691	679,107,326	695,975,801	33,278,620	729,254,421

* Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

[^] Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to fair value hedge disclosed in Note 16.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instrument by category (cont'd.)

Group 2017	Held-for- trading RM'000	Designated at fair value through profit or loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	50,334,290	50,334,290	-	50,334,290
Deposits and placements with financial institutions	-	-	-	-	16,988,391	16,988,391	-	16,988,391
Financial assets purchased under resale agreements	-	-	-	-	8,514,283	8,514,283	-	8,514,283
Financial investments portfolio	11,930,366	13,187,127	109,070,244	20,184,773	-	154,372,510	-	154,372,510
Loans, advances and financing to financial institutions	-	-	-	-	2,026,276	2,026,276	-	2,026,276
Loans, advances and financing to customers	-	-	-	-	483,558,086	483,558,086	-	483,558,086
Derivative assets	6,704,651	-	-	-	-	6,704,651	-	6,704,651
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	711,317	711,317	3,222,455	3,933,772
Other assets	-	-	-	-	7,588,054	7,588,054	2,110,086	9,698,140
Investment properties	-	-	-	-	-	-	753,555	753,555
Statutory deposits with central banks	-	-	-	-	15,397,213	15,397,213	-	15,397,213
Interest in associates and joint ventures	-	-	-	-	-	-	2,772,324	2,772,324
Property, plant and equipment	-	-	-	-	-	-	2,635,018	2,635,018
Intangible assets	-	-	-	-	-	-	6,753,939	6,753,939
Deferred tax assets	-	-	-	-	-	-	859,318	859,318
Total assets	18,635,017	13,187,127	109,070,244	20,184,773	585,117,910	746,195,071	19,106,695	765,301,766

Group 2017	Held-for- trading RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Customers' funding:						
- Deposits from customers	-	-	502,017,445	502,017,445	-	502,017,445
- Investment accounts of customers*	-	-	24,555,445	24,555,445	-	24,555,445
Deposits and placements from financial institutions	-	-	42,598,131	42,598,131	-	42,598,131
Obligations on financial assets sold under repurchase agreements	-	-	5,367,086	5,367,086	-	5,367,086
Derivative liabilities^	7,221,015	-	-	7,221,015	-	7,221,015
Financial liabilities at fair value through profit or loss	-	6,375,815	-	6,375,815	-	6,375,815
Bills and acceptances payable	-	-	1,894,046	1,894,046	-	1,894,046
Insurance/takaful contract liabilities and other insurance payables	-	-	541,275	541,275	24,577,568	25,118,843
Other liabilities	-	-	15,456,842	15,456,842	3,722,298	19,179,140
Recourse obligation on loans and financing sold to Cagamas	-	-	1,543,501	1,543,501	-	1,543,501
Provision for taxation and zakat	-	-	-	-	746,494	746,494
Deferred tax liabilities	-	-	-	-	732,079	732,079
Borrowings	-	-	34,505,618	34,505,618	-	34,505,618
Subordinated obligations	-	-	11,979,323	11,979,323	-	11,979,323
Capital securities	-	-	6,284,180	6,284,180	-	6,284,180
Total liabilities	7,221,015	6,375,815	646,742,892	660,339,722	29,778,439	690,118,161

* Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

^ Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to fair value hedge disclosed in Note 16.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instrument by category (cont'd.)

Bank 2018	Fair value through profit or loss RM'000	Designated at fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised cost RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets							
Cash and short-term funds	-	-	-	26,945,152	26,945,152	-	26,945,152
Deposits and placements with financial institutions	-	-	-	23,410,133	23,410,133	-	23,410,133
Financial assets purchased under resale agreements	-	-	-	3,763,284	3,763,284	-	3,763,284
Financial investments portfolio	8,914,167	-	89,582,837	22,857,070	121,354,074	-	121,354,074
Loans, advances and financing to financial institutions	-	-	-	17,052,024	17,052,024	-	17,052,024
Loans, advances and financing to customers	396,950	-	8,680,217	204,237,601	213,314,768	-	213,314,768
Derivative assets	6,799,063	-	-	-	6,799,063	-	6,799,063
Other assets	-	-	-	4,985,214	4,985,214	282,071	5,267,285
Statutory deposits with central banks	-	-	-	5,041,560	5,041,560	-	5,041,560
Investment in subsidiaries	-	-	-	-	-	31,446,456	31,446,456
Interest in associates and joint ventures	-	-	-	-	-	472,016	472,016
Property, plant and equipment	-	-	-	-	-	1,041,432	1,041,432
Intangible assets	-	-	-	-	-	360,865	360,865
Deferred tax assets	-	-	-	-	-	345,186	345,186
Total assets	16,110,180	-	98,263,054	308,292,038	422,665,272	33,948,026	456,613,298

Bank 2018	Fair value through profit or loss RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities						
Deposits from customers	-	-	255,160,315	255,160,315	-	255,160,315
Deposits and placements from financial institutions	-	-	52,940,747	52,940,747	-	52,940,747
Obligations on financial assets sold under repurchase agreements	-	-	21,266,302	21,266,302	-	21,266,302
Derivative liabilities [^]	7,439,049	-	-	7,439,049	-	7,439,049
Financial liabilities at fair value through profit or loss	-	8,507,004	-	8,507,004	-	8,507,004
Bills and acceptances payable	-	-	612,967	612,967	-	612,967
Other liabilities	-	-	5,492,089	5,492,089	1,848,972	7,341,061
Recourse obligation on loans and financing sold to Cagamas	-	-	1,547,272	1,547,272	-	1,547,272
Provision for taxation and zakat	-	-	-	-	79,815	79,815
Borrowings	-	-	23,441,160	23,441,160	-	23,441,160
Subordinated obligations	-	-	9,157,310	9,157,310	-	9,157,310
Capital securities	-	-	3,531,029	3,531,029	-	3,531,029
Total liabilities	7,439,049	8,507,004	373,149,191	389,095,244	1,928,787	391,024,031

[^] Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to fair value hedge disclosed in Note 16.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instrument by category (cont'd.)

Bank 2017	Held-for- trading RM'000	Designated at fair value through profit or loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	30,714,527	30,714,527	-	30,714,527
Deposits and placements with financial institutions	-	-	-	-	21,382,493	21,382,493	-	21,382,493
Financial assets purchased under resale agreements	-	-	-	-	7,633,503	7,633,503	-	7,633,503
Financial investments portfolio	7,896,677	-	89,286,739	17,763,565	-	114,946,981	-	114,946,981
Loans, advances and financing to financial institutions	-	-	-	-	18,614,231	18,614,231	-	18,614,231
Loans, advances and financing to customers	-	-	-	-	272,383,738	272,383,738	-	272,383,738
Derivative assets	6,865,221	-	-	-	-	6,865,221	-	6,865,221
Other assets	-	-	-	-	4,207,727	4,207,727	593,670	4,801,397
Statutory deposits with central banks	-	-	-	-	7,746,700	7,746,700	-	7,746,700
Investment in subsidiaries	-	-	-	-	-	-	22,057,063	22,057,063
Interest in associates and joint ventures	-	-	-	-	-	-	472,016	472,016
Property, plant and equipment	-	-	-	-	-	-	1,165,908	1,165,908
Intangible assets	-	-	-	-	-	-	568,030	568,030
Deferred tax assets	-	-	-	-	-	-	315,013	315,013
Total assets	14,761,898	-	89,286,739	17,763,565	362,682,919	484,495,121	25,171,700	509,666,821

Bank 2017	Held-for- trading RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Deposits from customers	-	-	328,938,600	328,938,600	-	328,938,600
Deposits and placements from financial institutions	-	-	37,645,134	37,645,134	-	37,645,134
Obligations on financial assets sold under repurchase agreements	-	-	5,189,316	5,189,316	-	5,189,316
Derivative liabilities [^]	7,179,998	-	-	7,179,998	-	7,179,998
Financial liabilities at fair value through profit or loss	-	5,483,120	-	5,483,120	-	5,483,120
Bills and acceptances payable	-	-	1,384,983	1,384,983	-	1,384,983
Other liabilities	-	-	15,207,920	15,207,920	1,702,677	16,910,597
Recourse obligation on loans and financing sold to Cagamas	-	-	1,543,501	1,543,501	-	1,543,501
Provision for taxation and zakat	-	-	-	-	385,876	385,876
Borrowings	-	-	27,106,442	27,106,442	-	27,106,442
Subordinated obligations	-	-	9,362,526	9,362,526	-	9,362,526
Capital securities	-	-	6,284,180	6,284,180	-	6,284,180
Total liabilities	7,179,998	5,483,120	432,662,602	445,325,720	2,088,553	447,414,273

[^] Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to fair value hedge disclosed in Note 16.

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management

1. Credit risk management overview

Credit risk definition

Credit risk is the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.

Management of credit risk

Corporate and institutional credit risks are assessed by business units and evaluated and approved by an independent party within the Group, where each customer is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including borrower's/customer's financial position, future cash flows, types of facilities and securities offered.

Reviews are conducted at least once a year with updated information on borrower's/customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when the accounts show signs of credit deterioration.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on credit programmes are conducted at least once a year to assess the performance of the portfolios.

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities. Counterparty credit risk originates from the Group's lending business, investment and treasury activities that impact the Group's trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter ("OTC") derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows.

Counterparty credit risk exposures are managed via counterparty limits either on a single counterparty basis or counterparty group basis that adheres to BNM's Single Counterparty Exposure Limits. The Group actively monitors and manages its exposure to ensure that exposures to a single counterparty or a group of connected counterparties are within prudent limits at all times. Counterparty risk exposures which may be materially affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees.

For counterparty risk exposures (on-balance sheet), the Group employs risk treatments that are in accordance with BNM Guidelines and Basel II requirements. While for off-balance sheet exposures, the Group measures the credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Group's credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM Guidelines and Basel II requirements.

The Group wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Group.

In managing large exposures and to avoid undue concentration of credit risk in its loans and financing portfolio, the Group had emplaced, amongst others, the following limits and related lending guidelines, for:

- Countries;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks and non-bank financial institutions;
- Counterparties; and
- Collaterals.

Reviews of the said limits and related lending guidelines are undertaken on a periodic basis, whereupon any emerging concentration risks are addressed accordingly. Any exception to the limits and lending guidelines would be subject to approvals from higher credit authorities.

The Group has dedicated teams at Head Office and Regional Offices to effectively manage vulnerable corporate, institutional and consumer credits. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to prevent further deterioration or to accelerate remedial action.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. Group Risk is responsible for developing, enhancing and communicating an effective and consistent credit risk management policies, tools and methodologies across the Group to ensure appropriate standards are in place to identify, measure, control, monitor and report such risks.

In view that authority limits are directly related to the risk levels of the borrower and transaction, a Risk-Based Authority Limit structure was implemented based on the Expected Loss ("EL") principles and internally developed Credit Risk Rating System ("CRRS").



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Credit risk measurement

The Group's retail portfolios are under Basel II Advanced Internal Ratings-Based ("AIRB") Approach. This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of Risk-Weighted Assets ("RWA") calculation namely Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at the respective retail portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimates derived from the models are used as input for RWA calculations.

For non-retail portfolios, the Group uses internal credit models for evaluating the majority of its credit risk exposures. For Corporate and Bank portfolios, the Group has adopted the Foundation Internal Ratings-Based ("FIRB") Approach, which allows the Group to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD.

CRRS is developed to allow the Group to identify, assess and measure corporate, commercial and small business borrowers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Group's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL principles employed in the Group enables the calculation of EL using PD estimates (facilitated by the CRRS), LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial borrowers by their respective industry segments (i.e. manufacturing, services, trading, contractors, property developers (single project) and property investors (single property)).

2. Maximum exposure to credit risk

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers/borrowers.

Group	Maximum exposure	
	2018 RM'000	2017 RM'000
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	55,025,127	50,334,290
Deposits and placements with financial institutions	12,502,877	16,988,391
Financial assets purchased under resale agreements	4,030,245	8,514,283
Financial investments portfolio*	172,478,804	148,439,618
Loans, advances and financing to financial institutions	1,576,199	2,026,276
Loans, advances and financing to customers	505,507,620	483,558,086
Derivative assets	6,963,521	6,704,651
Reinsurance/retakaful assets and other insurance receivables	514,778	711,317
Other assets	7,825,402	7,588,054
Statutory deposits with central banks	16,264,849	15,397,213
	782,689,422	740,262,179
Credit exposure for off-balance sheet items:		
Direct credit substitutes	11,317,594	12,970,421
Certain transaction-related contingent items	17,430,332	18,427,282
Short-term self-liquidating trade-related contingencies	5,086,749	6,029,951
Obligations under underwriting agreements	350,106	-
Irrevocable commitments to extend credit	150,064,062	140,249,913
Miscellaneous	11,702,032	12,098,705
	195,950,875	189,776,272
Total maximum credit risk exposure	978,640,297	930,038,451

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments at amortised cost, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. The portfolio excludes quoted and unquoted shares under MFRS 9 classification and quoted shares under MFRS 139 classification.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

2. Maximum exposure to credit risk (cont'd.)

Bank	Maximum exposure	
	2018 RM'000	2017 RM'000
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	26,945,152	30,714,527
Deposits and placements with financial institutions	23,410,133	21,382,493
Financial assets purchased under resale agreements	3,763,284	7,633,503
Financial investments portfolio*	120,351,920	114,607,977
Loans, advances and financing to financial institutions	17,052,024	18,614,231
Loans, advances and financing to customers	213,314,768	272,383,738
Derivative assets	6,799,063	6,865,221
Other assets	4,985,214	4,207,727
Statutory deposits with central banks	5,041,560	7,746,700
	421,663,118	484,156,117
Credit exposure for off-balance sheet items:		
Direct credit substitutes	8,923,891	10,665,916
Certain transaction-related contingent items	13,406,870	14,618,417
Short-term self-liquidating trade-related contingencies	4,382,002	5,600,847
Irrevocable commitments to extend credit	93,383,962	110,084,498
Miscellaneous	7,281,538	9,798,574
	127,378,263	150,768,252
Total maximum credit risk exposure	549,041,381	634,924,369

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments at amortised cost, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. The portfolio excludes quoted and unquoted shares under MFRS 9 classification and quoted shares under MFRS 139 classification.

Credit exposure for on-balance sheet financial assets that are not subject to impairment:

2018	Group RM'000	Bank RM'000
Financial assets at fair value through profit or loss		
– Financial investments [#]	9,218,872	8,212,434
– Loans, advances and financing to customers	396,950	396,950
Financial assets designated at fair value through profit or loss		
– Financial investments [#]	15,626,085	–
	25,241,907	8,609,384

[#] Financial investments excluding quoted and unquoted shares.

The financial effect of collaterals (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing as at 31 December 2018 for the Group is at 63% (31 December 2017: 63%) and the Bank is at 59% (31 December 2017: 63%). The financial effect of collateral held for other financial assets is not significant.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile

Concentration risk is the risk that can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector. The Group analysed the concentration of credit risk by geographic purpose and industry sector as follows:

- (a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows:

Group 2018	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	30,065,880	782,597	-	124,392,808	295,628,735	2,563,843	430,739	5,940,952	8,090,381	467,895,935	117,944,508
Singapore	5,795,225	2,257,466	1,725,603	29,932,018	128,096,654	2,190,481	40,885	227,524	3,683,511	173,949,367	52,696,155
Indonesia	2,736,686	597,061	264,807	5,311,900	38,729,104	251,907	43,154	730,051	2,558,937	51,223,607	1,921,541
Labuan Offshore	2,818	-	-	-	17,481,237	-	-	869	-	17,484,924	-
Hong Kong SAR	4,618,506	198,596	-	6,548,153	8,781,834	871,835	-	(284,974)	-	20,733,950	3,969,100
United States of America	2,902,690	5,494,007	-	979,988	880,943	2,036	-	19,743	-	10,279,407	1,721,225
People's Republic of China	1,673,189	601,466	-	507,123	3,970,131	1,032,778	-	235,811	-	8,020,498	5,346,512
Vietnam	396,150	26,584	-	-	1,032,010	323	-	1,831	44,267	1,501,165	1,194,486
United Kingdom	1,048,906	107,817	-	410,610	1,612,008	2,402	-	153,504	-	3,335,247	1,496,348
Philippines	1,537,029	1,399,692	-	1,486,232	5,957,144	46,902	-	263,405	1,149,098	11,839,502	4,153,873
Brunei	177,063	-	-	30,909	597,245	-	-	20	-	805,237	265,197
Cambodia	1,200,477	142,175	-	-	2,352,711	1	-	(167)	564,973	4,260,170	795,337
Thailand	105,477	8,219	-	433,349	1,560,831	9	-	462,439	-	2,570,324	95,682
Laos	97,313	41,946	-	-	107,450	-	-	2,089	6,679	255,477	7,013
India	956	-	-	-	-	-	-	1,429	-	2,385	16,204
Others	2,666,762	845,251	2,039,835	2,445,714	295,782	1,004	-	70,876	167,003	8,532,227	4,327,694
	55,025,127	12,502,877	4,030,245	172,478,804	507,083,819	6,963,521	514,778	7,825,402	16,264,849	782,689,422	195,950,875

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Group 2017	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio^ RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	26,585,108	2,562,324	-	106,898,454	284,754,428	3,560,461	581,522	4,029,855	7,069,370	436,041,522	117,918,567
Singapore	4,112,611	4,620,647	7,633,506	19,051,616	122,790,709	527,585	43,263	315,916	3,635,712	162,731,565	45,956,214
Indonesia	2,492,214	200,448	476,499	6,991,198	38,318,562	56,347	85,847	833,810	2,728,919	52,183,844	2,526,779
Labuan Offshore	365	-	-	55,107	14,213,613	3	-	329,004	-	14,598,092	78,694
Hong Kong SAR	5,325,636	2,218,776	-	8,779,923	7,614,672	531,727	-	326,883	-	24,797,617	3,682,442
United States of America	2,258,930	4,300,872	-	1,388,580	800,909	17,622	-	47,903	-	8,814,816	1,848,672
People's Republic of China	1,455,553	429,563	-	1,709,284	4,038,448	955,283	-	121,178	-	8,709,309	6,079,806
Vietnam	444,866	5,378	-	9,226	834,459	69	-	354,289	113,327	1,761,614	990,946
United Kingdom	571,868	91,817	-	367,530	1,667,590	871,106	-	220,944	-	3,790,855	1,895,693
Philippines	1,168,721	456,139	401,739	946,088	5,747,122	8,967	-	211,341	1,231,862	10,171,979	2,244,685
Brunei	152,510	-	-	48,028	644,542	20	685	13	-	845,798	206,584
Cambodia	288,102	694,171	-	-	2,182,505	3	-	-	447,627	3,612,408	608,068
Bahrain	537	-	-	-	113,363	-	-	-	-	113,900	246,984
Thailand	79,760	3,159	-	406,803	1,483,931	1,350	-	588,840	-	2,563,843	119,353
India	55,502	4,985	2,539	439,366	-	-	-	35,175	-	537,567	1,263,798
Others	5,342,007	1,400,112	-	1,348,415	379,509	174,108	-	172,903	170,396	8,987,450	4,108,987
	50,334,290	16,988,391	8,514,283	148,439,618	485,584,362	6,704,651	711,317	7,588,054	15,397,213	740,262,179	189,776,272

^ Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Bank 2018	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	8,029,102	13,405,284	-	91,058,425	137,940,720	2,630,698	5,017,044	3,885,277	261,966,550	80,062,809
Singapore	5,369,904	861,830	1,723,449	19,034,355	58,140,610	2,260,831	78,494	938,334	88,407,807	29,662,429
Indonesia	177,905	567,821	-	867,062	-	-	-	-	1,612,788	69,706
Labuan Offshore	2,816	-	-	-	17,481,237	-	973	-	17,485,026	-
Hong Kong SAR	4,558,410	198,596	-	6,343,839	8,543,555	871,770	(337,666)	-	20,178,504	3,852,474
United States of America	2,595,588	5,494,007	-	778,231	880,943	2,036	(3,461)	-	9,747,344	1,694,357
People's Republic of China	1,673,189	601,466	-	490,555	3,970,131	1,032,694	235,797	-	8,003,832	5,210,922
Vietnam	358,139	-	-	-	797,155	323	(9,550)	44,267	1,190,334	1,176,203
United Kingdom	1,001,986	107,817	-	281,991	1,611,964	711	406	-	3,004,875	1,485,822
Philippines	388,332	1,289,612	-	39,619	-	-	-	-	1,717,563	81,029
Brunei	177,063	-	-	30,909	597,245	-	20	-	805,237	231,827
Cambodia	15,510	-	-	-	-	-	-	-	15,510	153,159
Thailand	56,516	-	-	63,264	-	-	-	-	119,780	40,458
Laos	97,313	41,946	-	-	107,450	-	2,089	6,679	255,477	7,013
India	227	-	-	-	-	-	-	-	227	-
Others	2,443,152	841,754	2,039,835	1,363,670	295,782	-	1,068	167,003	7,152,264	3,650,055
	26,945,152	23,410,133	3,763,284	120,351,920	230,366,792	6,799,063	4,985,214	5,041,560	421,663,118	127,378,263

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Bank 2017	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio [^] RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	10,130,929	7,923,886	-	82,624,979	139,999,199	3,834,737	3,296,793	3,827,265	251,637,788	83,904,983
Singapore	3,962,754	4,470,317	7,633,503	18,494,956	121,253,828	514,272	242,750	3,635,712	160,208,092	45,932,762
Indonesia	370,622	181,967	-	283,168	-	3,929	-	-	839,686	213,846
Labuan Offshore	363	-	-	-	14,213,613	3	158,186	-	14,372,165	78,694
Hong Kong SAR	5,298,635	2,218,776	-	8,667,128	7,314,211	531,584	21,572	-	24,051,906	3,681,634
United States of America	2,222,352	4,300,872	-	1,196,260	800,909	17,622	1,859	-	8,539,874	1,848,315
People's Republic of China	1,455,553	429,563	-	1,593,290	4,038,448	955,283	120,943	-	8,593,080	6,079,806
Vietnam	393,368	-	-	9,226	612,173	69	330,376	113,327	1,458,539	988,161
United Kingdom	524,390	91,817	-	271,947	1,667,540	834,392	33,188	-	3,423,274	1,886,252
Philippines	759,902	364,581	-	114,286	-	1,259	-	-	1,240,028	161,115
Brunei	152,510	-	-	48,028	644,542	20	13	-	845,113	206,584
Cambodia	19,556	-	-	-	-	-	-	-	19,556	96,784
Bahrain	537	-	-	-	113,363	-	-	-	113,900	246,984
Thailand	30,698	-	-	75,580	-	-	-	-	106,278	92,918
India	53,081	602	-	-	-	-	-	-	53,683	1,240,427
Others	5,339,277	1,400,112	-	1,229,129	340,143	172,051	2,047	170,396	8,653,155	4,108,987
	30,714,527	21,382,493	7,633,503	114,607,977	290,997,969	6,865,221	4,207,727	7,746,700	484,156,117	150,768,252

[^] Financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows:

Group 2018	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	786,193	9,857,633	211,869	-	-	-	10,855,695	1,357,122
Mining and quarrying	-	-	-	574,832	7,454,603	-	-	-	-	8,029,435	2,131,421
Manufacturing	-	-	-	3,226,868	31,524,342	95,069	-	-	-	34,846,279	10,436,548
Construction	-	-	-	3,776,699	28,816,451	24,904	-	-	-	32,618,054	17,869,516
Electricity, gas and water supply	-	-	-	6,297,054	9,939,440	25,282	-	39	-	16,261,815	718,651
Wholesale, retail trade, restaurants and hotels	-	-	-	2,230,648	45,368,083	44,303	-	7,189	-	47,650,223	27,207,647
Finance, insurance, real estate and business	55,024,768	12,502,877	4,030,245	93,255,138	116,460,535	5,419,221	514,778	6,679,879	16,264,849	310,152,290	73,973,006
Transport, storage and communication	-	-	-	8,363,264	15,474,002	102,250	-	181	-	23,939,697	2,479,051
Education, health and others	-	-	-	554,316	11,456,414	2,083	-	1	-	12,012,814	492,869
Household	-	-	-	148,914	204,793,421	-	-	391,572	-	205,333,907	50,384,895
Others	359	-	-	53,264,878	25,938,895	1,038,540	-	746,541	-	80,989,213	8,900,149
	55,025,127	12,502,877	4,030,245	172,478,804	507,083,819	6,963,521	514,778	7,825,402	16,264,849	782,689,422	195,950,875

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Group 2017	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio [^] RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	869,939	9,908,387	11,780	-	-	-	10,790,106	1,036,750
Mining and quarrying	-	-	-	632,155	5,427,444	-	-	-	-	6,059,599	1,359,453
Manufacturing	-	-	-	230,201	30,237,828	478,109	-	-	-	30,946,138	9,780,850
Construction	-	-	-	3,526,543	47,742,244	20,628	-	-	-	51,289,415	17,303,882
Electricity, gas and water supply	-	-	-	6,596,996	10,715,173	25,908	-	74	-	17,338,151	1,578,786
Wholesale, retail trade, restaurants and hotels	-	-	-	1,064,696	43,939,750	17,733	-	262,761	-	45,284,940	27,578,961
Finance, insurance, real estate and business	49,932,599	16,988,391	8,514,283	101,697,798	66,468,786	4,466,617	711,317	5,688,401	15,397,213	269,865,405	63,862,004
Transport, storage and communication	-	-	-	4,268,343	17,715,545	9,185	-	180	-	21,993,253	2,543,293
Education, health and others	-	-	-	378,641	8,990,098	2	-	-	-	9,368,741	3,010,687
Household	-	-	-	-	215,757,454	20,159	-	776,582	-	216,554,195	45,251,527
Others	401,691	-	-	29,174,306	28,681,653	1,654,530	-	860,056	-	60,772,236	16,470,079
	50,334,290	16,988,391	8,514,283	148,439,618	485,584,362	6,704,651	711,317	7,588,054	15,397,213	740,262,179	189,776,272

[^] Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank 2018	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	258,032	4,895,127	207,849	-	-	5,361,008	937,069
Mining and quarrying	-	-	-	528,229	5,401,080	-	-	-	5,929,309	1,776,130
Manufacturing	-	-	-	101,629	15,205,570	90,934	-	-	15,398,133	8,465,062
Construction	-	-	-	3,423,268	15,029,180	24,899	-	-	18,477,347	12,694,547
Electricity, gas and water supply	-	-	-	3,256,826	7,267,044	217	-	-	10,524,087	587,877
Wholesale, retail trade, restaurants and hotels	-	-	-	637,470	23,716,471	43,221	-	-	24,397,162	21,189,190
Finance, insurance, real estate and business	26,945,152	23,410,133	3,763,284	80,517,829	80,095,538	5,350,478	4,985,214	5,041,560	230,109,188	49,006,698
Transport, storage and communication	-	-	-	4,580,672	10,439,420	102,249	-	-	15,122,341	1,510,432
Education, health and others	-	-	-	524,653	3,213,562	-	-	-	3,738,215	361,702
Household	-	-	-	-	62,713,672	-	-	-	62,713,672	26,015,446
Others	-	-	-	26,523,312	2,390,128	979,216	-	-	29,892,656	4,834,110
	26,945,152	23,410,133	3,763,284	120,351,920	230,366,792	6,799,063	4,985,214	5,041,560	421,663,118	127,378,263

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Bank 2017	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio [^] RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	711,635	4,296,204	4,841	-	-	5,012,680	774,373
Mining and quarrying	-	-	-	592,830	3,935,894	-	-	-	4,528,724	932,301
Manufacturing	-	-	-	230,201	16,215,956	476,725	-	-	16,922,882	8,099,976
Construction	-	-	-	3,266,376	36,449,121	20,628	-	-	39,736,125	13,421,834
Electricity, gas and water supply	-	-	-	3,466,794	7,913,991	379	-	-	11,381,164	1,376,310
Wholesale, retail trade, restaurants and hotels	-	-	-	740,375	28,003,517	16,998	255,412	-	29,016,302	26,394,121
Finance, insurance, real estate and business	30,312,836	21,382,493	7,633,503	84,062,723	61,897,920	4,702,177	3,952,315	7,746,700	221,690,667	45,521,010
Transport, storage and communication	-	-	-	4,035,776	12,420,090	9,185	-	-	16,465,051	2,330,052
Education, health and others	-	-	-	378,641	6,975,728	2	-	-	7,354,371	2,779,504
Household	-	-	-	-	110,113,407	20,159	-	-	110,133,566	37,117,965
Others	401,691	-	-	17,122,626	2,776,141	1,614,127	-	-	21,914,585	12,020,806
	30,714,527	21,382,493	7,633,503	114,607,977	290,997,969	6,865,221	4,207,727	7,746,700	484,156,117	150,768,252

[^] Financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

4. Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- For mortgages – charges over residential properties;
- For auto loans and financing – ownership claims over the vehicles financed;
- For share margin financing – pledges over securities from listed exchanges;
- For commercial property loans and financing – charges over the properties financed;
- For other loans and financing – charges over business assets such as premises, inventories, trade receivables or deposits; and
- For derivatives – cash and securities collateral for over-the-counter (“OTC”) traded derivatives.

5. Credit quality of financial assets

Credit classification for financial assets

The four (4) risk categories for non-retail and retail exposures are as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Group's lending. These classifications encompass a range of more granular, internal gradings assigned to loans, advances and financing whilst external gradings are applied to financial investments. There is no direct correlation between the internal and external ratings at a granular level, except to the extent that each falls within a single credit quality band.

Risk Category (Non-Retail)	Probability of default (“PD”) grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	BBB+ to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk Category (Retail)	Probability of default (“PD”) grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 2	AAA to BBB-	AAA to A
Low	3 – 5	BB+ to BB-	A to BBB
Medium	6 – 8	B+ to CCC	BB to B
High	9 – 11	CCC to C	B to C

Risk category is as described below:

- Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
 Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
 Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
 High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

- Impaired/default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.3(v)(d).
 Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.
 Sovereign : Refer to obligors which are governments and/or government-related agencies.

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount.

Financial investments – at FVOCI

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
Group				
Very Low	90,249,856	384,179	–	90,634,035
Low	18,679,441	30,333	–	18,709,774
Medium	2,360,398	86,057	–	2,446,455
High	268,355	–	–	268,355
Unrated	7,935,095	274,434	–	8,209,529
Impaired	–	–	296,438	296,438
Carrying amount – fair value	119,493,145	775,003	296,438	120,564,586
Expected credit loss	(28,066)	(1,579)	(183,330)	(212,975)
Bank				
Very Low	67,243,256	384,179	–	67,627,435
Low	17,627,756	–	–	17,627,756
Medium	1,987,064	86,057	–	2,073,121
High	259,034	–	–	259,034
Unrated	1,439,903	–	–	1,439,903
Impaired	–	–	255,167	255,167
Carrying amount – fair value	88,557,013	470,236	255,167	89,282,416
Expected credit loss	(21,652)	(1,828)	(125,518)	(148,998)

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount (cont'd.).

Financial investments – at amortised cost

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
Group				
Very Low	13,954,104	-	-	13,954,104
Low	8,632,008	1,564,969	-	10,196,977
Medium	1,905,591	555,974	-	2,461,565
High	24,675	-	-	24,675
Unrated	363,908	-	-	363,908
Impaired	-	-	184,930	184,930
	24,880,286	2,120,943	184,930	27,186,159
Less:				
Expected credit loss	(19,469)	(42,189)	(55,240)	(116,898)
Net carrying amount	24,860,817	2,078,754	129,690	27,069,261
Bank				
Very Low	10,817,086	-	-	10,817,086
Low	10,987,881	121,434	-	11,109,315
Medium	264,380	555,974	-	820,354
High	24,675	-	-	24,675
Impaired	-	-	184,930	184,930
	22,094,022	677,408	184,930	22,956,360
Less:				
Expected credit loss	(11,316)	(32,734)	(55,240)	(99,290)
Net Carrying amount	22,082,706	644,674	129,690	22,857,070

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount (cont'd.).

Loans, advances and financing to financial institutions – at amortised cost

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
Group				
Very Low	15,181	-	-	15,181
Medium	91,208	-	-	91,208
Unrated	1,480,098	-	-	1,480,098
	1,586,487	-	-	1,586,487
Less:				
Expected credit loss	(10,288)	-	-	(10,288)
Net carrying amount	1,576,199	-	-	1,576,199
Bank				
Very Low	1,017,269	-	-	1,017,269
Low	3,750,651	738,575	-	4,489,226
Medium	2,748,168	1,043,186	-	3,791,354
Unrated	6,690,161	1,031,127	-	7,721,288
Impaired	-	-	310,417	310,417
	14,206,249	2,812,888	310,417	17,329,554
Less:				
Expected credit loss	(24,693)	(50,130)	(202,707)	(277,530)
Net carrying amount	14,181,556	2,762,758	107,710	17,052,024

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount (cont'd.).

Loans, advances and financing to customers – at FVOCI

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
Group				
Very Low	814,515	-	-	814,515
Low	976,050	-	-	976,050
Medium	2,157,507	277,620	-	2,435,127
High	1,939,495	-	-	1,939,495
Unrated	2,028,808	-	-	2,028,808
Impaired	-	-	774,443	774,443
Carrying amount – fair value	7,916,375	277,620	774,443	8,968,438
Expected credit loss	(27,160)	(4,650)	(153,284)	(185,094)
Bank				
Very Low	814,515	-	-	814,515
Low	930,050	-	-	930,050
Medium	2,041,603	152,620	-	2,194,223
High	1,939,495	-	-	1,939,495
Unrated	2,027,491	-	-	2,027,491
Impaired	-	-	774,443	774,443
Carrying amount – fair value	7,753,154	152,620	774,443	8,680,217
Expected credit loss	(25,761)	(849)	(153,284)	(179,894)

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount (cont'd.).

Loans, advances and financing to customers – at amortised cost

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
Group				
Very Low	144,073,277	770,181	–	144,843,458
Low	154,311,327	11,132,794	–	165,444,121
Medium	79,478,219	33,888,316	–	113,366,535
High	6,407,381	15,288,834	–	21,696,215
Unrated	48,083,348	1,546,625	–	49,629,973
Impaired	–	–	11,401,560	11,401,560
	432,353,552	62,626,750	11,401,560	506,381,862
Less:				
Expected credit loss	(1,644,653)	(2,518,274)	(6,076,703)	(10,239,630)
Net carrying amount	430,708,899	60,108,476	5,324,857	496,142,232
Bank				
Very Low	38,985,222	444,958	–	39,430,180
Low	77,483,018	6,286,613	–	83,769,631
Medium	39,292,938	18,409,371	–	57,702,309
High	4,139,964	8,253,464	–	12,393,428
Unrated	9,155,068	342,524	–	9,497,592
Impaired	–	–	6,970,128	6,970,128
	169,056,210	33,736,930	6,970,128	209,763,268
Less:				
Expected credit loss	(632,504)	(1,174,896)	(3,718,267)	(5,525,667)
Net carrying amount	168,423,706	32,562,034	3,251,861	204,237,601



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount (cont'd.).

Group 2018	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Statutory deposits with central bank RM'000
Stage 1					
Sovereign	23,369,286	1,886,925	-	-	16,264,849
Very Low	9,154,141	2,299,905	1,723,531	-	-
Low	12,803,866	5,291,304	2,045,415	828	-
Medium	3,488,075	1,890,306	264,883	-	-
High	100,855	-	-	-	-
Unrated	6,135,296	1,142,962	-	530,122	-
	55,051,519	12,511,402	4,033,829	530,950	16,264,849
Less:					
Expected credit loss	(26,392)	(8,525)	(3,584)	(16,172)	-
Net carrying amount	55,025,127	12,502,877	4,030,245	514,778	16,264,849

Bank 2018	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Statutory deposits with central bank RM'000
Stage 1				
Sovereign	3,054,075	1,886,925	-	5,041,560
Very Low	6,513,674	861,500	1,723,531	-
Low	10,431,230	17,914,552	2,041,615	-
Medium	1,738,742	1,859,922	-	-
High	69,155	-	-	-
Unrated	5,160,156	895,299	-	-
	26,967,032	23,418,198	3,765,146	5,041,560
Less:				
Expected credit loss	(21,880)	(8,065)	(1,862)	-
Net carrying amount	26,945,152	23,410,133	3,763,284	5,041,560

None of the above financial assets is in Stage 2 or Stage 3 as at 31 December 2018.

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount (cont'd.).

Other assets

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
Group				
Sovereign	145,945	-	-	145,945
Very Low	1,822,801	-	-	1,822,801
Low	1,785,448	-	-	1,785,448
Medium	513,412	-	-	513,412
Unrated	3,549,105	5,657	-	3,554,762
Impaired	-	-	33,338	33,338
	7,816,711	5,657	33,338	7,855,706
Less:				
Expected credit loss	(6,289)	(92)	(23,923)	(30,304)
Net carrying amount	7,810,422	5,565	9,415	7,825,402
Bank				
Sovereign	145,945	-	-	145,945
Very Low	1,731,748	-	-	1,731,748
Low	1,785,448	-	-	1,785,448
Medium	513,412	-	-	513,412
Unrated	804,259	-	-	804,259
Impaired	-	-	15,599	15,599
	4,980,812	-	15,599	4,996,411
Less:				
Expected credit loss	-	-	(11,197)	(11,197)
Net carrying amount	4,980,812	-	4,402	4,985,214

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amount (cont'd.).

Loan commitments and financial guarantee contracts

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
Group				
Very Low	3,097,793	1,842,260	–	4,940,053
Low	6,829,322	2,091,144	–	8,920,466
Medium	4,353,602	1,691,466	–	6,045,068
High	698,006	535,212	–	1,233,218
Unrated	1,102,500	19,386	–	1,121,886
Impaired	–	–	314,796	314,796
Carrying amount	16,081,223	6,179,468	314,796	22,575,487
Expected credit loss	(84,477)	(52,676)	(150,283)	(287,436)
Bank				
Very Low	2,387,600	1,842,260	–	4,229,860
Low	5,393,891	1,874,839	–	7,268,730
Medium	1,769,827	1,318,706	–	3,088,533
High	398,412	450,323	–	848,735
Unrated	628,924	83	–	629,007
Impaired	–	–	304,437	304,437
Carrying amount	10,578,654	5,486,211	304,437	16,369,302
Expected credit loss	(40,038)	(43,868)	(145,197)	(229,103)

The Group and the Bank issue loan commitments and financial guarantees, consist of undrawn commitment, letters of credit, guarantees and acceptances which the loss allowance is recognised as expected credit loss.

The following table sets out information about the credit quality of financial assets measured at fair value through profit or loss ("FVTPL"):

	Financial investments		Loans, advances and financing	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
2018				
At FVTPL				
Very Low	5,566,893	2,589,393	–	–
Low	7,527,035	3,455,997	–	–
Medium	3,430,551	139,927	121,320	121,320
High	155,221	1,727	275,630	275,630
Unrated	8,165,257	2,025,390	–	–
Total carrying amount	24,844,957	8,212,434	396,950	396,950

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

6. Credit quality of financial assets – comparative information under MFRS 139

Gross loans, advances and financing to financial institutions and customers

Group 2017	Neither past due nor impaired RM'000	<----- Past due but not impaired ----->			Non- impaired total RM'000	Impaired RM'000	Total RM'000
		Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000			
Overdrafts	20,593,848	284,732	54,712	79,714	21,013,006	1,164,231	22,177,237
Term loans	354,562,810	14,687,124	4,444,313	1,750,375	375,444,622	8,117,433	383,562,055
Others	85,338,648	333,031	148,056	17,820	85,837,555	2,268,239	88,105,794
Gross loans, advances and financing	460,495,306	15,304,887	4,647,081	1,847,909	482,295,183	11,549,903	493,845,086
Less:							
– Individual allowance							(4,120,531)
– Collective allowance							(4,140,193)
							(8,260,724)
Net loans, advances and financing							485,584,362
As a percentage of total gross loans, advances and financing	93.25%	3.10%	0.94%	0.37%	97.66%	2.34%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 57(e)(5).

Group 2017	<----- Neither past due nor impaired ----->					Total RM'000
	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	
Overdrafts	1,968,356	3,092,429	4,848,686	1,299,621	9,384,756	20,593,848
Term loans	106,609,469	121,718,034	74,709,634	9,005,572	42,520,101	354,562,810
Others	21,012,309	33,396,814	21,931,313	2,853,269	6,144,943	85,338,648
Total – Neither past due nor impaired	129,590,134	158,207,277	101,489,633	13,158,462	58,049,800	460,495,306
As a percentage of total gross loans, advances and financing	26.24%	32.04%	20.55%	2.67%	11.75%	93.25%



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

6. Credit quality of financial assets – comparative information under MFRS 139 (cont'd.)

Gross loans, advances and financing to financial institutions and customers (cont'd.)

Bank 2017	Neither past due nor impaired RM'000	<----- Past due but not impaired ----->			Non- impaired total RM'000	Impaired RM'000	Total RM'000
		Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000			
Overdrafts	9,928,925	189,320	43,808	76,251	10,238,304	778,279	11,016,583
Term loans	202,208,532	5,807,097	1,791,765	617,022	210,424,416	5,317,741	215,742,157
Others	67,707,853	247,081	133,992	12,772	68,101,698	1,974,821	70,076,519
Gross loans, advances and financing	279,845,310	6,243,498	1,969,565	706,045	288,764,418	8,070,841	296,835,259
Less:							
- Individual allowance							(3,002,620)
- Collective allowance							(2,834,670)
							(5,837,290)
Net loans, advances and financing							290,997,969
As a percentage of total gross loans, advances and financing	94.28%	2.10%	0.66%	0.24%	97.28%	2.72%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 57(e)(5).

Bank 2017	<----- Neither past due nor impaired ----->					Total RM'000
	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	
Overdrafts	593,876	1,884,035	2,078,607	705,296	4,667,111	9,928,925
Term loans	57,852,338	72,489,707	49,170,364	5,896,747	16,799,376	202,208,532
Others	13,531,481	25,465,030	14,092,267	1,603,676	13,015,399	67,707,853
Total – Neither past due nor impaired	71,977,695	99,838,772	65,341,238	8,205,719	34,481,886	279,845,310
As a percentage of total gross loans, advances and financing	24.25%	33.64%	22.01%	2.76%	11.62%	94.28%

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

6. Credit quality of financial assets – comparative information under MFRS 139 (cont'd.)

Financial investments portfolio and other financial assets

Group 2017	Neither past due nor impaired RM'000	<----- Past due but not impaired ----->			Non- impaired total RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
		Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000					
Cash and short-term funds	50,334,290	-	-	-	50,334,290	-	50,334,290	-	50,334,290
Deposits and placements with financial institutions	16,988,391	-	-	-	16,988,391	-	16,988,391	-	16,988,391
Financial assets purchased under resale agreements	8,514,283	-	-	-	8,514,283	-	8,514,283	-	8,514,283
Financial investments portfolio*	148,044,361	39,583	-	-	148,083,944	539,552	148,623,496	(183,878)	148,439,618
Derivative assets	6,704,651	-	-	-	6,704,651	-	6,704,651	-	6,704,651
Reinsurance/retakaful assets and other insurance receivables	710,157	-	-	-	710,157	17,908	728,065	(16,748)	711,317
Other assets	7,425,707	125,196	10,317	409	7,561,629	72,250	7,633,879	(45,825)	7,588,054
Statutory deposits with central banks	15,397,213	-	-	-	15,397,213	-	15,397,213	-	15,397,213
	254,119,053	164,779	10,317	409	254,294,558	629,710	254,924,268	(246,451)	254,677,817
As a percentage of gross balances	99.69%	0.06%	0.00%	0.00%	99.75%	0.25%	100.00%		

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 57(e)(5).

Group 2017	<----- Neither past due nor impaired ----->							Netting effects under MFRS 132 Amendments RM'000	Total RM'000
	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000			
Cash and short-term funds	25,100,022	8,946,386	6,147,413	2,878,746	42,175	7,219,548	-	50,334,290	
Deposits and placements with financial institutions	2,759,845	617,266	6,745,128	575,848	134,460	6,155,844	-	16,988,391	
Financial assets purchased under resale agreements	8,514,279	-	-	-	-	4	-	8,514,283	
Financial investments portfolio*	65,609,168	39,440,835	24,083,008	7,149,546	953,537	10,808,267	-	148,044,361	
Derivative assets	-	945,867	991,288	1,668,259	295,445	3,095,568	(291,776)	6,704,651	
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	43,263	666,894	-	710,157	
Other assets	2,074	133,389	2,876,052	622,226	288	3,791,678	-	7,425,707	
Statutory deposits with central banks	15,397,213	-	-	-	-	-	-	15,397,213	
Total – Neither past due nor impaired	117,382,601	50,083,743	40,842,889	12,894,625	1,469,168	31,737,803	(291,776)	254,119,053	
As a percentage of gross balances	46.05%	19.65%	16.02%	5.06%	0.58%	12.44%	(0.11%)	99.69%	

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

6. Credit quality of financial assets – comparative information under MFRS 139 (cont'd.)

Financial investments portfolio and other financial assets (cont'd.)

Bank 2017	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short-term funds	30,714,527	-	30,714,527	-	30,714,527
Deposits and placements with financial institutions	21,382,493	-	21,382,493	-	21,382,493
Financial assets purchased under resale agreements	7,633,503	-	7,633,503	-	7,633,503
Financial investments portfolio*	114,272,287	459,731	114,732,018	(124,041)	114,607,977
Derivative assets	6,865,221	-	6,865,221	-	6,865,221
Other assets	4,189,492	33,561	4,223,053	(15,326)	4,207,727
Statutory deposits with central banks	7,746,700	-	7,746,700	-	7,746,700
	192,804,223	493,292	193,297,515	(139,367)	193,158,148
As a percentage of gross balances	99.74%	0.26%	100.00%		

* Financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 57(e)(5).

Bank 2017	←----- Neither past due nor impaired ----->							Netting effects under MFRS 132 Amendments RM'000	Total RM'000
	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000			
Cash and short-term funds	7,277,348	7,819,948	5,379,222	2,819,701	37,842	7,380,466	-	30,714,527	
Deposits and placements with financial institutions	2,200,134	421,412	12,114,347	565,228	-	6,081,372	-	21,382,493	
Financial assets purchased under resale agreements	7,633,503	-	-	-	-	-	-	7,633,503	
Financial investments portfolio*	48,035,365	31,457,107	15,758,687	6,690,900	888,618	11,441,610	-	114,272,287	
Derivative assets	-	1,291,129	953,881	1,623,959	294,626	2,993,402	(291,776)	6,865,221	
Other assets	-	56,822	2,876,052	622,226	-	634,392	-	4,189,492	
Statutory deposits with central banks	7,746,700	-	-	-	-	-	-	7,746,700	
Total – Neither past due nor impaired	72,893,050	41,046,418	37,082,189	12,322,014	1,221,086	28,531,242	(291,776)	192,804,223	
As a percentage of gross balances	37.71%	21.23%	19.18%	6.38%	0.63%	14.76%	(0.15%)	99.74%	

* Financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

7. Credit quality of impaired financial assets

(i) Impaired financial assets analysed by geographic purpose are as follows:

Group 2018	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Malaysia	5,756,439	450,444	-	15,634	6,222,517
Singapore	4,425,988	-	-	9,359	4,435,347
Indonesia	1,472,115	30,924	-	-	1,503,039
Labuan Offshore	306,498	-	-	-	306,498
Hong Kong SAR	7,296	-	-	2,086	9,382
United States of America	583	-	-	2	585
People's Republic of China	56,929	-	-	-	56,929
Vietnam	58,073	-	-	21	58,094
United Kingdom	-	-	-	253	253
Brunei	69,737	-	-	-	69,737
Cambodia	97,093	-	-	-	97,093
Philippines	135,879	-	-	522	136,401
Thailand	33,093	-	-	5,444	38,537
Laos	62,731	-	-	-	62,731
Others	3,967	-	-	17	3,984
	12,486,421	481,368	-	33,338	13,001,127

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Group 2017	Loans, advances and financing RM'000	Financial investments portfolio^ RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Malaysia	5,619,324	299,157	16,359	38,723	5,973,563
Singapore	2,931,842	174,046	1,549	14,465	3,121,902
Indonesia	1,417,698	21,314	-	-	1,439,012
Labuan Offshore	244,722	-	-	-	244,722
Hong Kong SAR	886,737	-	-	13,052	899,789
United States of America	572	-	-	-	572
People's Republic of China	1,054	-	-	-	1,054
Vietnam	68,271	-	-	10	68,281
Brunei	38,529	-	-	-	38,529
Cambodia	97,667	-	-	-	97,667
Bahrain	5,063	-	-	-	5,063
Philippines	123,185	482	-	568	124,235
Thailand	38,438	1,824	-	5,432	45,694
Laos	41,730	-	-	-	41,730
Others	35,071	42,729	-	-	77,800
	11,549,903	539,552	17,908	72,250	12,179,613

^ Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

7. Credit quality of impaired financial assets (cont'd.)

(i) Impaired financial assets analysed by geographic purpose are as follows (cont'd.):

Bank 2018	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
Malaysia	3,652,980	440,097	15,599	4,108,676
Singapore	3,842,394	-	-	3,842,394
Labuan Offshore	306,498	-	-	306,498
Hong Kong SAR	6,384	-	-	6,384
People's Republic of China	56,929	-	-	56,929
Vietnam	57,336	-	-	57,336
Brunei	69,737	-	-	69,737
Laos	62,731	-	-	62,731
	8,054,989	440,097	15,599	8,510,685

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Bank 2017	Loans, advances and financing RM'000	Financial investments portfolio^ RM'000	Other assets RM'000	Total RM'000
Malaysia	3,896,008	298,957	33,561	4,228,526
Singapore	2,897,765	160,774	-	3,058,539
Labuan Offshore	244,722	-	-	244,722
Hong Kong SAR	878,849	-	-	878,849
People's Republic of China	1,054	-	-	1,054
Vietnam	67,121	-	-	67,121
Brunei	38,529	-	-	38,529
Bahrain	5,063	-	-	5,063
Laos	41,730	-	-	41,730
	8,070,841	459,731	33,561	8,564,133

^ Financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

7. Credit quality of impaired financial assets (cont'd.)

(ii) Impaired financial assets analysed by industry sectors are as follows:

Group 2018	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Agriculture	152,995	-	-	-	152,995
Mining and quarrying	502,474	-	-	-	502,474
Manufacturing	884,189	-	-	-	884,189
Construction	1,322,675	146,076	-	-	1,468,751
Electricity, gas and water supply	1,843,096	99,119	-	-	1,942,215
Wholesale, retail trade, restaurants and hotels	1,912,933	-	-	-	1,912,933
Finance, insurance, real estate and business	1,721,194	205,508	-	18,477	1,945,179
Transport, storage and communication	2,108,341	-	-	-	2,108,341
Education, health and others	319,533	20,693	-	-	340,226
Household	1,703,787	-	-	10,120	1,713,907
Others	15,204	9,972	-	4,741	29,917
	12,486,421	481,368	-	33,338	13,001,127

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Group 2017	Loans, advances and financing RM'000	Financial investments portfolio^ RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Agriculture	85,760	-	-	-	85,760
Mining and quarrying	380,252	45,443	-	-	425,695
Manufacturing	1,279,606	-	-	-	1,279,606
Construction	821,101	139,129	-	-	960,230
Electricity, gas and water supply	447,444	-	-	-	447,444
Wholesale, retail trade, restaurants and hotels	1,856,751	7,066	-	-	1,863,817
Finance, insurance, real estate and business	2,584,452	129,120	17,908	47,659	2,779,139
Transport, storage and communication	2,543,342	21,314	-	-	2,564,656
Education, health and others	32,454	1,435	-	-	33,889
Household	1,344,443	-	-	6,263	1,350,706
Others	174,298	196,045	-	18,328	388,671
	11,549,903	539,552	17,908	72,250	12,179,613

^ Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted shares under MFRS 139 classification.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

7. Credit quality of impaired financial assets (cont'd.)

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

Bank 2018	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
Agriculture	53,801	-	-	53,801
Mining and quarrying	43,400	-	-	43,400
Manufacturing	325,699	-	-	325,699
Construction	919,725	146,076	-	1,065,801
Electricity, gas and water supply	1,803,293	99,119	-	1,902,412
Wholesale, retail trade, restaurants and hotels	1,260,865	-	-	1,260,865
Finance, insurance, real estate and business	1,448,487	184,930	15,599	1,649,016
Transport, storage and communication	1,325,138	-	-	1,325,138
Education, health and others	241,313	-	-	241,313
Household	629,897	-	-	629,897
Others	3,371	9,972	-	13,343
	8,054,989	440,097	15,599	8,510,685

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost, excluding quoted and unquoted shares.

Bank 2017	Loans, advances and financing RM'000	Financial investments portfolio^ RM'000	Other assets RM'000	Total RM'000
Agriculture	50,850	-	-	50,850
Mining and quarrying	43,218	45,443	-	88,661
Manufacturing	912,283	-	-	912,283
Construction	682,670	139,129	-	821,799
Electricity, gas and water supply	253,586	-	-	253,586
Wholesale, retail trade, restaurants and hotels	1,349,902	7,065	-	1,356,967
Finance, insurance, real estate and business	2,280,798	114,386	33,561	2,428,745
Transport, storage and communication	1,702,644	-	-	1,702,644
Education, health and others	13,873	-	-	13,873
Household	763,610	-	-	763,610
Others	17,407	153,708	-	171,115
	8,070,841	459,731	33,561	8,564,133

^ Financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

8. Possessed collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing and held as at the financial year end are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Residential properties	116,082	125,228	–	–
Others	172,184	163,775	29,410	29,409
	288,266	289,003	29,410	29,409

Repossessed collaterals are sold as soon as practicable. Repossessed collaterals are included under 'other assets' on the statement of financial position. The Group and the Bank do not occupy repossessed properties or assets for its business use.

(f) Market risk management

1. Market risk management overview

Market risk management

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from changes in the level of volatility of market rates or prices such as interest rates/profit rates, foreign exchange rates, commodity prices and equity prices. The primary categories of market risk for the Group are:

- (i) Interest/profit rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- (ii) Foreign exchange rate risk: arising from adverse movements in the exchange rates of two currencies; and
- (iii) Equity price risk: arising from changes in the prices of equities, equity indices and equity baskets.

2. Market risk management

Management of trading activities

The Group's traded market risk exposures are primarily from proprietary trading, flow trading and market making. The risk measurement techniques employed by the Group comprise both quantitative and qualitative measures.

Value at Risk ("VaR") measures the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence under normal business situations. The method adopted is based on historical simulation, at a 99% confidence level using a 1-day holding period. The VaR model is back tested and is subject to periodic independent validation to ensure it meets its intended use. Also, the Group computes a Stressed VaR based on a 1-day holding period to measure the VaR arising from market movements over a previously identified stress period.

Besides VaR, the Group utilises other non-statistical risk measures, such as exposure to a one basis point increase in yield ("PV01") for managing portfolio sensitivity to market interest rate movements, net open position ("NOP") limit for managing foreign currency exposure and Greek limits for controlling options risk. These measures provide granular information on the Group's market risk exposures and are used for control and monitoring purposes.

Management and measurement of Interest Rate Risk ("IRR")/Rate of Return Risk ("RoR") in the banking book

The Group emphasises the importance of managing IRR/RoR in the banking book as most of the balance sheet items of the Group generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Group's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Group's overall capital adequacy.

IRR/RoR in the banking book encompasses repricing risk, yield curve risk, basis risk and option risk arising from movement in interest rates. In addition, Islamic operation is exposed to displace commercial risk. The objective of the Group's IRR/RoR in the banking book framework is to ensure that all IRR/RoR in the banking book is managed within its risk appetite.

IRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- Repricing Gap Analysis
- Economic Value at Risk
- Stress Testing



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

3. Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Group ALCO to protect total net interest income from changes in market interest rates.

The tables below summarise the Group's and the Bank's exposure to interest rate risk as at 31 December 2018 and 31 December 2017. The tables indicate effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

Group 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	45,308,653	-	-	-	-	9,716,474	-	55,025,127	2.40
Deposits and placements with financial institutions	-	7,099,711	2,164,597	2,286,897	70,422	881,250	-	12,502,877	2.30
Financial assets purchased under resale agreements	4,030,245	-	-	-	-	-	-	4,030,245	1.74
Financial assets designated upon initial recognition at fair value through profit or loss	-	-	-	-	-	-	15,716,038	15,716,038	2.61
Financial investments at fair value through profit or loss	-	-	-	-	-	-	14,252,900	14,252,900	2.79
Financial investments at fair value through other comprehensive income	13,226,802	6,751,199	16,233,094	32,400,279	48,423,336	3,879,178	-	120,913,888	3.36
Financial investments at amortised cost	228,130	1,029,418	1,769,726	10,263,735	13,576,804	201,448	-	27,069,261	5.55
Loans, advances and financing									
- Non-impaired	312,773,589	42,465,064	45,958,026	57,107,758	46,696,163	-	-	505,000,600	5.46
- Impaired*	6,256,434	-	-	-	-	-	-	6,256,434	-
- 12-month ECL and Lifetime ECL not credit impaired	-	-	-	-	-	(4,173,215)	-	(4,173,215)	-
Derivative assets	-	-	-	-	-	-	6,963,521	6,963,521	-
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	-	3,800,047	-	3,800,047	-
Other assets	-	-	-	-	-	9,873,340	-	9,873,340	-
Investment properties	-	-	-	-	-	895,769	-	895,769	-
Other non-interest sensitive balances	-	-	-	-	-	28,864,849	-	28,864,849	-
Total assets	381,823,853	57,345,392	66,125,443	102,058,669	108,766,725	53,939,140	36,932,459	806,991,681	
Liabilities and shareholders' equity									
Customers' funding:									
- Deposits from customers	208,204,766	90,864,397	134,272,894	58,979,585	40,410,981	-	-	532,732,623	2.32
- Investment accounts of customers [^]	3,848,649	2,930,004	8,522,215	3,460,920	4,803,273	-	-	23,565,061	2.79
Deposits and placements from financial institutions	10,154,920	14,742,311	9,622,147	8,393,329	1,724	936,146	-	43,850,577	2.59
Obligations on financial assets sold under repurchase agreements	3,166,611	5,321,502	5,309,880	-	-	-	-	13,797,993	1.79
Derivative liabilities	-	-	-	-	-	-	7,975,784	7,975,784	-
Financial liabilities at fair value through profit or loss	-	-	-	8,842,691	50,000	-	-	8,892,691	4.78
Bills and acceptances payable	658,357	2,584	1,284	-	75	846,358	-	1,508,658	2.72
Insurance/takaful contract liabilities and other insurance payables	-	-	-	-	-	26,853,102	-	26,853,102	-
Other liabilities	194,884	8,517	97,270	5,463	2,753	21,479,784	-	21,788,671	1.45
Recourse obligation on loans and financing sold to Cagamas	-	-	-	1,547,272	-	-	-	1,547,272	4.20
Borrowings	6,266,321	7,141,769	4,842,959	12,600,456	478,428	270,264	-	31,600,197	3.33
Subordinated obligations	88,060	-	1,096,149	146,541	9,086,255	300,000	-	10,717,005	4.62
Capital securities	31,029	-	-	-	3,500,000	-	-	3,531,029	5.25
Other non-interest sensitive balances	-	-	-	-	-	893,758	-	893,758	-
Total liabilities	232,613,597	121,011,084	163,764,798	93,976,257	58,333,489	51,579,412	7,975,784	729,254,421	
Shareholders' equity	-	-	-	-	-	75,330,127	-	75,330,127	-
Non-controlling interests	-	-	-	-	-	2,407,133	-	2,407,133	-
	-	-	-	-	-	77,737,260	-	77,737,260	
Total liabilities and shareholders' equity	232,613,597	121,011,084	163,764,798	93,976,257	58,333,489	129,316,672	7,975,784	806,991,681	
On-balance sheet interest sensitivity gap	149,210,256	(63,665,692)	(97,639,355)	8,082,412	50,433,236	(75,377,532)	28,956,675		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(3,805,431)	(6,688,211)	2,398,610	7,152,158	942,874	-	-		
Total interest sensitivity gap	145,404,825	(70,353,903)	(95,240,745)	15,234,570	51,376,110	(75,377,532)	28,956,675		
Cumulative interest rate sensitivity gap	145,404,825	75,050,922	(20,189,823)	(4,955,253)	46,420,857	(28,956,675)	-		

* This is arrived after deducting the Lifetime ECL credit impaired from gross impaired loans.

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

3. Interest rate risk (cont'd.)

The tables below summarise the Group's and the Bank's exposure to interest rate risk as at 31 December 2018 and 31 December 2017. The tables indicate effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier (cont'd.).

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	43,490,766	2,525	-	-	-	6,840,999	-	50,334,290	2.22
Deposits and placements with financial institutions	-	8,775,726	4,662,150	1,417,902	822,127	1,310,486	-	16,988,391	2.39
Financial assets purchased under resale agreements	8,514,283	-	-	-	-	-	-	8,514,283	1.59
Financial assets at fair value through profit or loss	-	-	-	-	-	-	25,117,493	25,117,493	3.70
Financial investments available-for-sale	3,641,696	8,078,826	10,529,641	26,474,951	56,361,410	3,983,720	-	109,070,244	3.28
Financial investments held-to-maturity	550,696	281,737	1,376,899	6,884,494	10,918,368	172,579	-	20,184,773	5.37
Loans, advances and financing									
- Non-impaired	306,825,576	53,143,637	40,490,674	40,416,965	41,418,331	-	-	482,295,183	4.86
- Impaired*	7,429,372	-	-	-	-	-	-	7,429,372	-
- Collective allowance	-	-	-	-	-	(4,140,193)	-	(4,140,193)	-
Derivative assets	-	-	-	-	-	-	6,704,651	6,704,651	-
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	-	3,933,772	-	3,933,772	-
Other assets	-	-	-	-	-	9,698,140	-	9,698,140	-
Investment properties	-	-	-	-	-	753,555	-	753,555	-
Other non-interest sensitive balances	-	-	-	-	-	28,417,812	-	28,417,812	-
Total assets	370,452,389	70,282,451	57,059,364	75,194,312	109,520,236	50,970,870	31,822,144	765,301,766	
Liabilities and shareholders' equity									
Customers' funding:									
- Deposits from customers	179,991,172	82,788,794	131,431,200	107,795,933	10,346	-	-	502,017,445	2.38
- Investment accounts of customers [^]	4,968,432	3,793,912	8,570,575	7,222,526	-	-	-	24,555,445	3.00
Deposits and placements from financial institutions	22,634,868	11,930,485	3,983,976	2,287,049	118	1,761,635	-	42,598,131	2.25
Obligations on financial assets sold under repurchase agreements	2,401,378	2,965,708	-	-	-	-	-	5,367,086	2.07
Derivative liabilities	-	-	-	-	-	-	7,221,015	7,221,015	-
Financial liabilities at fair value through profit or loss	-	-	-	6,133,415	242,400	-	-	6,375,815	4.39
Bills and acceptances payable	505,271	-	-	-	-	1,388,775	-	1,894,046	3.16
Insurance/takaful contract liabilities and other insurance payables	-	-	-	-	-	25,118,843	-	25,118,843	-
Other liabilities	1,750,718	3,122,047	90,354	64,723	-	14,151,298	-	19,179,140	1.80
Recourse obligation on loans and financing sold to Cagamas	-	-	-	1,543,501	-	-	-	1,543,501	4.20
Borrowings	5,486,609	3,059,771	7,087,693	17,734,912	1,136,633	-	-	34,505,618	3.20
Subordinated obligations	-	-	870,430	9,370,549	1,738,344	-	-	11,979,323	4.74
Capital securities	-	-	2,784,180	3,500,000	-	-	-	6,284,180	6.06
Other non-interest sensitive balances	-	-	-	-	-	1,478,573	-	1,478,573	-
Total liabilities	217,738,448	107,660,717	154,818,408	155,652,608	3,127,841	43,899,124	7,221,015	690,118,161	
Shareholders' equity	-	-	-	-	-	72,988,614	-	72,988,614	-
Non-controlling interests	-	-	-	-	-	2,194,991	-	2,194,991	-
	-	-	-	-	-	75,183,605	-	75,183,605	
Total liabilities and shareholders' equity	217,738,448	107,660,717	154,818,408	155,652,608	3,127,841	119,082,729	7,221,015	765,301,766	
On-balance sheet interest sensitivity gap	152,713,941	(37,378,266)	(97,759,044)	(80,458,296)	106,392,395	(68,111,859)	24,601,129		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(3,036,935)	(564,339)	1,497,160	1,139,878	964,236	-	-		
Total interest sensitivity gap	149,677,006	(37,942,605)	(96,261,884)	(79,318,418)	107,356,631	(68,111,859)	24,601,129		
Cumulative interest rate sensitivity gap	149,677,006	111,734,401	15,472,517	(63,845,901)	43,510,730	(24,601,129)	-		

* This is arrived after deducting the individual allowance from gross impaired loans.

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

3. Interest rate risk (cont'd.)

The tables below summarise the Group's and the Bank's exposure to interest rate risk as at 31 December 2018 and 31 December 2017. The tables indicate effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier (cont'd.).

Bank 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	20,536,061	-	-	-	-	6,409,091	-	26,945,152	1.53
Deposits and placements with financial institutions	-	9,778,615	7,009,971	4,899,665	848,852	873,030	-	23,410,133	2.91
Financial assets purchased under resale agreements	3,763,284	-	-	-	-	-	-	3,763,284	1.40
Financial investments at fair value through profit or loss	-	-	-	-	-	-	8,914,167	8,914,167	2.93
Financial investments at fair value through other comprehensive income	2,846,494	6,033,510	12,763,286	25,531,623	41,440,693	967,231	-	89,582,837	3.44
Financial investments at amortised cost	-	2,589,267	925,508	10,679,356	8,461,763	201,176	-	22,857,070	4.47
Loans, advances and financing									
- Non-impaired	148,412,768	23,909,751	11,638,581	27,430,402	16,876,782	-	-	228,268,284	4.99
- Impaired*	3,980,731	-	-	-	-	-	-	3,980,731	-
- 12-month ECL and Lifetime ECL not credit impaired	-	-	-	-	-	(1,882,223)	-	(1,882,223)	-
Derivative assets	-	-	-	-	-	-	6,799,063	6,799,063	-
Other assets	-	-	-	-	-	5,267,285	-	5,267,285	-
Other non-interest sensitive balances	-	-	-	-	-	38,707,515	-	38,707,515	-
Total assets	179,539,338	42,311,143	32,337,346	68,541,046	67,628,090	50,543,105	15,713,230	456,613,298	
Liabilities and shareholders' equity									
Deposits from customers	95,289,852	43,806,087	54,186,032	35,549,612	26,328,732	-	-	255,160,315	1.86
Deposits and placements from financial institutions	23,053,242	13,661,575	9,212,900	6,609,642	-	403,388	-	52,940,747	2.54
Obligations on financial assets sold under repurchase agreements	10,634,920	5,321,502	5,309,880	-	-	-	-	21,266,302	1.16
Derivative liabilities	-	-	-	-	-	-	7,439,049	7,439,049	-
Financial liabilities at fair value through profit or loss	-	-	-	8,457,004	50,000	-	-	8,507,004	4.82
Bills and acceptances payable	558	2,584	1,284	-	-	608,541	-	612,967	4.57
Other liabilities	194,884	8,517	97,270	5,463	2,753	7,032,174	-	7,341,061	1.45
Recourse obligation on loans and financing sold to Cagamas	-	-	-	1,547,272	-	-	-	1,547,272	4.20
Borrowings	2,270,345	5,938,432	4,004,898	10,292,889	934,596	-	-	23,441,160	2.52
Subordinated obligations	88,060	-	-	-	9,069,250	-	-	9,157,310	4.48
Capital securities	31,029	-	-	-	3,500,000	-	-	3,531,029	5.25
Other non-interest sensitive balances	-	-	-	-	-	79,815	-	79,815	-
Total liabilities	131,562,890	68,738,697	72,812,264	62,461,882	39,885,331	8,123,918	7,439,049	391,024,031	
Shareholders' equity	-	-	-	-	-	65,589,267	-	65,589,267	-
Total liabilities and shareholders' equity	131,562,890	68,738,697	72,812,264	62,461,882	39,885,331	73,713,185	7,439,049	456,613,298	
On-balance sheet interest sensitivity gap	47,976,450	(26,427,554)	(40,474,918)	6,079,164	27,742,757	(23,170,080)	8,274,181		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(3,556,894)	(5,733,211)	2,402,063	6,155,167	732,875	-	-		
Total interest sensitivity gap	44,419,556	(32,160,765)	(38,072,855)	12,234,331	28,475,632	(23,170,080)	8,274,181		
Cumulative interest rate sensitivity gap	44,419,556	12,258,791	(25,814,064)	(13,579,733)	14,895,899	(8,274,181)	-		

* This is arrived after deducting the Lifetime ECL credit impaired from gross impaired loans.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

3. Interest rate risk (cont'd.)

The tables below summarise the Group's and the Bank's exposure to interest rate risk as at 31 December 2018 and 31 December 2017. The tables indicate effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier (cont'd.).

Bank 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	24,682,086	-	-	-	-	6,032,441	-	30,714,527	1.55
Deposits and placements with financial institutions	-	10,546,240	5,698,921	3,284,332	1,044,484	808,516	-	21,382,493	1.84
Financial assets purchased under resale agreements	7,633,503	-	-	-	-	-	-	7,633,503	1.47
Financial assets at fair value through profit or loss	-	-	-	-	-	-	7,896,677	7,896,677	2.94
Financial investments available-for-sale	3,029,936	7,200,307	8,835,644	22,539,607	46,559,064	1,122,181	-	89,286,739	3.07
Financial investments held-to-maturity	-	15,053	621,075	8,377,447	8,578,337	171,653	-	17,763,565	4.38
Loans, advances and financing									
- Non-impaired	189,492,921	38,650,324	31,799,565	16,325,169	12,496,439	-	-	288,764,418	4.29
- Impaired*	5,068,221	-	-	-	-	-	-	5,068,221	-
- Collective allowance	-	-	-	-	-	(2,834,670)	-	(2,834,670)	-
Derivative assets	-	-	-	-	-	-	6,865,221	6,865,221	-
Other assets	-	-	-	-	-	4,801,397	-	4,801,397	-
Other non-interest sensitive balances	-	-	-	-	-	32,324,730	-	32,324,730	-
Total assets	229,906,667	56,411,924	46,955,205	50,526,555	68,678,324	42,426,248	14,761,898	509,666,821	
Liabilities and shareholders' equity									
Deposits from customers	126,834,193	46,827,223	85,249,557	70,027,627	-	-	-	328,938,600	1.61
Deposits and placements from financial institutions	20,956,110	10,130,118	4,647,617	556,384	-	1,354,905	-	37,645,134	2.06
Obligations on financial assets sold under repurchase agreements	2,223,608	2,965,708	-	-	-	-	-	5,189,316	2.14
Derivative liabilities	-	-	-	-	-	-	7,179,998	7,179,998	-
Financial liabilities at fair value through profit or loss	-	-	-	5,240,720	242,400	-	-	5,483,120	4.49
Bills and acceptances payable	5,933	-	-	-	-	1,379,050	-	1,384,983	4.32
Other liabilities	1,750,721	3,122,047	90,354	64,723	-	11,882,752	-	16,910,597	1.80
Recourse obligation on loans and financing sold to Cagamas	-	-	-	1,543,501	-	-	-	1,543,501	4.20
Borrowings	1,965,631	2,309,066	6,427,833	15,495,961	907,951	-	-	27,106,442	2.46
Subordinated obligations	-	-	337,526	9,025,000	-	-	-	9,362,526	4.51
Capital securities	-	-	2,784,180	3,500,000	-	-	-	6,284,180	6.06
Other non-interest sensitive balances	-	-	-	-	-	385,876	-	385,876	-
Total liabilities	153,736,196	65,354,162	99,537,067	105,453,916	1,150,351	15,002,583	7,179,998	447,414,273	
Shareholders' equity	-	-	-	-	-	62,252,548	-	62,252,548	-
Total liabilities and shareholders' equity	153,736,196	65,354,162	99,537,067	105,453,916	1,150,351	77,255,131	7,179,998	509,666,821	
On-balance sheet interest sensitivity gap	76,170,471	(8,942,238)	(52,581,862)	(54,927,361)	67,527,973	(34,828,883)	7,581,900		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,800,573)	(319,309)	1,497,069	658,576	964,237	-	-		
Total interest sensitivity gap	73,369,898	(9,261,547)	(51,084,793)	(54,268,785)	68,492,210	(34,828,883)	7,581,900		
Cumulative interest rate sensitivity gap	73,369,898	64,108,351	13,023,558	(41,245,227)	27,246,983	(7,581,900)	-		

* This is arrived after deducting the Lifetime ECL credit impaired from gross impaired loans.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

4. Yield/Profit rate risk on IBS portfolio

The Group and the Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the ALCO to protect the income from IBS operations.

The tables below summarise the Group's exposure to yield/profit rate risk for the IBS operations as at 31 December 2018 and 31 December 2017. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments are either repriced or mature, whichever is earlier.

Group 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	21,923,937	-	-	-	-	20,508	-	21,944,445	3.24
Deposits and placements with financial institutions	-	251,328	-	-	-	-	-	251,328	3.76
Financial investments at fair value through profit or loss	-	-	-	-	-	-	995,072	995,072	3.18
Financial investments at fair value through other comprehensive income	10,194	469,069	2,733,842	3,791,560	5,442,724	-	-	12,447,389	4.06
Financial investments at amortised cost	153,826	-	95,407	1,498,350	4,861,228	-	-	6,608,811	5.39
Financing and advances									
- Non-impaired	121,550,596	5,270,560	2,672,666	15,522,409	29,728,517	-	-	174,744,748	5.19
- Impaired*	1,038,296	-	-	-	-	-	-	1,038,296	-
- 12-month ECL and Lifetime ECL not credit impaired	-	-	-	-	-	(1,494,876)	-	(1,494,876)	-
Derivative assets	-	-	-	-	-	-	403,993	403,993	-
Other assets	-	-	-	-	-	4,835,851	-	4,835,851	-
Other non-yield/profit sensitive balance	-	-	-	-	-	4,235,143	-	4,235,143	-
Total assets	144,676,849	5,990,957	5,501,915	20,812,319	40,032,469	7,596,626	1,399,065	226,010,200	
Liabilities and Islamic banking capital funds									
Customers' funding:									
- Deposits from customers	58,173,146	29,743,313	36,911,444	8,898,940	14,054,908	-	-	147,781,751	3.01
- Investment accounts of customers [^]	3,848,649	2,930,004	8,522,215	3,460,920	4,803,273	-	-	23,565,061	2.79
Deposits and placements from financial institutions	5,655,028	6,114,040	5,058,624	9,954,739	4,909,155	482,549	-	32,174,135	3.34
Derivative liabilities	-	-	-	-	-	-	391,949	391,949	-
Financial liabilities at fair value through profit or loss	-	-	-	385,687	-	-	-	385,687	3.79
Bills and acceptances payable	-	-	-	-	-	11,050	-	11,050	-
Other liabilities	-	-	-	-	-	2,555,728	-	2,555,728	-
Term funding	748,078	1,986,880	-	2,003,222	-	-	-	4,738,180	4.06
Subordinated sukuk	-	-	1,516,593	1,017,708	-	-	-	2,534,301	4.72
Capital securities	-	-	-	1,002,441	-	-	-	1,002,441	4.95
Other non-yield/profit sensitive balances	-	-	-	-	-	35,826	-	35,826	-
Total liabilities	68,424,901	40,774,237	52,008,876	26,723,657	23,767,336	3,085,153	391,949	215,176,109	
Islamic banking capital funds	-	-	-	-	-	10,834,091	-	10,834,091	
Total liabilities and Islamic banking capital funds	68,424,901	40,774,237	52,008,876	26,723,657	23,767,336	13,919,244	391,949	226,010,200	
On-balance sheet yield/profit rate sensitivity gap	76,251,948	(34,783,280)	(46,506,961)	(5,911,338)	16,265,133	(6,322,618)	1,007,116		
Cumulative yield/profit rate sensitivity gap	76,251,948	41,468,668	(5,038,293)	(10,949,631)	5,315,502	(1,007,116)	-		

* This is arrived after deducting the Lifetime ECL credit impaired from gross impaired financing outstanding.

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

4. Yield/Profit rate risk on IBS portfolio (cont'd.)

The tables below summarise the Group's exposure to yield/profit rate risk for the IBS operations as at 31 December 2018 and 31 December 2017. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments are either repriced or mature, whichever is earlier (cont'd.).

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	17,147,071	-	-	-	-	3,331	-	17,150,402	2.99
Financial investments at fair value through profit or loss	-	-	-	-	-	-	240,571	240,571	1.66
Financial investments available-for-sale	276,081	298,751	495,052	3,352,476	5,459,644	-	-	9,882,004	3.93
Financial investments held-to-maturity	174,618	-	24,113	564,414	2,206,844	-	-	2,969,989	5.91
Financing and advances									
- Non-impaired	106,008,886	9,660,255	2,490,174	14,419,971	29,366,583	-	-	161,945,869	5.09
- Impaired*	1,049,353	-	10,425	34,340	-	-	-	1,094,118	-
- Collective allowance	-	-	-	-	-	(825,954)	-	(825,954)	-
Derivative assets	-	-	-	-	-	-	487,989	487,989	-
Other assets	-	-	-	-	-	7,233,195	-	7,233,195	-
Other non-yield/profit sensitive balances	-	-	-	-	-	3,282,972	-	3,282,972	-
Total assets	124,656,009	9,959,006	3,019,764	18,371,201	37,033,071	9,693,544	728,560	203,461,155	
Liabilities and Islamic banking capital funds									
Customers' funding:									
- Deposits from customers	36,803,869	27,711,854	40,761,388	24,791,877	-	-	-	130,068,988	2.83
- Investment accounts of customers [^]	4,968,432	3,793,912	8,570,575	7,222,526	-	-	-	24,555,445	3.00
Deposits and placements from financial institutions	9,184,384	5,537,942	1,458,668	7,940,707	3,741,025	388,545	-	28,251,271	2.80
Derivative liabilities	-	-	-	-	-	-	650,320	650,320	-
Financial liabilities at fair value through profit or loss	-	-	-	892,695	-	-	-	892,695	3.75
Bills and acceptances payable	-	-	-	-	-	8,854	-	8,854	-
Other liabilities	-	-	-	-	-	660,680	-	660,680	-
Term funding	249,400	496,893	2,195,922	2,003,222	-	-	-	4,945,437	3.99
Subordinated sukuk	-	-	-	2,534,105	-	-	-	2,534,105	4.71
Capital securities	-	-	-	1,002,441	-	-	-	1,002,441	4.95
Other non-yield/profit sensitive balances	-	-	-	-	-	148,510	-	148,510	-
Total liabilities	51,206,085	37,540,601	52,986,553	46,387,573	3,741,025	1,206,589	650,320	193,718,746	
Islamic banking capital funds	-	-	-	-	-	9,742,409	-	9,742,409	-
Total liabilities and Islamic banking capital funds	51,206,085	37,540,601	52,986,553	46,387,573	3,741,025	10,948,998	650,320	203,461,155	
On-balance sheet yield/profit rate sensitivity gap	73,449,924	(27,581,595)	(49,966,789)	(28,016,372)	33,292,046	(1,255,454)	78,240		
Cumulative yield/profit rate sensitivity gap	73,449,924	45,868,329	(4,098,460)	(32,114,832)	1,177,214	(78,240)	-		

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

5. Sensitivity analysis for interest rate risk

The tables below show the sensitivity of the Group's and of the Bank's profit after tax to an up and down 100 basis points parallel rate shock.

	Tax rate	Group		Bank	
		+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2018					
Impact to profit before tax		727,529	(727,529)	94,202	(94,202)
Impact to profit after tax	24%	552,922	(552,922)	71,594	(71,594)
2017					
Impact to profit before tax		992,995	(992,995)	507,041	(507,041)
Impact to profit after tax	24%	754,676	(754,676)	385,351	(385,351)

Impact to profit after tax is measured using Earnings-at-Risk (EaR) methodology which is simulated based on a set of standardised rate shocks on the interest rate gap profile derived from the financial position of the Group and of the Bank. The interest rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking into consideration the earlier of repricing or remaining maturity, behavioural assumptions of certain indeterminate maturity products such as current and savings deposits, to reflect the actual sensitivity behaviour of these interest bearing liabilities.

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shocks to the yield curve to model the impact on mark-to-market of financial investments at fair value through other comprehensive income ("FVOCI") and financial investments available-for-sale ("AFS").

	Group		Bank	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2018				
Impact to revaluation reserve for FVOCI	(5,392,109)	5,392,109	(4,397,692)	4,397,692
2017				
Impact to revaluation reserve for AFS	(4,603,871)	4,603,871	(3,774,607)	3,774,607

6. Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. In addition, the earnings from the overseas operations are repatriated in line with Management Committees' direction as and when required. The Group controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk

The tables below analyse the net foreign exchange positions of the Group and of the Bank as at 31 December 2018 and 31 December 2017, by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, Great Britain Pound, Hong Kong Dollar, US Dollar, Indonesia Rupiah and Euro. The "others" foreign exchange risk include mainly exposure to Australian Dollar, Japanese Yen, Chinese Renminbi, Philippine Peso and Brunei Dollar.

Group 2018	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	29,737,285	5,791,855	425,092	905,540	11,777,328	1,472,621	858,491	4,056,915	55,025,127
Deposits and placements with financial institutions	1,437,769	2,203,085	-	-	8,164,789	29,240	(13)	668,007	12,502,877
Financial assets purchased under resale agreements	-	1,720,180	-	-	729,164	264,807	-	1,316,094	4,030,245
Financial assets designated upon initial recognition at fair value through profit or loss	14,879,556	672,690	-	5,080	115,095	1,026	-	42,591	15,716,038
Financial investments at fair value through profit or loss	6,670,059	2,198,415	2,789	371,776	2,055,431	975,677	-	1,978,753	14,252,900
Financial investments at fair value through other comprehensive income	68,285,139	26,488,836	200,429	1,416,213	12,591,518	2,497,176	594,710	8,839,867	120,913,888
Financial investments at amortised cost	21,700,245	-	-	-	2,936,581	1,350,965	-	1,081,470	27,069,261
Loans, advances and financing to financial institutions	-	-	-	-	88,409	1,472,643	-	15,147	1,576,199
Loans, advances and financing to customers	285,809,643	116,173,695	5,590,267	3,525,325	48,242,958	31,603,020	506,808	14,055,904	505,507,620
Derivative assets*	6,842,181	(1,668,793)	(2,286,018)	870,006	(1,976,827)	(107,084)	974,230	4,315,826	6,963,521
Reinsurance/retakaful assets and other insurance receivables	3,478,307	121,403	-	-	-	199,449	-	888	3,800,047
Other assets*	3,619,352	575,405	8,712	(229,632)	3,720,304	998,381	14,968	1,165,850	9,873,340
Investment properties	889,667	-	-	-	1,005	-	-	5,097	895,769
Statutory deposits with central banks	8,090,382	3,683,511	-	-	1,468,278	1,843,309	-	1,179,369	16,264,849
Interest in associates and joint ventures	3,396	-	-	-	438,971	-	-	1,857,932	2,300,299
Property, plant and equipment	1,225,671	795,264	26,314	21,081	48,674	312,775	-	66,046	2,495,825
Intangible assets	872,081	1,783,795	-	81,241	8,908	3,134,455	-	837,847	6,718,327
Deferred tax assets*	638,799	2,885	-	-	27,812	293,397	-	122,656	1,085,549
Total assets	454,179,532	160,542,226	3,967,585	6,966,630	90,438,398	46,341,857	2,949,194	41,606,259	806,991,681
Liabilities									
Customers' funding:									
- Deposits from customers	300,180,925	114,952,517	4,203,143	7,500,036	59,674,803	26,515,580	2,278,036	17,427,583	532,732,623
- Investment accounts of customers [^]	23,565,061	-	-	-	-	-	-	-	23,565,061
Deposits and placements from financial institutions	8,420,618	1,432,016	359,893	2,953,785	27,047,392	917,111	47,908	2,671,854	43,850,577
Obligations on financial assets sold under repurchase agreements	5,294,699	300,872	-	-	7,021,120	-	248,666	932,636	13,797,993
Derivative liabilities*	25,961,136	4,512,860	(1,068,056)	(3,788,695)	(20,076,320)	914,893	1,472,831	47,135	7,975,784
Financial liabilities at fair value through profit or loss	2,294,681	-	-	-	6,598,010	-	-	-	8,892,691
Bills and acceptances payable	574,904	266,278	65	523	208,300	158,022	2,398	298,168	1,508,658
Insurance/takaful contract liabilities and other insurance payables	24,186,997	2,356,304	-	-	2,914	228,359	-	78,528	26,853,102
Other liabilities*	8,722,038	21,114,197	816,433	162,971	(12,916,246)	1,857,253	(119,485)	2,151,510	21,788,671
Recourse obligation on loans and financing sold to Cagamas	1,547,272	-	-	-	-	-	-	-	1,547,272
Provision for taxation and zakat	138,590	187,279	4,265	(8,357)	21,119	15,515	-	37,381	395,792
Deferred tax liabilities	435,730	51,052	61	-	-	-	-	11,123	497,966
Borrowings	482,658	1,624,676	-	3,557,087	12,947,617	4,370,384	-	8,617,775	31,600,197
Subordinated obligations	8,184,093	-	-	-	2,083,166	449,746	-	-	10,717,005
Capital securities	3,531,029	-	-	-	-	-	-	-	3,531,029
Total liabilities	413,520,431	146,798,051	4,315,804	10,377,350	82,611,875	35,426,863	3,930,354	32,273,693	729,254,421
On-balance sheet open position	40,659,101	13,744,175	(348,219)	(3,410,720)	7,826,523	10,914,994	(981,160)	9,332,566	77,737,260
Less: Derivative assets	(6,842,181)	1,668,793	2,286,018	(870,006)	1,976,827	107,084	(974,230)	(4,315,826)	(6,963,521)
Add: Derivative liabilities	25,961,136	4,512,860	(1,068,056)	(3,788,695)	(20,076,320)	914,893	1,472,831	47,135	7,975,784
Add: Net forward position	(14,675,318)	(19,716,939)	(1,679,813)	10,269,987	31,376,162	(2,278,815)	(412,760)	559,843	3,442,347
Net open position	45,102,738	208,889	(810,070)	2,200,566	21,103,192	9,658,156	(895,319)	5,623,718	82,191,870
Net structural currency exposures	-	16,290,461	(5,201)	1,222,213	4,226,172	9,368,060	-	5,261,649	36,363,354

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Group 2017	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	27,036,482	5,891,940	215,438	1,053,201	8,996,026	1,167,142	879,998	5,094,063	50,334,290
Deposits and placements with financial institutions	1,241,208	69,414	122,916	-	14,227,734	18,481	552,058	756,580	16,988,391
Financial assets purchased under resale agreements	-	7,633,503	-	-	-	476,500	-	404,280	8,514,283
Financial assets at fair value through profit or loss	14,331,241	3,820,275	42	498,178	1,831,980	1,875,371	-	2,760,406	25,117,493
Financial investments available-for-sale	62,894,171	16,493,759	211,667	2,451,516	12,751,067	3,317,704	1,385,683	9,564,677	109,070,244
Financial investments held-to-maturity	15,402,820	-	-	-	2,781,572	1,511,475	-	488,906	20,184,773
Loans, advances and financing to financial institutions	80,965	-	166,643	-	-	1,290,839	-	487,829	2,026,276
Loans, advances and financing to customers	273,214,445	108,952,379	5,051,420	3,307,915	48,455,892	31,245,149	553,063	12,777,823	483,558,086
Derivative assets*	27,260,976	(349,748)	(932,297)	(1,112,395)	(36,880,505)	40,606	1,512,174	17,165,840	6,704,651
Reinsurance/retakaful assets and other insurance receivables	3,556,056	134,233	-	-	-	241,697	-	1,786	3,933,772
Other assets*	2,724,633	1,087,204	245,822	900,823	2,422,598	1,271,292	43,480	1,002,288	9,698,140
Investment properties	748,443	-	-	-	990	-	-	4,122	753,555
Statutory deposits with central banks	7,069,370	3,635,712	-	-	1,294,708	2,067,650	-	1,329,773	15,397,213
Interest in associates and joint ventures	5,715	-	-	-	22,887	-	-	2,743,722	2,772,324
Property, plant and equipment	1,286,398	820,982	28,861	21,790	51,300	345,780	-	79,907	2,635,018
Intangible assets	719,897	1,740,874	-	83,029	12,245	3,352,021	-	845,873	6,753,939
Deferred tax assets*	612,792	(2,380)	-	-	17,491	126,783	-	104,632	859,318
Total assets	438,185,612	149,928,147	5,110,512	7,204,057	55,985,985	48,348,490	4,926,456	55,612,507	765,301,766
Liabilities									
Customers' funding:									
- Deposits from customers	270,233,455	120,856,838	2,279,943	3,153,453	58,396,379	28,802,791	1,629,874	16,664,712	502,017,445
- Investment accounts of customers [^]	24,555,445	-	-	-	-	-	-	-	24,555,445
Deposits and placements from financial institutions	12,560,267	1,880,331	112,512	2,536,306	22,884,164	895,556	290,789	1,438,206	42,598,131
Obligations on financial assets sold under repurchase agreements	2,907,423	461,478	-	-	393,202	177,771	762,869	664,343	5,367,086
Derivative liabilities*	33,199,149	3,493,480	2,254,716	(3,148,768)	(44,115,467)	449,614	1,998,298	13,089,993	7,221,015
Financial liabilities at fair value through profit or loss	3,013,088	-	-	-	3,362,727	-	-	-	6,375,815
Bills and acceptances payable	1,050,998	333,258	80	577	350,554	151,463	5,217	1,899	1,894,046
Insurance/takaful contract liabilities and other insurance payables	23,278,821	1,508,757	-	-	3,089	256,009	-	72,167	25,118,843
Other liabilities*	7,302,358	5,759,628	742,770	943,583	(176,807)	1,579,649	1,192,733	1,835,226	19,179,140
Recourse obligation on loans and financing sold to Cagamas	1,543,501	-	-	-	-	-	-	-	1,543,501
Provision for taxation and zakat	365,275	191,723	3,635	(34,676)	14,884	163,141	-	42,512	746,494
Deferred tax liabilities	690,702	29,617	67	-	-	-	-	11,693	732,079
Borrowings	3,230,388	2,017,175	-	2,912,727	13,492,772	3,767,197	193,671	8,891,688	34,505,618
Subordinated obligations	8,937,055	-	-	-	2,035,330	1,006,938	-	-	11,979,323
Capital securities	4,672,482	1,611,698	-	-	-	-	-	-	6,284,180
Total liabilities	397,540,407	138,143,983	5,393,723	6,363,202	56,640,827	37,250,129	6,073,451	42,712,439	690,118,161
On-balance sheet open position	40,645,205	11,784,164	(283,211)	840,855	(654,842)	11,098,361	(1,146,995)	12,900,068	75,183,605
Less: Derivative assets	(27,260,976)	349,748	932,297	1,112,395	36,880,505	(40,606)	(1,512,174)	(17,165,840)	(6,704,651)
Add: Derivative liabilities	33,199,149	3,493,480	2,254,716	(3,148,768)	(44,115,467)	449,614	1,998,298	13,089,993	7,221,015
Add: Net forward position	(4,043,565)	(5,040,586)	(3,827,732)	3,448,764	14,116,356	(763,420)	(1,586,405)	(700,020)	1,603,392
Net open position	42,539,813	10,586,806	(923,930)	2,253,246	6,226,552	10,743,949	(2,247,276)	8,124,201	77,303,361
Net structural currency exposures	-	12,102,517	4,517	1,615,451	2,330,061	9,171,453	(3,966)	5,596,941	30,816,974

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Bank 2018	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	7,289,108	5,407,387	406,254	857,070	8,553,786	63,147	831,907	3,536,493	26,945,152
Deposits and placements with financial institutions	8,825,030	888,450	641,996	-	12,330,495	-	(13)	724,175	23,410,133
Financial assets purchased under resale agreements	-	1,721,669	-	-	726,472	-	-	1,315,143	3,763,284
Financial investments at fair value through profit or loss	3,486,242	1,752,099	-	315,619	375,810	1,310,620	-	1,673,777	8,914,167
Financial investments at fair value through other comprehensive income	51,721,120	15,355,544	200,429	1,411,743	11,906,043	460,580	594,710	7,932,668	89,582,837
Financial investments at amortised cost	20,324,900	-	-	-	2,501,261	-	-	30,909	22,857,070
Loans, advances and financing to financial institutions	16,948,467	-	-	-	88,409	-	-	15,148	17,052,024
Loans, advances and financing to customers	114,333,398	49,005,291	4,780,926	3,140,315	36,086,332	-	190,021	5,778,485	213,314,768
Derivative assets*	7,495,644	(902,137)	(3,492,065)	868,775	(2,188,975)	(236,738)	972,911	4,281,648	6,799,063
Other assets*	1,769,887	33,390	4,844	(367,660)	3,597,784	(41)	6,544	222,537	5,267,285
Statutory deposits with central banks	3,885,277	938,334	-	-	188,573	-	-	29,376	5,041,560
Investment in subsidiaries	8,339,634	15,794,159	-	-	537,295	3,800,517	-	2,974,851	31,446,456
Interest in associates and joint ventures	35,854	-	-	-	434,348	-	-	1,814	472,016
Property, plant and equipment	734,277	254,706	24,711	8,083	8,090	-	-	11,565	1,041,432
Intangible assets	346,476	-	-	2,601	5,436	-	-	6,352	360,865
Deferred tax assets*	328,158	(21,113)	-	-	-	-	-	38,141	345,186
Total assets	245,863,472	90,227,779	2,567,095	6,236,546	75,151,159	5,398,085	2,596,080	28,573,082	456,613,298
Liabilities									
Deposits from customers	160,239,832	33,218,179	2,785,477	7,399,091	40,019,457	-	2,031,492	9,466,787	255,160,315
Deposits and placements from financial institutions	6,543,520	12,797,274	431,535	2,979,078	27,494,538	-	47,034	2,647,768	52,940,747
Obligations on financial assets sold under repurchase agreements	5,294,699	4,658,200	-	-	9,063,264	-	248,666	2,001,473	21,266,302
Derivative liabilities*	22,168,868	5,277,746	(1,079,742)	(3,789,153)	(17,273,301)	742,625	1,394,664	(2,658)	7,439,049
Financial liabilities at fair value through profit or loss	1,908,994	-	-	-	6,598,010	-	-	-	8,507,004
Bills and acceptances payable	563,496	44,883	65	523	2,719	39	228	1,014	612,967
Other liabilities*	4,240,544	14,214,673	833,360	(26,133)	(12,877,986)	496,177	(174,023)	634,449	7,341,061
Recourse obligation on loans and financing sold to Cagamas	1,547,272	-	-	-	-	-	-	-	1,547,272
Provision for taxation and zakat	(104,591)	157,041	4,097	(8,387)	2,012	-	-	29,643	79,815
Borrowings	482,658	(467)	-	3,479,174	12,137,335	-	-	7,342,460	23,441,160
Subordinated obligations	7,074,144	-	-	-	2,083,166	-	-	-	9,157,310
Capital securities	3,531,029	-	-	-	-	-	-	-	3,531,029
Total liabilities	213,490,465	70,367,529	2,974,792	10,034,193	67,249,214	1,238,841	3,548,061	22,120,936	391,024,031
On-balance sheet open position	32,373,007	19,860,250	(407,697)	(3,797,647)	7,901,945	4,159,244	(951,981)	6,452,146	65,589,267
Less: Derivative assets	(7,495,644)	902,137	3,492,065	(868,775)	2,188,975	236,738	(972,911)	(4,281,648)	(6,799,063)
Add: Derivative liabilities	22,168,868	5,277,746	(1,079,742)	(3,789,153)	(17,273,301)	742,625	1,394,664	(2,658)	7,439,049
Add: Net forward position	(14,678,045)	(20,016,209)	(2,872,252)	10,271,036	28,349,622	(1,583,234)	(370,217)	340,808	(558,491)
Net open position	32,368,186	6,023,924	(867,626)	1,815,461	21,167,241	3,555,373	(900,445)	2,508,648	65,670,762
Net structural currency exposures	-	21,476,428	(5,201)	1,032,564	3,779,731	3,800,517	-	4,053,813	34,137,852

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Bank 2017	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	9,487,476	5,769,098	197,938	1,032,442	8,329,514	164,219	867,262	4,866,578	30,714,527
Deposits and placements with financial institutions	2,724,923	288,854	713,828	-	16,289,356	-	552,058	813,474	21,382,493
Financial assets purchased under resale agreements	-	7,633,503	-	-	-	-	-	-	7,633,503
Financial assets at fair value through profit or loss	1,639,953	2,769,440	-	365,685	616,317	560,813	-	1,944,469	7,896,677
Financial investments available-for-sale	47,256,707	16,036,105	211,667	2,450,895	11,576,193	1,116,264	1,385,683	9,253,225	89,286,739
Financial investments held-to-maturity	15,263,322	-	-	-	2,452,215	-	-	48,028	17,763,565
Loans, advances and financing to financial institutions	18,163,013	-	166,643	-	-	-	-	284,575	18,614,231
Loans, advances and financing to customers	114,463,139	107,345,696	4,274,377	2,987,063	37,244,714	-	519,492	5,549,257	272,383,738
Derivative assets*	28,063,743	475,288	(771,341)	(1,112,742)	(38,452,913)	16,066	1,505,254	17,141,866	6,865,221
Other assets*	859,662	518,591	245,050	640,462	2,501,547	10,081	38,077	(12,073)	4,801,397
Statutory deposits with central banks	3,827,265	3,635,712	-	-	186,724	-	-	96,999	7,746,700
Investment in subsidiaries	6,599,450	2,853,843	-	173,400	585,591	7,704,270	-	4,140,509	22,057,063
Interest in associates and joint ventures	31,342	-	-	-	6,140	-	-	434,534	472,016
Property, plant and equipment	778,405	330,235	26,927	5,904	7,698	-	-	16,739	1,165,908
Intangible assets	314,742	235,212	-	4,370	7,808	-	-	5,898	568,030
Deferred tax assets*	310,215	(26,523)	-	-	151	-	-	31,170	315,013
Total assets	249,783,357	147,865,054	5,065,089	6,547,479	41,351,055	9,571,713	4,867,826	44,615,248	509,666,821
Liabilities									
Deposits from customers	146,208,075	120,617,636	2,206,772	3,149,513	44,521,196	103	1,386,674	10,848,631	328,938,600
Deposits and placements from financial institutions	8,447,655	1,882,997	168,944	2,542,306	22,904,352	-	298,328	1,400,552	37,645,134
Obligations on financial assets sold under repurchase agreements	2,907,423	461,478	-	-	393,202	-	762,869	664,344	5,189,316
Derivative liabilities*	32,260,252	4,326,604	2,254,552	(3,151,474)	(44,019,383)	444,849	1,995,140	13,069,458	7,179,998
Financial liabilities at fair value through profit or loss	2,120,393	-	-	-	3,362,727	-	-	-	5,483,120
Bills and acceptances payable	1,041,273	333,258	80	577	8,438	276	253	828	1,384,983
Other liabilities*	8,087,616	6,191,972	730,034	582,416	(69,128)	82,346	1,115,373	189,968	16,910,597
Recourse obligation on loans and financing sold to Cagamas	1,543,501	-	-	-	-	-	-	-	1,543,501
Provision for taxation and zakat	205,157	179,316	3,463	(34,654)	3,323	-	-	29,271	385,876
Borrowings	3,230,388	164,087	-	2,790,822	13,081,666	-	193,671	7,645,808	27,106,442
Subordinated obligations	7,327,196	-	-	-	2,035,330	-	-	-	9,362,526
Capital securities	4,672,482	1,611,698	-	-	-	-	-	-	6,284,180
Total liabilities	218,051,411	135,769,046	5,363,845	5,879,506	42,221,723	527,574	5,752,308	33,848,860	447,414,273
On-balance sheet open position	31,731,946	12,096,008	(298,756)	667,973	(870,668)	9,044,139	(884,482)	10,766,388	62,252,548
Less: Derivative assets	(28,063,743)	(475,288)	771,341	1,112,742	38,452,913	(16,066)	(1,505,254)	(17,141,866)	(6,865,221)
Add: Derivative liabilities	32,260,252	4,326,604	2,254,552	(3,151,474)	(44,019,383)	444,849	1,995,140	13,069,458	7,179,998
Add: Net forward position	(4,218,737)	(5,214,522)	(3,681,013)	3,451,123	12,881,111	(836,358)	(1,773,013)	(708,142)	(99,551)
Net open position	31,709,718	10,732,802	(953,876)	2,080,364	6,443,973	8,636,564	(2,167,609)	5,985,838	62,467,774
Net structural currency exposures	-	11,793,424	4,517	1,600,552	1,936,383	7,704,270	(3,966)	5,075,418	28,110,598

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and of the Bank's overseas branches and investments in overseas subsidiaries.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

The structural currency exposures of the Group and of the Bank as at the reporting dates are as follows:

Group	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
2018			
Singapore Dollar	16,290,461	-	16,290,461
Great Britain Pound	(5,201)	-	(5,201)
Hong Kong Dollar	1,222,213	-	1,222,213
United States Dollar	6,309,338	(2,083,166)	4,226,172
Indonesia Rupiah	9,368,060	-	9,368,060
Others	5,261,649	-	5,261,649
	38,446,520	(2,083,166)	36,363,354
2017			
Singapore Dollar	15,112,947	(3,010,430)	12,102,517
Great Britain Pound	4,517	-	4,517
Hong Kong Dollar	1,615,451	-	1,615,451
United States Dollar	6,167,530	(3,837,469)	2,330,061
Indonesia Rupiah	9,171,453	-	9,171,453
Euro	(3,966)	-	(3,966)
Others	5,596,941	-	5,596,941
	37,664,873	(6,847,899)	30,816,974

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

The structural currency exposures of the Group and of the Bank as at the reporting dates are as follows (cont'd.):

	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
Bank			
2018			
Singapore Dollar	21,476,428	–	21,476,428
Great Britain Pound	(5,201)	–	(5,201)
Hong Kong Dollar	1,032,564	–	1,032,564
United States Dollar	5,862,897	(2,083,166)	3,779,731
Indonesia Rupiah	3,800,517	–	3,800,517
Others	4,053,813	–	4,053,813
	36,221,018	(2,083,166)	34,137,852
2017			
Singapore Dollar	14,803,854	(3,010,430)	11,793,424
Great Britain Pound	4,517	–	4,517
Hong Kong Dollar	1,600,552	–	1,600,552
United States Dollar	5,757,105	(3,820,722)	1,936,383
Indonesia Rupiah	7,704,270	–	7,704,270
Euro	(3,966)	–	(3,966)
Others	5,075,418	–	5,075,418
	34,941,750	(6,831,152)	28,110,598

7. Sensitivity analysis for foreign exchange risk

Foreign exchange risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group's and of the Bank's foreign currency positions. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and the Bank on their unhedged position are as follows:

	Group		Bank	
	1% Appreciation RM'000	1% Depreciation RM'000	1% Appreciation RM'000	1% Depreciation RM'000
2018				
Impact to profit after taxation	12,961	(12,961)	8,265	(8,265)
2017				
Impact to profit after taxation	(20,644)	20,644	(26,098)	26,098

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against the functional currency – Ringgit Malaysia ("RM"). The result implies that the Group and the Bank may be subject to additional translation (losses)/gains if the RM appreciates/depreciates against other currencies and vice versa.

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

8. Equity price risk

Equity price risk arises from the unfavourable movements in share price of quoted equity investments that adversely affect the Group's and the Bank's mark-to-market valuation on quoted equity investments. There is a direct correlation between movements in share price of quoted equity investments and movements in stock market index. The Group's equity price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans and limits on investment in each country, sector, market and issuer.

Considering that other risk variables remain constant, the sensitivity of mark-to-market valuation of quoted equity investments for the Group and the Bank against the stock market index are as follows:

	Group Change in market index		Bank Change in market index	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
2018				
Impact to profit after tax	347,484	(347,484)	16,280	(16,280)
Impact to post-tax equity	791	(791)	1,495	(1,495)
2017				
Impact to profit after tax	230,144	(230,144)	10,823	(10,823)
Impact to post-tax equity	220,755	(220,755)	14,941	(14,941)

(g) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity risk is defined as the risk of an adverse impact to the Group's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The Group has taken Bank Negara Malaysia ("BNM") Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure. The Group also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Group are monitored regularly against the established policies, procedures and limits.

The Group has a diversified liability structure to meet its funding requirements. The primary source of funding includes customer deposits, interbank deposits, debt securities, swap market, bank loan syndication and medium term funds. The Group also initiates and implements strategic fund raising programmes as well as institutes standby lines with external parties on a need basis. Sources of fund providers are regularly reviewed to maintain a wide diversification by currency, provider, product and term, thus minimising excessive funding concentration.

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Group and the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure proper funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Recovery Plan ("RCP") testing to examine the effectiveness and robustness of the plans to avert any potential liquidity disasters affecting the Group's and the Bank's liquidity soundness and financial solvency.

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2018 and 31 December 2017.

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM:

Group 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	55,025,127	-	-	-	-	-	-	-	55,025,127
Deposits and placements with financial institutions	-	968,522	5,258,499	597,680	3,760,828	1,139,194	778,154	-	12,502,877
Financial assets purchased under resale agreements	3,815,633	214,612	-	-	-	-	-	-	4,030,245
Financial investments portfolio*	10,316,026	13,093,667	12,535,510	11,221,329	29,611,139	27,926,704	67,755,636	5,492,076	177,952,087
Loans, advances and financing to financial institutions	19,867	38,000	38,610	279,167	210,151	111,534	878,870	-	1,576,199
Loans, advances and financing to customers	76,192,636	17,544,457	12,836,019	27,082,139	58,894,046	57,610,084	255,348,239	-	505,507,620
Derivative assets	248,022	959,173	714,114	651,620	1,005,378	1,421,150	1,964,064	-	6,963,521
Reinsurance/retakaful assets and other insurance receivables	3,614,818	111,425	-	15,920	18,324	39,560	-	-	3,800,047
Other assets	3,465,244	77,011	50,799	113,881	31,018	1,790	9,761	6,123,836	9,873,340
Investment properties	-	-	-	-	-	-	-	895,769	895,769
Statutory deposits with central banks	-	-	-	-	-	-	-	16,264,849	16,264,849
Interest in associates and joint ventures	-	-	-	-	-	-	-	2,300,299	2,300,299
Property, plant and equipment	-	-	-	-	-	-	-	2,495,825	2,495,825
Intangible assets	-	-	-	-	-	-	-	6,718,327	6,718,327
Deferred tax assets	-	-	-	-	-	-	-	1,085,549	1,085,549
Total assets	152,697,373	33,006,867	31,433,551	39,961,736	93,530,884	88,250,016	326,734,724	41,376,530	806,991,681
Liabilities									
Customers' funding:									
- Deposits from customers	322,343,256	84,173,573	57,622,247	60,394,062	5,513,461	444,501	2,241,523	-	532,732,623
- Investment accounts of customers [^]	2,220,255	1,861,981	4,270,772	2,125,559	5,176	13,912	13,067,406	-	23,565,061
Deposits and placements from financial institutions	9,196,311	15,498,559	4,214,531	12,183,430	2,129,391	628,134	221	-	43,850,577
Obligations on financial assets sold under repurchase agreements	3,120,505	5,347,696	5,329,792	-	-	-	-	-	13,797,993
Derivative liabilities	649,119	1,153,379	713,792	730,599	1,155,309	1,812,868	1,760,718	-	7,975,784
Financial liabilities at fair value through profit or loss	-	-	-	-	669,879	919,090	7,303,722	-	8,892,691
Bills and acceptances payable	1,231,800	153,107	120,003	943	-	-	469	2,336	1,508,658
Insurance/takaful contract liabilities and other insurance payables	14,423,027	2,374,493	14,509	4,779,171	1,463,227	3,615,746	173,560	9,369	26,853,102
Other liabilities	8,398,157	204,879	1,010,815	3,343,648	2,049,572	3,772,107	105,282	2,904,211	21,788,671
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,547,272	-	-	-	1,547,272
Provision for taxation and zakat	(41,321)	4,482	11,764	9,275	-	-	-	411,592	395,792
Deferred tax liabilities	-	-	-	-	-	-	-	497,966	497,966
Borrowings	2,651,801	3,601,705	2,317,595	3,638,526	11,157,174	7,184,516	1,048,880	-	31,600,197
Subordinated obligations	88,060	-	-	587,259	163,676	-	9,878,010	-	10,717,005
Capital securities	31,029	-	-	-	-	-	3,500,000	-	3,531,029
Total liabilities	364,311,999	114,373,854	75,625,820	87,792,472	25,854,137	18,390,874	39,079,791	3,825,474	729,254,421
Net liquidity gap	(211,614,626)	(81,366,987)	(44,192,269)	(47,830,736)	67,676,747	69,859,142	287,654,933	37,551,056	77,737,260

* Financial investments portfolio consists of financial assets designated at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2018 and 31 December 2017 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	50,334,290	-	-	-	-	-	-	-	50,334,290
Deposits and placements with financial institutions	-	10,853,851	513,318	1,292,406	2,368,898	1,737,837	222,081	-	16,988,391
Financial assets purchased under resale agreements	5,916,473	2,597,810	-	-	-	-	-	-	8,514,283
Financial investments portfolio*	6,636,051	13,437,404	7,697,157	11,254,934	23,215,372	21,942,954	63,685,263	6,503,375	154,372,510
Loans, advances and financing to financial institutions	790,559	2,113	4,374	70,315	90,625	187,709	880,581	-	2,026,276
Loans, advances and financing to customers	76,975,278	26,560,755	13,192,290	10,566,920	52,684,128	62,135,412	241,443,303	-	483,558,086
Derivative assets	1,086,043	1,085,728	553,632	472,997	1,516,628	1,285,332	704,291	-	6,704,651
Reinsurance/retakaful assets and other insurance receivables	3,355,257	43,263	-	412,598	78,279	-	44,375	-	3,933,772
Other assets	5,339,570	143,376	58,621	331,266	3,819	4,506	6,732	3,810,250	9,698,140
Investment properties	-	-	-	-	-	-	-	753,555	753,555
Statutory deposits with central banks	-	-	-	-	-	-	-	15,397,213	15,397,213
Interest in associates and joint ventures	-	-	-	-	-	-	-	2,772,324	2,772,324
Property, plant and equipment	-	-	-	-	-	-	-	2,635,018	2,635,018
Intangible assets	-	-	-	-	-	-	-	6,753,939	6,753,939
Deferred tax assets	-	-	-	-	-	-	-	859,318	859,318
Total assets	150,433,521	54,724,300	22,019,392	24,401,436	79,957,749	87,293,750	306,986,626	39,484,992	765,301,766
Liabilities									
Customers' funding:									
- Deposits from customers	222,182,058	80,364,672	58,679,768	68,612,221	65,721,600	6,437,962	19,164	-	502,017,445
- Investment accounts of customers [^]	13,868,567	3,169,363	4,964,199	2,532,512	2,564	18,240	-	-	24,555,445
Deposits and placements from financial institutions	22,691,639	12,489,098	3,435,797	899,755	1,855,936	1,225,788	118	-	42,598,131
Obligations on financial assets sold under repurchase agreements	2,401,379	2,965,707	-	-	-	-	-	-	5,367,086
Derivative liabilities	1,005,919	1,268,296	793,739	641,117	1,473,202	1,839,666	199,076	-	7,221,015
Financial liabilities at fair value through profit or loss	-	-	-	-	-	2,131,807	4,244,008	-	6,375,815
Bills and acceptances payable	1,505,572	169,851	199,724	18,485	-	-	337	77	1,894,046
Insurance/takaful contract liabilities and other insurance payables	11,907,491	1,527,071	738,403	3,620,226	315	1,896,082	5,168,499	260,756	25,118,843
Other liabilities	8,919,064	4,227,187	193,784	1,441,868	936,920	485,050	622,698	2,352,569	19,179,140
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,543,501	-	-	-	1,543,501
Provision for taxation and zakat	7,191	4,737	8,594	78,220	-	-	-	647,752	746,494
Deferred tax liabilities	-	-	-	-	-	-	-	732,079	732,079
Borrowings	4,461,164	2,995,772	4,681,544	2,850,694	9,023,601	6,691,891	3,800,952	-	34,505,618
Subordinated obligations	9	-	449,175	149,221	399,619	-	10,981,299	-	11,979,323
Capital securities	-	-	-	-	-	-	6,284,180	-	6,284,180
Total liabilities	288,950,053	109,181,754	74,144,727	80,844,319	80,957,258	20,726,486	31,320,331	3,993,233	690,118,161
Net liquidity gap	(138,516,532)	(54,457,454)	(52,125,335)	(56,442,883)	(999,509)	66,567,264	275,666,295	35,491,759	75,183,605

* Financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity.

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2018 and 31 December 2017 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

Bank 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	26,945,152	-	-	-	-	-	-	-	26,945,152
Deposits and placements with financial institutions	-	11,876,976	5,257,807	597,531	3,760,471	1,139,194	778,154	-	23,410,133
Financial assets purchased under resale agreements	3,601,846	161,438	-	-	-	-	-	-	3,763,284
Financial investments portfolio*	5,195,304	9,445,223	7,435,704	8,246,731	13,757,069	24,735,078	51,413,706	1,125,259	121,354,074
Loans, advances and financing to financial institutions	4,930,455	932,771	141,478	251,615	3,715,020	2,287,048	4,793,637	-	17,052,024
Loans, advances and financing to customers	39,741,093	8,798,523	6,326,598	12,704,140	38,847,858	32,863,454	74,033,102	-	213,314,768
Derivative assets	256,326	926,080	782,906	618,356	973,982	1,280,756	1,960,657	-	6,799,063
Other assets	556,873	8,419	2,489	157	312	4	412	4,698,619	5,267,285
Statutory deposits with central banks	-	-	-	-	-	-	-	5,041,560	5,041,560
Investment in subsidiaries	-	-	-	-	-	-	-	31,446,456	31,446,456
Interest in associates and joint ventures	-	-	-	-	-	-	-	472,016	472,016
Property, plant and equipment	-	-	-	-	-	-	-	1,041,432	1,041,432
Intangible assets	-	-	-	-	-	-	-	360,865	360,865
Deferred tax assets	-	-	-	-	-	-	-	345,186	345,186
Total assets	81,227,049	32,149,430	19,946,982	22,418,530	61,054,712	62,305,534	132,979,668	44,531,393	456,613,298
Liabilities									
Deposits from customers	171,293,360	39,323,933	17,787,084	25,395,924	1,294,762	65,252	-	-	255,160,315
Deposits and placements from financial institutions	21,173,908	14,507,165	3,928,551	12,795,871	315,211	220,041	-	-	52,940,747
Obligations on financial assets sold under repurchase agreements	10,588,814	5,347,696	5,329,792	-	-	-	-	-	21,266,302
Derivative liabilities	502,990	1,061,303	720,627	639,124	1,103,454	1,646,887	1,764,664	-	7,439,049
Financial liabilities at fair value through profit or loss	-	-	-	-	284,192	919,090	7,303,722	-	8,507,004
Bills and acceptances payable	608,705	2,584	1,284	-	-	-	394	-	612,967
Other liabilities	6,759,776	49,150	20,000	72,877	-	59,278	1,890	378,090	7,341,061
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,547,272	-	-	-	1,547,272
Provision for taxation and zakat	27,808	3,471	961	1,921	-	-	-	45,654	79,815
Borrowings	77,093	2,667,261	1,427,225	2,363,121	9,350,834	6,621,030	934,596	-	23,441,160
Subordinated obligations	88,060	-	-	-	-	-	9,069,250	-	9,157,310
Capital securities	31,029	-	-	-	-	-	3,500,000	-	3,531,029
Total liabilities	211,151,543	62,962,563	29,215,524	41,268,838	13,895,725	9,531,578	22,574,516	423,744	391,024,031
Net liquidity gap	(129,924,494)	(30,813,133)	(9,268,542)	(18,850,308)	47,158,987	52,773,956	110,405,152	44,107,649	65,589,267

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

Notes to the Financial Statements

31 December 2018

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2018 and 31 December 2017 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

Bank 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	30,714,527	-	-	-	-	-	-	-	30,714,527
Deposits and placements with financial institutions	-	15,272,648	503,021	1,278,008	2,368,898	1,737,837	222,081	-	21,382,493
Financial assets purchased under resale agreements	5,083,762	2,549,741	-	-	-	-	-	-	7,633,503
Financial investments portfolio*	4,387,633	11,331,990	6,010,381	9,591,365	17,171,670	18,308,504	47,458,503	686,935	114,946,981
Loans, advances and financing to financial institutions	7,166,736	2,196,892	106,500	333,888	1,076,011	4,066,233	3,667,971	-	18,614,231
Loans, advances and financing to customers	43,694,535	11,877,923	7,567,052	9,800,601	38,496,231	37,761,914	123,185,482	-	272,383,738
Derivative assets	1,020,555	1,063,891	542,530	632,223	1,630,284	1,305,226	670,512	-	6,865,221
Other assets	1,382,911	59,331	3,699	82	281	12	-	3,355,081	4,801,397
Statutory deposits with central banks	-	-	-	-	-	-	-	7,746,700	7,746,700
Investment in subsidiaries	-	-	-	-	-	-	-	22,057,063	22,057,063
Interest in associates and joint ventures	-	-	-	-	-	-	-	472,016	472,016
Property, plant and equipment	-	-	-	-	-	-	-	1,165,908	1,165,908
Intangible assets	-	-	-	-	-	-	-	568,030	568,030
Deferred tax assets	-	-	-	-	-	-	-	315,013	315,013
Total assets	93,450,659	44,352,416	14,733,183	21,636,167	60,743,375	63,179,726	175,204,549	36,366,746	509,666,821
Liabilities									
Deposits from customers	127,573,618	46,397,955	33,235,858	51,870,263	64,128,329	5,732,577	-	-	328,938,600
Deposits and placements from financial institutions	21,438,786	10,425,967	3,316,961	842,612	1,249,083	371,725	-	-	37,645,134
Obligations on financial assets sold under repurchase agreements	2,223,609	2,965,707	-	-	-	-	-	-	5,189,316
Derivative liabilities	942,903	1,190,123	651,807	777,911	1,571,241	1,846,937	199,076	-	7,179,998
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1,239,112	4,244,008	-	5,483,120
Bills and acceptances payable	1,384,646	-	-	-	-	-	337	-	1,384,983
Other liabilities	11,058,078	4,004,222	184,626	527,232	472,133	382,282	-	282,024	16,910,597
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,543,501	-	-	-	1,543,501
Provision for taxation and zakat	1,111	4,591	-	-	-	-	-	380,174	385,876
Borrowings	1,941,789	2,286,540	3,961,971	2,053,053	6,370,246	6,691,891	3,800,952	-	27,106,442
Subordinated obligations	-	-	-	-	-	-	9,362,526	-	9,362,526
Capital securities	-	-	-	-	-	-	6,284,180	-	6,284,180
Total liabilities	166,564,540	67,275,105	41,351,223	56,071,071	75,334,533	16,264,524	23,891,079	662,198	447,414,273
Net liquidity gap	(73,113,881)	(22,922,689)	(26,618,040)	(34,434,904)	(14,591,158)	46,915,202	151,313,470	35,704,548	62,252,548

* Financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity.



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2018 and 31 December 2017. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows.

Group 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Deposits from customers	327,401,405	85,148,918	58,306,481	61,427,938	6,133,790	498,910	-	538,917,442
Investment accounts of customers	15,300,495	1,887,180	4,325,717	2,179,445	5,568	16,461	-	23,714,866
Deposits and placements from financial institutions	23,524,754	15,937,640	4,244,829	6,112,232	8,606,270	959,884	1,865	59,387,474
Obligations on financial assets sold under repurchase agreements	10,589,714	5,373,234	5,485,424	-	-	-	-	21,448,372
Financial liabilities at fair value through profit or loss	3,505	143	1,338	-	665,610	919,090	7,303,722	8,893,408
Bills and acceptances payable	1,554,121	2,584	1,284	-	-	-	394	1,558,383
Insurance/takaful contract liabilities and other insurance payables	14,447,170	14,390	14,509	7,139,275	1,463,227	3,615,746	182,928	26,877,245
Other liabilities	11,532,234	460,815	315,393	3,477,017	2,733,675	4,636,184	2,826,236	25,981,554
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,641,171	-	-	1,641,171
Borrowings	4,941,033	3,089,289	2,072,105	3,936,786	11,263,668	8,071,959	2,212,179	35,587,019
Subordinated obligations	-	1,024	1,024	609,259	508,694	249,115	11,770,906	13,140,022
Capital securities	-	-	-	-	-	-	4,614,512	4,614,512
	409,294,431	111,915,217	74,768,104	84,881,952	33,021,673	18,967,349	28,912,742	761,761,468
Commitments and contingencies								
Direct credit substitutes	1,996,700	1,054,885	1,747,685	4,281,371	1,619,585	116,815	500,553	11,317,594
Certain transaction-related contingent items	1,495,886	1,137,168	1,414,689	2,917,265	6,786,171	2,956,789	722,364	17,430,332
Short-term self-liquidating trade-related contingencies	2,119,677	2,419,130	287,367	125,381	135,194	-	-	5,086,749
Obligations under underwriting agreements	350,106	-	-	-	-	-	-	350,106
Irrevocable commitments to extend credit	90,673,629	2,259,804	549,075	24,580,029	22,909,337	8,600,830	491,358	150,064,062
Miscellaneous	7,762,816	1,137,016	474,081	1,802,982	401,036	122,396	1,705	11,702,032
	104,398,814	8,008,003	4,472,897	33,707,028	31,851,323	11,796,830	1,715,980	195,950,875

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2018 and 31 December 2017. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows (cont'd.).

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Deposits from customers	226,497,147	83,419,626	59,316,971	69,209,613	65,290,759	6,442,538	19,164	510,195,818
Investment accounts of customers	13,868,567	3,169,363	4,964,199	2,532,512	2,564	18,240	-	24,555,445
Deposits and placements from financial institutions	24,793,974	12,355,894	3,451,225	934,534	1,868,754	1,250,437	118	44,654,936
Obligations on financial assets sold under repurchase agreements	2,404,407	2,977,497	-	-	-	-	-	5,381,904
Financial liabilities at fair value through profit or loss	4,586	136	3,459	-	-	2,129,112	4,244,008	6,381,301
Bills and acceptances payable	1,893,713	-	-	-	-	-	337	1,894,050
Insurance/takaful contract liabilities and other insurance payables	12,168,247	1,508,263	738,403	3,639,034	315	1,896,082	5,168,499	25,118,843
Other liabilities	16,066,064	1,015,686	83,407	1,245,310	872,703	1,216,731	1,477,952	21,977,853
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,705,998	-	-	1,705,998
Borrowings	4,275,946	3,093,031	4,740,280	3,133,407	8,891,236	7,667,584	7,726,461	39,527,945
Subordinated obligations	8	1,069	489,517	486,784	639,318	599,690	13,883,854	16,100,240
Capital securities	-	-	-	-	-	-	14,514,358	14,514,358
	301,972,659	107,540,565	73,787,461	81,181,194	79,271,647	21,220,414	47,034,751	712,008,691
Commitments and contingencies								
Direct credit substitutes	1,473,688	624,593	905,437	6,190,926	3,175,065	87,342	513,370	12,970,421
Certain transaction-related contingent items	732,736	339,145	569,873	5,771,556	6,433,254	815,780	3,764,938	18,427,282
Short-term self-liquidating trade-related contingencies	2,320,963	2,529,779	139,193	931,037	108,979	-	-	6,029,951
Irrevocable commitments to extend credit	44,423,160	63,597	374,268	57,481,382	24,592,453	12,281,507	1,033,546	140,249,913
Miscellaneous	6,198,668	2,243,544	856,529	2,477,636	150,758	168,503	3,067	12,098,705
	55,149,215	5,800,658	2,845,300	72,852,537	34,460,509	13,353,132	5,314,921	189,776,272



57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2018 and 31 December 2017. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows (cont'd.).

Bank	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 months to 1 year	>1 to 3 years	>3 to 5 years	Over 5 years	Total
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative liabilities								
Deposits from customers	171,761,655	39,933,199	18,106,755	25,889,435	1,332,949	76,417	-	257,100,410
Deposits and placements from financial institutions	21,421,401	14,348,577	3,961,603	6,717,218	6,788,979	231,201	-	53,468,979
Obligations on financial assets sold under repurchase agreements	10,589,714	5,373,234	5,485,424	-	-	-	-	21,448,372
Financial liabilities at fair value through profit or loss	-	-	-	-	284,192	919,090	7,303,722	8,507,004
Bills and acceptances payable	608,705	2,584	1,284	-	-	-	394	612,967
Other liabilities	7,604,667	376,135	65,238	130,116	903,245	535,652	202,401	9,817,454
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,641,171	-	-	1,641,171
Borrowings	1,498,958	1,670,169	1,251,930	2,255,179	9,774,062	7,483,577	1,163,688	25,097,563
Subordinated obligations	-	-	-	-	-	-	11,770,906	11,770,906
Capital securities	-	-	-	-	-	-	4,614,512	4,614,512
	213,485,100	61,703,898	28,872,234	34,991,948	20,724,598	9,245,937	25,055,623	394,079,338
Commitments and contingencies								
Direct credit substitutes	1,094,311	886,360	1,569,989	3,892,498	1,413,259	67,420	54	8,923,891
Certain transaction-related contingent items	949,509	991,935	1,110,016	2,374,296	5,801,212	1,650,730	529,172	13,406,870
Short-term self-liquidating trade-related contingencies	1,737,759	2,186,017	216,502	106,531	135,193	-	-	4,382,002
Irrevocable commitments to extend credit	71,781,489	2,259,482	549,075	2,327,894	11,923,976	4,050,691	491,355	93,383,962
Miscellaneous	3,965,110	1,047,684	402,397	1,681,488	184,719	-	140	7,281,538
	79,528,178	7,371,478	3,847,979	10,382,707	19,458,359	5,768,841	1,020,721	127,378,263
Bank								
2017								
Non-derivative liabilities								
Deposits from customers	130,104,016	49,480,817	33,729,136	52,309,121	63,697,311	5,737,153	-	335,057,554
Deposits and placements from financial institutions	21,485,529	10,479,207	3,349,392	874,138	1,261,901	396,374	-	37,846,541
Obligations on financial assets sold under repurchase agreements	2,225,831	2,977,497	-	-	-	-	-	5,203,328
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1,239,112	4,244,008	5,483,120
Bills and acceptances payable	1,384,646	-	-	-	-	-	337	1,384,983
Other liabilities	15,548,132	893,298	73,531	200,188	872,095	1,113,963	638,690	19,339,897
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	1,705,998	-	-	1,705,998
Borrowings	1,718,116	2,283,433	3,991,222	2,094,772	6,648,477	7,258,992	7,479,824	31,474,836
Subordinated obligations	-	-	-	-	-	-	12,433,671	12,433,671
Capital securities	-	-	-	-	-	-	14,514,358	14,514,358
	172,466,270	66,114,252	41,143,281	55,478,219	74,185,782	15,745,594	39,310,888	464,444,286
Commitments and contingencies								
Direct credit substitutes	565,115	426,763	778,263	5,927,375	2,923,141	31,889	13,370	10,665,916
Certain transaction-related contingent items	152,014	147,531	386,875	5,528,231	5,302,921	264,117	2,836,728	14,618,417
Short-term self-liquidating trade-related contingencies	2,028,452	2,404,771	127,857	930,788	108,979	-	-	5,600,847
Irrevocable commitments to extend credit	41,947,210	63,597	374,268	37,500,345	16,894,780	12,270,752	1,033,546	110,084,498
Miscellaneous	4,163,120	2,237,103	845,285	2,464,954	87,965	-	147	9,798,574
	48,855,911	5,279,765	2,512,548	52,351,693	25,317,786	12,566,758	3,883,791	150,768,252

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Group's and the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2018 and 31 December 2017. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2018								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(23,999)	(17,193)	(25,086)	(58,601)	(35,311)	(45,111)	-	(205,301)
- Interest rate related contracts	75,994	(308,833)	39,600	(140,377)	(467,207)	(538,420)	(731,204)	(2,070,447)
- Equity related contracts	177,041	22,086	(104,988)	(281,227)	(526,010)	(8,442)	-	(721,540)
Hedging derivatives								
- Interest rate related contracts	(1,417)	(86)	1,480	31	(245)	(1,398)	-	(1,635)
	227,619	(304,026)	(88,994)	(480,174)	(1,028,773)	(593,371)	(731,204)	(2,998,923)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(69,841,332)	(46,660,870)	(31,162,606)	(17,749,010)	(14,846,022)	(9,224,298)	(1,887,645)	(191,371,783)
- Inflow	69,568,252	46,461,678	31,061,768	17,515,918	13,711,858	8,531,120	1,731,116	188,581,710
Hedging derivatives								
Derivatives:								
- Outflow	(6,108)	(40,013)	466,175	(881,610)	(1,319,882)	(2,865,045)	-	(4,646,483)
- Inflow	2,597	14,949	(625,477)	805,574	1,265,275	2,868,286	-	4,331,204
	(276,591)	(224,256)	(260,140)	(309,128)	(1,188,771)	(689,937)	(156,529)	(3,105,352)
2017								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(9,469)	(11,363)	(38,184)	(162,395)	(243,355)	(264)	-	(465,030)
- Interest rate related contracts	29,105	(59,434)	(17,370)	(14,747)	2,512,187	(1,185,194)	(583,608)	680,939
- Equity related contracts	8,644	(13,675)	(17,446)	(50,001)	(31,297)	(11,878)	-	(115,653)
Hedging derivatives								
- Interest rate related contracts	139	779	141	(1,859)	3,298	19,864	-	22,362
	28,419	(83,693)	(72,859)	(229,002)	2,240,833	(1,177,472)	(583,608)	122,618
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(90,732,456)	(47,879,755)	(20,400,932)	(25,531,224)	(25,859,787)	(12,827,215)	(3,260,745)	(226,492,114)
- Inflow	85,306,527	42,034,595	19,882,502	24,043,492	24,209,093	11,530,731	3,093,733	210,100,673
Hedging derivatives								
Derivatives:								
- Outflow	(5,656)	(7,707)	(51,537)	(251,518)	(1,166,257)	(1,565,262)	-	(3,047,937)
- Inflow	4,061	4,009	33,211	226,164	1,081,046	1,582,885	-	2,931,376
	(5,427,524)	(5,848,858)	(536,756)	(1,513,086)	(1,735,905)	(1,278,861)	(167,012)	(16,508,002)

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Group's and the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2018 and 31 December 2017. The amounts disclosed in the tables are the contractual undiscounted cash flows (cont'd.).

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Bank								
2018								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(23,999)	(17,193)	(25,080)	(58,634)	(35,311)	(45,111)	-	(205,328)
- Interest rate related contracts	76,204	(307,474)	41,018	(137,706)	(462,442)	(537,161)	(731,944)	(2,059,505)
- Equity related contracts	13,415	21,704	(105,007)	(281,227)	(526,010)	(8,442)	-	(885,567)
Hedging derivatives								
- Interest rate related contracts	(1,417)	(86)	1,480	31	(245)	(1,398)	-	(1,635)
	64,203	(303,049)	(87,589)	(477,536)	(1,024,008)	(592,112)	(731,944)	(3,152,035)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(69,716,440)	(46,704,422)	(31,460,328)	(18,031,255)	(15,267,500)	(10,251,858)	(1,887,645)	(193,319,448)
- Inflow	69,387,577	46,423,465	31,292,576	17,739,712	14,146,340	9,633,174	1,731,116	190,353,960
Hedging derivatives								
Derivatives:								
- Outflow	(6,108)	(40,013)	(250,405)	(881,610)	(1,319,882)	(2,865,045)	-	(5,363,063)
- Inflow	2,597	14,949	201,720	805,574	1,265,275	2,868,286	-	5,158,401
	(332,374)	(306,021)	(216,437)	(367,579)	(1,175,767)	(615,443)	(156,529)	(3,170,150)
2017								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(9,469)	(11,363)	(38,184)	(162,395)	(243,355)	(264)	-	(465,030)
- Interest rate related contracts	29,569	(57,511)	(15,225)	(12,091)	(104,218)	(1,183,504)	(584,626)	(1,927,606)
- Equity related contracts	(4,246)	(13,761)	(21,333)	(50,001)	(31,297)	(11,878)	-	(132,516)
Hedging derivatives								
- Interest rate related contracts	139	-	141	(1,406)	4,122	19,864	-	22,860
	15,993	(82,635)	(74,601)	(225,893)	(374,748)	(1,175,782)	(584,626)	(2,502,292)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(82,911,012)	(41,141,884)	(18,621,255)	(23,845,732)	(25,279,564)	(11,430,806)	(3,260,745)	(206,490,998)
- Inflow	80,397,788	39,867,219	17,483,143	22,075,702	24,083,024	10,497,101	3,093,733	197,497,710
Hedging derivatives								
Derivatives:								
- Outflow	(546)	(6,270)	(7,580)	(16,616)	(1,166,257)	(1,565,262)	-	(2,762,531)
- Inflow	2,602	3,147	21,664	22,901	1,081,045	1,582,885	-	2,714,244
	(2,511,168)	(1,277,788)	(1,124,028)	(1,763,745)	(1,281,752)	(916,082)	(167,012)	(9,041,575)

57. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(h) Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Group's operational risk management is premised on the three lines of defence concept. Risk taking units (Strategic Business Unit), as first line of defence are primarily responsible for the day-to-day management of operational risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's operational risk management framework.

The Operational Risk Management ("ORM") team, as the second line of defence, is responsible for the formulation and implementation of operational risk management policy within the Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, control, report and monitor operational risks.

The Group's Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the operational risk management process, which includes performing independent review and periodic validation of the ORM policy and process as well as conducting regular review on implementation of ORM tools by ORM and the respective business units.

58. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and are structured as follows:

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy;
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
- (e) Movements of Level 3 instruments;
- (f) Sensitivity of fair value measurements to changes in unobservable input assumptions; and
- (g) Financial instruments not measured at fair value.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group and the Bank determine the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Group has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group and the Bank follow methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group and the Bank continuously enhance their design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

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:

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

Refers to inputs other than quoted prices included 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, illiquid equities and consumer loans and financing with homogeneous or similar features in the market.
- 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 Level 2 but incorporates the Group's and the Bank's own assumptions and data. Examples of Level 3 financial instruments include corporate bonds in illiquid markets, private equity investments and loans and financing priced primarily based on internal credit assessment.

58. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Valuation techniques

The valuation techniques used for both the financial instruments and non-financial assets that are not determined by reference to quoted prices (Level 1) are described below:

Derivatives

The fair values of the Group's and 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 profit or loss, financial investments at fair value through other 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.

Loans, advances and financing at fair value through profit or loss and 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 value of financial liabilities designated at fair value through profit or loss are derived using discounted cash flows.

Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

Notes to the Financial Statements

31 December 2018

58. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below:

Group 2018	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	
Non-financial assets measured at fair value:				
Investment properties	-	-	895,769	895,769
Financial assets measured at fair value:				
Financial assets designated upon initial recognition at fair value through profit or loss	114,885	15,601,153	-	15,716,038
Money market instruments	-	621,775	-	621,775
Quoted securities	114,885	-	-	114,885
Unquoted securities	-	14,979,378	-	14,979,378
Financial investments at fair value through profit or loss	4,526,355	8,946,598	779,947	14,252,900
Money market instruments	-	3,710,944	-	3,710,944
Quoted securities	4,526,355	-	-	4,526,355
Unquoted securities	-	5,235,654	779,947	6,015,601
Financial investments at fair value through other comprehensive income	189,166	120,211,367	513,355	120,913,888
Money market instruments	-	67,472,671	-	67,472,671
Quoted securities	189,166	-	-	189,166
Unquoted securities	-	52,738,696	513,355	53,252,051
Loans, advances and financing at fair value through profit or loss	-	-	396,950	396,950
Loans, advances and financing at fair value through other comprehensive income	-	-	8,968,438	8,968,438
Derivative assets	-	6,759,574	203,947	6,963,521
Foreign exchange related contracts	-	3,448,456	-	3,448,456
Interest rate related contracts	-	3,441,369	-	3,441,369
Equity and commodity related contracts	-	208,130	203,947	412,077
Credit related contracts	-	302	-	302
Netting effects under MFRS 132 Amendments	-	(338,683)	-	(338,683)
	4,830,406	151,518,692	10,862,637	167,211,735
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	-	8,892,691	-	8,892,691
Structured deposits	-	1,640,430	-	1,640,430
Borrowings	-	7,252,261	-	7,252,261
Derivative liabilities	-	7,771,837	203,947	7,975,784
Foreign exchange related contracts	-	3,652,709	-	3,652,709
Interest rate related contracts	-	3,922,402	-	3,922,402
Equity and commodity related contracts	-	535,409	203,947	739,356
Netting effects under MFRS 132 Amendments	-	(338,683)	-	(338,683)
	-	16,664,528	203,947	16,868,475



58. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below (cont'd.):

Group 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	
Non-financial assets measured at fair value:				
Investment properties	-	-	753,555	753,555
Financial assets measured at fair value:				
Financial assets held-for-trading	2,918,962	9,011,404	-	11,930,366
Money market instruments	-	5,049,952	-	5,049,952
Quoted securities	2,918,962	-	-	2,918,962
Unquoted securities	-	3,961,452	-	3,961,452
Financial assets designated at fair value through profit or loss	206,921	12,980,206	-	13,187,127
Money market instruments	-	1,006,312	-	1,006,312
Quoted securities	206,921	-	-	206,921
Unquoted securities	-	11,973,894	-	11,973,894
Financial investments available-for-sale	2,993,454	105,568,565	508,225	109,070,244
Money market instruments	-	54,919,782	-	54,919,782
Quoted securities	2,993,454	-	-	2,993,454
Unquoted securities	-	50,648,783	508,225	51,157,008
Derivative assets	-	6,225,117	479,534	6,704,651
Foreign exchange related contracts	-	4,213,552	-	4,213,552
Interest rate related contracts	-	2,143,214	-	2,143,214
Equity and commodity related contracts	-	160,127	479,534	639,661
Netting effects under MFRS 132 Amendments	-	(291,776)	-	(291,776)
	6,119,337	133,785,292	987,759	140,892,388
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	-	6,375,815	-	6,375,815
Structured deposits	-	2,366,966	-	2,366,966
Borrowings	-	4,008,849	-	4,008,849
Derivative liabilities	26,899	6,715,643	478,473	7,221,015
Foreign exchange related contracts	-	4,551,625	-	4,551,625
Interest rate related contracts	-	2,298,327	-	2,298,327
Equity and commodity related contracts	26,899	157,467	478,473	662,839
Netting effects under MFRS 132 Amendments	-	(291,776)	-	(291,776)
	26,899	13,091,458	478,473	13,596,830

Notes to the Financial Statements

31 December 2018

58. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below (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	
Bank 2018				
Financial assets measured at fair value:				
Financial investments at fair value through profit or loss	214,208	8,099,410	600,549	8,914,167
Money market instruments	-	2,879,675	-	2,879,675
Quoted securities	214,208	-	-	214,208
Unquoted securities	-	5,219,735	600,549	5,820,284
Financial investments at fair value through other comprehensive income	19,677	89,104,103	459,057	89,582,837
Money market instruments	-	45,495,137	-	45,495,137
Quoted securities	19,677	-	-	19,677
Unquoted securities	-	43,608,966	459,057	44,068,023
Loans, advances and financing at fair value through profit or loss	-	-	396,950	396,950
Loans, advances and financing at fair value through other comprehensive income	-	-	8,680,217	8,680,217
Derivative assets	-	6,595,116	203,947	6,799,063
Foreign exchange related contracts	-	3,421,722	-	3,421,722
Interest rate related contracts	-	3,360,378	-	3,360,378
Equity and commodity related contracts	-	147,705	203,947	351,652
Credit related contracts	-	302	-	302
Netting effects under MFRS 132 Amendments	-	(334,991)	-	(334,991)
	233,885	103,798,629	10,340,720	114,373,234
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	-	8,507,004	-	8,507,004
Structured deposits	-	1,254,743	-	1,254,743
Borrowings	-	7,252,261	-	7,252,261
Derivative liabilities	-	7,235,102	203,947	7,439,049
Foreign exchange related contracts	-	3,592,533	-	3,592,533
Interest rate related contracts	-	3,855,314	-	3,855,314
Equity and commodity related contracts	-	122,246	203,947	326,193
Netting effects under MFRS 132 Amendments	-	(334,991)	-	(334,991)
	-	15,742,106	203,947	15,946,053



58. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below (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	
Bank 2017				
Financial assets measured at fair value:				
Financial assets held-for-trading	142,413	7,754,264	-	7,896,677
Money market instruments	-	3,737,846	-	3,737,846
Quoted securities	142,413	-	-	142,413
Unquoted securities	-	4,016,418	-	4,016,418
Financial investments available-for-sale	196,592	88,734,733	355,414	89,286,739
Money market instruments	-	43,705,255	-	43,705,255
Quoted securities	196,592	-	-	196,592
Unquoted securities	-	45,029,478	355,414	45,384,892
Derivative assets	-	6,385,687	479,534	6,865,221
Foreign exchange related contracts	-	4,452,267	-	4,452,267
Interest rate related contracts	-	2,146,663	-	2,146,663
Equity and commodity related contracts	-	78,533	479,534	558,067
Netting effects under MFRS 132 Amendments	-	(291,776)	-	(291,776)
	339,005	102,874,684	834,948	104,048,637
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	-	5,483,120	-	5,483,120
Structured deposits	-	1,474,271	-	1,474,271
Borrowings	-	4,008,849	-	4,008,849
Derivative liabilities	-	6,701,525	478,473	7,179,998
Foreign exchange related contracts	-	4,627,390	-	4,627,390
Interest rate related contracts	-	2,302,485	-	2,302,485
Equity and commodity related contracts	-	63,426	478,473	541,899
Netting effects under MFRS 132 Amendments	-	(291,776)	-	(291,776)
	-	12,184,645	478,473	12,663,118

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.3(xxiii). There were no transfers between Level 1 and Level 2 for the Group and the Bank during the financial year ended 31 December 2018.

Notes to the Financial Statements

31 December 2018

58. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis:

Group As at 31 December 2018	At 1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Restated as at 1 January 2018 RM'000	Other gains/(losses) recognised in income statements*	Unrealised gains/(losses) recognised in income statements [#]	Unrealised gains/(losses) recognised in other comprehensive income RM'000	Purchases/ Issuances/ Additions RM'000	Sales RM'000	Settlements RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2018 RM'000
Financial investments at fair value through profit or loss													
Unquoted securities	-	260,501	260,501	-	519,446	-	-	-	-	-	-	-	779,947
	-	260,501	260,501	-	519,446	-	-	-	-	-	-	-	779,947
Financial investments at fair value through other comprehensive income													
Unquoted securities	508,225	(182,136)	326,089	-	-	197,846	533	-	(2,677)	(8,436)	-	-	513,355
	508,225	(182,136)	326,089	-	-	197,846	533	-	(2,677)	(8,436)	-	-	513,355
Loans, advances and financing at fair value through profit or loss													
	-	-	-	-	9,943	-	386,867	-	-	140	-	-	396,950
Loans, advances and financing at fair value through other comprehensive income													
	-	3,816,059	3,816,059	-	-	46,364	6,203,564	-	(1,097,549)	-	-	-	8,968,438
Derivative assets													
Equity and commodity related contracts	479,534	-	479,534	238,048	(242,123)	-	120,274	-	(391,786)	-	-	-	203,947
	479,534	-	479,534	238,048	(242,123)	-	120,274	-	(391,786)	-	-	-	203,947
Total Level 3 financial assets	987,759	3,894,424	4,882,183	238,048	287,266	244,210	6,711,238	-	(1,492,012)	(8,296)	-	-	10,862,637
Derivative liabilities													
Equity and commodity related contracts	(478,473)	-	(478,473)	243,703	(240,212)	-	(125,703)	-	396,738	-	-	-	(203,947)
Total Level 3 financial liabilities	(478,473)	-	(478,473)	243,703	(240,212)	-	(125,703)	-	396,738	-	-	-	(203,947)
Total net Level 3 financial assets/(liabilities)	509,286	3,894,424	4,403,710	481,751	47,054	244,210	6,585,535	-	(1,095,274)	(8,296)	-	-	10,658,690

* Included within 'Other operating income', 'Allowances for/(writeback of) Impairment Losses on Financial Investments' and 'Income from Islamic Banking Scheme operations'.

Included within 'Other operating income' and 'Income from Islamic Banking Scheme operations'.



58. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

Group As at 31 December 2017	At 1 January 2017 RM'000	Other gains/(losses) recognised in income statements* RM'000	Unrealised gains/(losses) recognised in income statements# RM'000	Unrealised gains/(losses) recognised in other comprehensive income RM'000	Purchases/ Issuances RM'000	Sales RM'000	Settlements RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2017 RM'000
Financial assets held-for-trading											
Unquoted securities	-	(19)	-	-	551	(532)	-	-	-	-	-
	-	(19)	-	-	551	(532)	-	-	-	-	-
Financial assets designated at fair value through profit or loss											
Unquoted securities	80,814	3,540	(21,754)	-	-	(62,600)	-	-	-	-	-
	80,814	3,540	(21,754)	-	-	(62,600)	-	-	-	-	-
Financial investments available-for-sale											
Unquoted securities	767,606	(3,925)	-	(32,323)	2,925	(90,155)	(35,860)	(6,621)	59,211	(152,633)	508,225
	767,606	(3,925)	-	(32,323)	2,925	(90,155)	(35,860)	(6,621)	59,211	(152,633)	508,225
Derivative assets											
Equity and commodity related contracts	485,476	283,723	35,194	-	747,929	-	(1,072,788)	-	-	-	479,534
	485,476	283,723	35,194	-	747,929	-	(1,072,788)	-	-	-	479,534
Total Level 3 financial assets	1,333,896	283,319	13,440	(32,323)	751,405	(153,287)	(1,108,648)	(6,621)	59,211	(152,633)	987,759
Derivative liabilities											
Equity and commodity related contracts	(497,001)	311,262	(9)	-	(774,070)	-	481,345	-	-	-	(478,473)
	(497,001)	311,262	(9)	-	(774,070)	-	481,345	-	-	-	(478,473)
Total Level 3 financial liabilities	(497,001)	311,262	(9)	-	(774,070)	-	481,345	-	-	-	(478,473)
Total net Level 3 financial assets/(liabilities)	836,895	594,581	13,431	(32,323)	(22,665)	(153,287)	(627,303)	(6,621)	59,211	(152,633)	509,286

* Included within 'Other operating income', 'Allowances for/(writeback of) Impairment Losses on Financial Investments' and 'Income from Islamic Banking Scheme operations'.

Included within 'Other operating income' and 'Income from Islamic Banking Scheme operations'.

Notes to the Financial Statements

31 December 2018

58. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

	At 1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Restated as at 1 January 2018 RM'000	Other gains/(losses) recognised in income statements* RM'000	Unrealised gains/(losses) recognised in income statements# RM'000	Unrealised gains/(losses) recognised in other comprehensive income RM'000	Purchases/ Issuances/ Additions RM'000	Sales RM'000	Settlements RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2018 RM'000
Bank As at 31 December 2018													
Financial investments at fair value through profit or loss													
Unquoted securities	-	91,562	91,562	-	508,987	-	-	-	-	-	-	-	600,549
	-	91,562	91,562	-	508,987	-	-	-	-	-	-	-	600,549
Financial investments at fair value through other comprehensive income													
Unquoted securities	355,414	(91,562)	263,852	-	-	197,882	-	-	(2,677)	-	-	-	459,057
	355,414	(91,562)	263,852	-	-	197,882	-	-	(2,677)	-	-	-	459,057
Loans, advances and financing at fair value through profit or loss													
	-	-	-	-	9,943	-	386,867	-	-	140	-	-	396,950
Loans, advances and financing at fair value through other comprehensive income													
	-	3,600,803	3,600,803	-	-	39,842	5,885,565	-	(845,993)	-	-	-	8,680,217
Derivative assets													
Equity and commodity related contracts	479,534	-	479,534	238,048	(242,123)	-	120,274	-	(391,786)	-	-	-	203,947
	479,534	-	479,534	238,048	(242,123)	-	120,274	-	(391,786)	-	-	-	203,947
Total Level 3 financial assets	834,948	3,600,803	4,435,751	238,048	276,807	237,724	6,392,706	-	(1,240,456)	140	-	-	10,340,720
Derivative liabilities													
Equity and commodity related contracts	(478,473)	-	(478,473)	243,703	(240,212)	-	(125,703)	-	396,738	-	-	-	(203,947)
	(478,473)	-	(478,473)	243,703	(240,212)	-	(125,703)	-	396,738	-	-	-	(203,947)
Total Level 3 financial liabilities	(478,473)	-	(478,473)	243,703	(240,212)	-	(125,703)	-	396,738	-	-	-	(203,947)
Total net Level 3 financial assets/(liabilities)	356,475	3,600,803	3,957,278	481,751	36,595	237,724	6,267,003	-	(843,718)	140	-	-	10,136,773

* Included within 'Other operating income' and 'Allowances for/(writeback of) Impairment Losses on Financial Investments'.

Included within 'Other operating income'.



58. FAIR VALUE MEASUREMENTS (CONT'D.)**(e) Movements of Level 3 instruments (cont'd.)**

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

Bank As at 31 December 2017	At 1 January 2017 RM'000	Other gains/(losses) recognised in income statements* RM'000	Unrealised gains/(losses) recognised in income statements# RM'000	Unrealised gains/(losses) recognised in other comprehensive income RM'000	Purchases/ Issuances RM'000	Sales RM'000	Settlements RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2017 RM'000
Financial investments available-for-sale											
Unquoted securities	495,504	(8,676)	-	3,739	-	(5,904)	(35,861)	-	59,211	(152,599)	355,414
	495,504	(8,676)	-	3,739	-	(5,904)	(35,861)	-	59,211	(152,599)	355,414
Derivative assets											
Equity and commodity related contracts	485,476	283,723	35,194	-	747,929	-	(1,072,788)	-	-	-	479,534
	485,476	283,723	35,194	-	747,929	-	(1,072,788)	-	-	-	479,534
Total Level 3 financial assets	980,980	275,047	35,194	3,739	747,929	(5,904)	(1,108,649)	-	59,211	(152,599)	834,948
Derivative liabilities											
Equity and commodity related contracts	(497,001)	311,262	(9)	-	(774,070)	-	481,345	-	-	-	(478,473)
Total Level 3 financial liabilities	(497,001)	311,262	(9)	-	(774,070)	-	481,345	-	-	-	(478,473)
Total net Level 3 financial assets/(liabilities)	483,979	586,309	35,185	3,739	(26,141)	(5,904)	(627,304)	-	59,211	(152,599)	356,475

* Included within 'Other operating income' and 'Allowances for/(writeback of) Impairment Losses on Financial Investments'.

Included within 'Other operating income'.

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets and financial liabilities in Level 3 of the fair value hierarchy.

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

(g) Financial instruments not measured at fair value

The on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all their assets and liabilities with the exception of investments in subsidiaries, interest in associates and joint ventures, property, plant and equipment and provision for current and deferred taxation.

For loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and of the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction as at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and of the Bank as a going concern.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and financial liabilities as disclosed below.

Notes to the Financial Statements

31 December 2018

58. FAIR VALUE MEASUREMENTS (CONT'D.)

(g) Financial instruments not measured at fair value (cont'd.)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position:

Group 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	-	12,502,877	-	12,502,877	12,502,877
Financial investments at amortised cost	-	26,396,698	873,455	27,270,153	27,069,261
Loans, advances and financing to financial institutions	-	-	1,576,199	1,576,199	1,576,199
Loans, advances and financing to customers	-	207,751,440	292,331,061	500,082,501	496,142,232
Financial liabilities					
Customers' funding:					
- Deposits from customers	-	532,955,269	-	532,955,269	532,732,623
- Investment accounts of customers [^]	-	23,565,595	-	23,565,595	23,565,061
Deposits and placements from financial institutions	-	43,779,473	-	43,779,473	43,850,577
Recourse obligation on loans and financing sold to Cagamas	-	1,547,272	-	1,547,272	1,547,272
Borrowings	-	26,553,331	5,354,440	31,907,771	31,600,197
Subordinated obligations	-	10,767,464	-	10,767,464	10,717,005
Capital securities	-	3,505,109	-	3,505,109	3,531,029

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

Group 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	-	16,988,391	-	16,988,391	16,988,391
Financial investments HTM	-	14,127,981	6,233,559	20,361,540	20,184,773
Loans, advances and financing to financial institutions	-	-	2,026,276	2,026,276	2,026,276
Loans, advances and financing to customers	-	174,952,117	306,343,000	481,295,117	483,558,086
Financial liabilities					
Customers' funding:					
- Deposits from customers	-	502,601,360	-	502,601,360	502,017,445
- Investment accounts of customers [^]	-	24,555,704	-	24,555,704	24,555,445
Deposits and placements from financial institutions	-	42,522,695	-	42,522,695	42,598,131
Recourse obligation on loans and financing sold to Cagamas	-	1,543,501	-	1,543,501	1,543,501
Borrowings	-	30,595,378	4,664,092	35,259,470	34,505,618
Subordinated obligations	-	11,655,947	499,947	12,155,894	11,979,323
Capital securities	-	6,287,425	-	6,287,425	6,284,180

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).



58. FAIR VALUE MEASUREMENTS (CONT'D.)**(g) Financial instruments not measured at fair value (cont'd.)**

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position (cont'd.):

Bank 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	-	23,410,133	-	23,410,133	23,410,133
Financial investments at amortised cost	-	22,131,618	873,253	23,004,871	22,857,070
Loans, advances and financing to financial institutions	-	-	17,052,024	17,052,024	17,052,024
Loans, advances and financing to customers	-	115,066,435	91,110,327	206,176,762	204,237,601
Financial liabilities					
Deposits from customers	-	255,387,005	-	255,387,005	255,160,315
Deposits and placements from financial institutions	-	52,927,426	-	52,927,426	52,940,747
Recourse obligation on loans and financing sold to Cagamas	-	1,547,272	-	1,547,272	1,547,272
Borrowings	-	23,841,319	-	23,841,319	23,441,160
Subordinated obligations	-	9,163,285	-	9,163,285	9,157,310
Capital securities	-	3,505,109	-	3,505,109	3,531,029

Bank 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	-	21,382,493	-	21,382,493	21,382,493
Financial investments HTM	-	11,688,902	6,233,526	17,922,428	17,763,565
Loans, advances and financing to financial institutions	-	-	18,614,231	18,614,231	18,614,231
Loans, advances and financing to customers	-	138,264,014	133,271,681	271,535,695	272,383,738
Financial liabilities					
Deposits from customers	-	329,542,447	-	329,542,447	328,938,600
Deposits and placements from financial institutions	-	37,644,752	-	37,644,752	37,645,134
Recourse obligation on loans and financing sold to Cagamas	-	1,543,501	-	1,543,501	1,543,501
Borrowings	-	27,863,941	-	27,863,941	27,106,442
Subordinated obligations	-	9,452,662	-	9,452,662	9,362,526
Capital securities	-	6,287,425	-	6,287,425	6,284,180

58. FAIR VALUE MEASUREMENTS (CONT'D.)

(g) Financial instruments not measured at fair value (cont'd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Financial investments at amortised cost/held-to-maturity ("HTM")

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Loans, advances and financing

The fair values of variable rate loans are estimated to approximate their carrying amount. For fixed rate loans and Islamic financing, 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. In respect of impaired loans, the fair values are deemed to approximate the carrying amount which are net of impairment allowances.

(iii) Deposits from customers, deposits and placements with/from financial institutions and investment accounts of customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

(iv) Recourse obligation on loans and financing sold to Cagamas

The fair values of recourse obligation on housing loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at reporting date.

(v) Borrowings, subordinated obligations and capital securities

The fair values of borrowings, subordinated obligations and capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for similar instruments as at reporting date.

59. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Amounts are not offset in the statement of financial position are related to:

- (i) The counterparties' offsetting exposures with the Group and the Bank where the right to set-off is only enforceable in the event of default, insolvency or bankruptcy of the counterparties; and
- (ii) Cash and securities that are received from or pledged with counterparties.



59. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group 2018	Gross amount of recognised financial assets/financial liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not offset in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collateral received/ pledged RM'000	
Financial assets						
Derivative assets	7,302,204	(338,683)	6,963,521	(675,193)	(301,385)	5,986,943
Other assets:						
Amount due from brokers and clients (Note 18)	4,838,570	(3,159,454)	1,679,116	-	-	1,679,116
Financial liabilities						
Derivative liabilities	8,314,467	(338,683)	7,975,784	(675,193)	(2,404,142)	4,896,449
Other liabilities:						
Amount due to brokers and clients (Note 29)	6,197,842	(3,159,454)	3,038,388	-	-	3,038,388
2017						
Financial assets						
Derivative assets	6,996,428	(291,777)	6,704,651	(1,961,906)	(681,335)	4,061,410
Other assets:						
Amount due from brokers and clients (Note 18)	4,245,384	(1,878,703)	2,366,681	-	-	2,366,681
Financial liabilities						
Derivative liabilities	7,512,791	(291,776)	7,221,015	(1,961,906)	(2,448,456)	2,810,653
Other liabilities:						
Amount due to brokers and clients (Note 29)	4,686,326	(1,878,703)	2,807,623	-	-	2,807,623
Bank 2018						
Financial assets						
Derivative assets	7,134,054	(334,991)	6,799,063	(675,193)	(301,385)	5,822,485
Financial liabilities						
Derivative liabilities	7,774,040	(334,991)	7,439,049	(675,193)	(2,404,142)	4,359,714
2017						
Financial assets						
Derivative assets	7,156,997	(291,776)	6,865,221	(1,961,092)	(681,335)	4,222,794
Financial liabilities						
Derivative liabilities	7,471,774	(291,776)	7,179,998	(1,961,092)	(2,284,036)	2,934,870

60. CAPITAL AND OTHER COMMITMENTS

Capital expenditure approved by directors but not provided for in the financial statements amounting to:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Approved and contracted for	111,471	251,995	23,180	42,656
Approved but not contracted for	683,434	242,103	171,959	110,585
	794,905	494,098	195,139	153,241

61. CAPITAL MANAGEMENT

The Group's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Group operates. The Group regards having a strong capital position as essential to the Group's business strategy and competitive position. As such, implications on the Group's capital position are taken into account by the Board and senior management prior to implementing major business decisions in order to preserve the Group's overall capital strength.

The Group's key thrust of capital management are to diversify its sources of capital; to allocate and deploy capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses; and to meet the expectations of key stakeholders, including investors, regulators and rating agencies. In addition, the Group's capital management is also implemented with the aim to:

- Maintain adequate capital adequacy ratios at all times, at levels sufficiently above the minimum regulatory requirements across the Group;
- Support the Group's credit rating from local and international rating agencies;
- Deploy capital efficiently to businesses and optimise returns on capital;
- Remain flexible to take advantage of future opportunities; and
- Build and invest in businesses, even in a reasonably stressed environment.

The quality and composition of capital are key factors in the Board and senior management's evaluation of the Group's capital adequacy position. The Group places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The Group's capital management is guided by the Group Capital Management Framework to ensure that capital is managed on an integrated approach and ensure a strong and flexible financial position to manage through economic cycles across the Group.

The Group's capital management is also supplemented by the Group Annual Capital Plan to facilitate efficient capital levels and utilisation across the Group. The plan is updated on an annual basis covering at least a three year horizon and approved by the Board for implementation at the beginning of each financial year. The Group Annual Capital Plan is reviewed by the Board semi-annually in order to keep abreast with the latest development on capital management and also to ensure effective and timely execution of the plans contained therein.

Pursuant to Bank Negara Malaysia's ("BNM") Capital Adequacy Framework (Capital Components) issued on February 2018, all financial institutions shall hold and maintain at all times, the minimum Common Equity Tier 1 Ratio of 4.5%, Tier 1 Ratio of 6%, and Total Capital Ratio of 8%. BNM has also introduced additional capital buffer requirements which comprises Capital Conservation buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA. The framework also provides further guidance on the computation approach and operations of the Countercyclical Capital Buffer ranging between 0% - 2.5%.

In addition, as banking institutions in Malaysia evolve to become key regional players and identified as systemically important, BNM will assess at a later date the need to require large banking institutions to operate at higher levels of capital, commensurate with their size, extent of cross-border activities and complexity of operations.

In the Group's pursuit of an efficient and healthy capital position, the Group had implemented a recurrent and optional Dividend Reinvestment Plan ("DRP") that allows the shareholders of the Group to reinvest electable portions of their dividends into new ordinary shares in the Bank. The DRP is part of the Group's strategy to preserve equity capital to meet the regulatory requirement as well as to grow its business whilst providing healthy dividend income to shareholders. Details of the DRP is disclosed in Note 36(b) and dividend payout is disclosed in Note 55.

62. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”)

(a) General

The Group’s overall capital adequacy in relation to its risk profile is assessed through a process articulated in the Group ICAAP policy. The ICAAP policy is designed to ensure that adequate levels of capital, including capital buffers, are held to support the Group’s current and projected demand for capital under the existing and stressed conditions. Regular ICAAP reports are submitted to the Group Executive Risk Committee and the Risk Management Committee (“RMC”) for comprehensive review of all material risks faced by the Group and assessment of the adequacy of capital to support them. The Group’s ICAAP closely integrates the risk and capital planning and management processes.

Since March 2013, the Group has prepared a Board-approved ICAAP document to fulfil the requirements under the BNM Pillar 2 Guideline, which came into effect on 31 March 2013. The document included an overview of ICAAP, current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing and capital planning and the use of ICAAP. Annually, the Group submits an update of the material changes made to the document to BNM.

(b) Comprehensive risk assessment under ICAAP policy

Under the Group’s ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk);
- Risks not specifically addressed under Pillar 1 (e.g. interest rate risk/rate of return risk (both banking and trading book), liquidity risk, business and strategic risk, reputational risk, credit concentration risk, IT risk, cyber risk, regulatory risk, country risk, compliance risk, capital risk, profitability risk, Shariah non-compliance risk, information risk, conduct risk, workforce risk and data quality risk amongst others); and
- External factors, including changes in economic environment, regulations and accounting rules.

(c) Assessment of Pillar 1 and Pillar 2 risks

In line with industry best practices, the Group quantifies its risks using methodologies that have been reasonably tested and deemed to be acceptable within the industry.

Where risks may not be easily quantified due to the lack of commonly acceptable risk measurement techniques, expert’s judgement is used to determine the size and materiality of risk. The Group’s ICAAP would then focus on the qualitative controls in managing such material non-quantifiable risks. These qualitative measures include the following:

- Adequate governance processes;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies; and
- Regular monitoring and reporting.

(d) Regular and robust stress testing

The Group’s stress testing programme is embedded in the risk and capital management process of the Group and it is a key function of the capital planning and business planning processes. The programme serves as a forward-looking risk and capital management tool to understand the risk profile under extreme but plausible conditions. Such conditions may arise mainly from economic, political and environmental factors.

Under Maybank Group’s Stress Testing policy, the potential unfavourable effects of stress scenarios on the Group’s profitability, asset quality, risk-weighted assets, capital adequacy and ability to comply with the risk appetites set, are considered.

Specifically, the stress test programme is designed to:

- Highlight the dynamics of stress events and their potential implications on the Group’s trading and banking book exposures, liquidity positions and likely reputational impacts;
- Proactively identify key strategies to mitigate the effects of stress events;
- Produce stress results as inputs into the Group Capital and Funding Plan in determining capital adequacy and capital targets;
- Produce scenario analysis for the Group’s recovery planning to evaluate overall recovery capacity, identify preferred recovery strategies and ultimately link to risk appetite setting; and
- Provide insights on risk return profile by entity and by line of business under stress.

Stress test themes reviewed by the Stress Test Working Group in the past include trade war, tightening of monetary policies, global economic turmoil, impact on liquidity risk due to cyber attack, digital disruption, impact of external geopolitical events on ASEAN and Asia, impact of weakening Malaysian ringgit and higher bond yields, Post-Brexit risk on ASEAN economies, the Perfect Storm: Impact of low oil price, weak currencies and slower Chinese GDP growth on ASEAN economies, Federal Reserve rate hike, idiosyncratic event’s implication to the Group, oil price decline, intensified capital outflows from emerging markets including ASEAN, rising inflation and interest rate hikes in ASEAN, impact of Federal Reserve Quantitative Easing tapering, sovereign rating downgrades, slowing Chinese economy, a repeat of Asian Financial Crisis, US dollar depreciation, pandemic flu, asset price collapse, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and US debt crises, amongst others.

The Stress Test Working Group, which comprises business and risk management teams, tables the stress test reports to the senior management and Board committees and discusses the results with regulators on a regular basis.

63. CAPITAL ADEQUACY

(a) Compliance and application of capital adequacy ratios

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) both issued on 2 February 2018. The total RWA are computed based on the following approaches:

- (A) Credit risk under Internal Ratings-Based Approach;
- (B) Market risk under Standardised Approach; and
- (C) Operational risk under Basic Indicator Approach.

On an entity level basis, the computation of capital adequacy ratios of the subsidiaries of the Group are as follows:

- (i) For Maybank Islamic Berhad, the computation of capital adequacy ratios are based on 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:

- (A) Credit risk under Internal Ratings-Based Approach;
- (B) Market risk under Standardised Approach; and
- (C) 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 financial year ended 31 December 2018 (2017: 4.5%, 6.0% and 8.0% of total RWA).

- (ii) For Maybank Investment Bank Berhad, the computation of capital adequacy ratios are based on BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) both issued on 2 February 2018. The total RWA are computed based on the following approaches:

- (A) Credit risk under Standardised Approach;
- (B) Market risk under Standardised Approach; and
- (C) 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 financial year ended 31 December 2018 (2017: 4.5%, 6.0% and 8.0% of total RWA).

- (iii) For PT Bank Maybank Indonesia Tbk, the computation of capital adequacy ratios are in accordance with local requirements, which is based on the Basel II capital accord. The total RWA are computed based on the following approaches:

- (A) Credit risk under Standardised Approach;
- (B) Market risk under Standardised Approach; and
- (C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirement for PT Bank Maybank Indonesia Tbk is 10% up to less than 11% (2017: 10% up to less than 11%) of total RWA.

- (iv) For Maybank Singapore Limited, the computation of capital adequacy ratios are based on MAS Notice 637 dated 14 September 2012 (last revised on 13 November 2018) issued by the Monetary Authority of Singapore ("MAS"). The total RWA are computed based on the following approaches:

- (A) Credit risk under Standardised Approach;
- (B) Market risk under Standardised Approach;
- (C) Operational risk under Basic Indicator Approach; and
- (D) Capital floor adjustment to RWA under MAS Notice 637.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 6.5%, 8.0% and 10.0% of total RWA for the financial year ended 31 December 2018.

(b) The capital adequacy ratios of the Group and of the Bank

With effect from 30 June 2013, the amount of declared dividend to be deducted in the calculation of CET1 Capital under a DRP shall be determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) ("Implementation Guidance") issued on 8 May 2013. Under the said Implementation Guidance, where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of declared dividend to be deducted in the calculation of CET1 Capital may be reduced as follows:

- (i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or
- (ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates subject to the amount being not more than 50% of the total electable portion of the dividend.

In respect of the financial year ended 31 December 2018, the Board has proposed the payment of a final single-tier dividend of 32 sen per ordinary share, which consists of a cash portion of 15 sen and an electable portion of 17 sen per ordinary share. The electable portion can be elected to be reinvested by shareholders in new Maybank Shares in accordance with the DRP as disclosed in Note 36(b).

In arriving at the capital adequacy ratios for the financial year ended 31 December 2018, the proposed final dividend has not been deducted from the calculation of CET1 Capital.

63. CAPITAL ADEQUACY (CONT'D.)**(b) The capital adequacy ratios of the Group and of the Bank (cont'd.)**

Based on the above, the capital adequacy ratios of the Group and of the Bank are as follows:

	Group		Bank	
	2018	2017	2018	2017
CET1 Capital Ratio	15.029%	14.773%	13.757%	15.853%
Tier 1 Capital Ratio	15.983%	16.459%	14.871%	17.950%
Total Capital Ratio	19.024%	19.383%	18.266%	19.313%

(c) Components of capital:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CET1 Capital				
Paid-up share capital	46,747,442	44,250,380	46,747,442	44,250,380
Retained profits ¹	19,905,842	20,451,568	14,410,042	13,582,048
Other reserves ¹	2,154,645	3,619,581	4,111,140	4,612,799
Qualifying non-controlling interests	133,264	137,081	-	-
Less: Shares held-in-trust	-	(183,438)	-	(183,438)
CET1 Capital before regulatory adjustments	68,941,193	68,275,172	65,268,624	62,261,789
Less: Regulatory adjustments applied on CET1 Capital	(12,640,727)	(12,864,771)	(34,374,944)	(21,091,369)
Deferred tax assets	(1,026,818)	(802,593)	(345,186)	(315,013)
Goodwill	(5,547,431)	(5,756,367)	(81,015)	(81,015)
Other intangibles	(1,011,272)	(855,056)	(279,850)	(487,015)
Gain on financial instruments classified as 'fair value through other comprehensive income'	(43,006)	-	(32,049)	-
Gain on financial instruments classified as 'available-for-sale'	-	(17,922)	-	-
Regulatory reserve	(2,127,290)	(2,747,285)	(1,778,997)	(2,233,563)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities ³	(2,884,910)	(2,685,548)	(31,857,847)	(17,974,763)
Total CET 1 Capital	56,300,466	55,410,401	30,893,680	41,170,420

Notes to the Financial Statements

31 December 2018

63. CAPITAL ADEQUACY (CONT'D.)

(c) Components of capital (cont'd.):

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Additional Tier 1 Capital				
Capital securities	3,500,000	6,244,010	3,500,000	6,244,010
Qualifying CET1 and Additional Tier 1 capital instruments held by third parties	71,182	80,195	-	-
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities ³	-	-	(1,000,000)	(800,000)
Total Tier 1 Capital	59,871,648	61,734,606	33,393,680	46,614,430
Tier 2 Capital				
Subordinated obligations	9,066,767	9,271,613	9,066,767	9,271,613
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	405,381	488,385	-	-
General provisions ⁴	348,148	-	51,305	-
Collective allowance ²	-	278,397	-	136,641
Surplus of total eligible provision over total expected loss	1,572,006	1,601,682	988,691	1,171,604
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities ³	-	(671,387)	(2,482,391)	(7,038,871)
Total Tier 2 Capital	11,392,302	10,968,690	7,624,372	3,540,987
Total Capital	71,263,950	72,703,296	41,018,052	50,155,417

1 For the Group, the amount excludes retained profits and other reserves from insurance and takaful business. For the Bank, the amount includes retained profits and other reserves of Maybank International (L) Ltd.

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

3 For the Bank, the regulatory adjustment includes cost of investment in subsidiaries and associates, except for: (i) Myfin Berhad of RM18,994,000 as its business, assets and liabilities have been transferred to the Bank; (ii) Maybank International (L) Ltd. of RM10,289,000 and (iii) Maybank Agro Fund Sdn. Bhd. of RM10,845,000, as its assets are included in the Bank's RWA. For the Group, the regulatory adjustment includes carrying amount of associates and investment in insurance and takaful entities.

4 Refers to loss allowances measured at an amount 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.

The capital adequacy ratios of the Group is derived from consolidated balances of the Bank and its subsidiaries, excluding the investments in insurance and takaful entities and associates.

(d) The breakdown of RWA by each major risk categories for the Group and the Bank are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Standardised Approach exposure	53,335,879	53,705,463	22,273,148	29,785,935
Internal Ratings-Based Approach exposure after scaling factor	262,000,921	266,947,028	164,781,857	195,267,276
Total RWA for credit risk	315,336,800	320,652,491	187,055,005	225,053,211
Total RWA for market risk	17,476,305	14,351,443	13,726,342	11,445,563
Total RWA for operational risk	41,792,895	40,075,835	23,777,893	23,197,842
Total RWA	374,606,000	375,079,769	224,559,240	259,696,616

63. CAPITAL ADEQUACY (CONT'D.)

(e) The capital adequacy ratios and RWA of subsidiaries of the Bank are as follows:

(i) Capital adequacy ratios

	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Maybank Indonesia Tbk	Maybank Singapore Limited
2018				
CET1 Capital Ratio	16.368%	24.574%	–	15.455%
Tier 1 Capital Ratio	17.984%	24.574%	–	15.455%
Total Capital Ratio	22.545%	26.198%	19.041%	15.696%
	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Maybank Indonesia Tbk	Maybank Singapore Limited
2017				
CET1 Capital Ratio		14.500%	31.322%	–
Tier 1 Capital Ratio		16.150%	31.322%	–
Total Capital Ratio		20.782%	31.525%	17.535%

(ii) The breakdown of RWA by each major risk categories of subsidiaries of the Bank are as follows:

	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Maybank Indonesia Tbk RM'000	Maybank Singapore Limited RM'000
2018				
Standardised Approach exposure	5,647,539	1,288,808	33,427,795	17,910,238
Internal Ratings-Based Approach exposure after scaling factor	60,816,283	–	–	21,449,331
Credit valuation adjustment	–	–	–	238,260
Total RWA for credit risk	66,463,822	1,288,808	33,427,795	39,597,829
Total RWA for credit risk absorbed by Maybank and Investment Account [^]	(13,113,007)	–	–	–
Total RWA for market risk	1,152,312	125,253	494,675	4,976
Total RWA for operational risk	7,381,566	748,111	5,254,843	3,565,646
Total floor adjustment to RWA	–	–	–	3,659,889
Total RWA	61,884,693	2,162,172	39,177,313	46,828,340
	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Maybank Indonesia Tbk RM'000	Maybank Singapore Limited RM'000
2017				
Standardised Approach exposure		8,796,181	1,023,110	32,949,975
Internal Ratings-Based Approach exposure after scaling factor		60,246,868	–	–
Total RWA for credit risk		69,043,049	1,023,110	32,949,975
Total RWA for credit risk absorbed by Maybank and Investment Account [^]		(15,855,390)	–	–
Total RWA for market risk		939,674	124,903	578,180
Total RWA for operational risk		6,490,748	763,899	5,000,612
Total RWA		60,618,081	1,911,912	38,528,767

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

64. SEGMENT INFORMATION

(i) By business segments

The Group's operating segments are Group Community Financial Services, Group Global Banking and Group Insurance and Takaful. The Group determines and presents operating segments based on information provided to the Board and senior management of the Group.

The Group is organised into three (3) operating segments based on services and products available within the Group as follows:

(a) Group Community Financial Services ("CFS")

(i) Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals in the region, which includes savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, hire purchases, unit trusts, bancassurance products and credit cards.

(ii) Small, Medium Enterprise ("SME") Banking

SME Banking comprises the full range of products and services offered to small and medium enterprises in the region. The products and services offered includes long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(iii) Business Banking

Business Banking comprises the full range of products and services offered to commercial enterprises in the region. The products and services offered includes long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(b) Group Global Banking ("GB")

(i) Group Corporate Banking and Global Markets

Group Corporate Banking and Global Markets comprise of Corporate Banking and Global Markets business.

Corporate Banking comprises the full range of products and services offered to business customers in the region, ranging from large corporate and the public sector. The products and services offered includes long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management, trustee services and custodian services.

Global Markets comprise the full range of products and services relating to treasury activities and services, which includes foreign exchange, money market, derivatives and trading of capital market.

(ii) Group Investment Banking (Maybank IB and Maybank Kim Eng)

Investment Banking comprises the investment banking and securities broking business. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services, debt restructuring advisory services, and share and futures dealings.

(iii) Group Asset Management

Asset Management comprises the asset and fund management services, providing a diverse range of Conventional and Islamic investment solutions to retail, corporate and institutional clients.

(c) Group Insurance and Takaful

Insurance and Takaful comprise the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses.

64. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group 2018	Business Segments					Head Office and Others RM'000	Total RM'000
	Group Global Banking						
	Group Community Financial Services RM'000	Group Corporate Banking & Global Markets RM'000	Group Investment Banking RM'000	Group Asset Management RM'000	Group Insurance and Takaful RM'000		
Net interest income and income from IBS operations:							
– External	10,623,365	5,541,925	375,348	10,037	1,133,270	665	17,684,610
– Inter-segment	–	–	(11,568)	2,183	29,737	(20,352)	–
	10,623,365	5,541,925	363,780	12,220	1,163,007	(19,687)	17,684,610
Net interest income and income from IBS operations	10,623,365	5,541,925	363,780	12,220	1,163,007	(19,687)	17,684,610
Net earned insurance premiums	–	–	–	–	5,933,563	–	5,933,563
Other operating income	2,918,580	2,474,031	860,318	83,590	(352,883)	(1,064,639)	4,918,997
Total operating income	13,541,945	8,015,956	1,224,098	95,810	6,743,687	(1,084,326)	28,537,170
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	–	–	–	–	(5,165,661)	258,132	(4,907,529)
Net operating income	13,541,945	8,015,956	1,224,098	95,810	1,578,026	(826,194)	23,629,641
Overhead expenses	(7,215,944)	(2,048,503)	(1,016,804)	(140,582)	(791,834)	–	(11,213,667)
Operating profit/(loss) before impairment losses	6,326,001	5,967,453	207,294	(44,772)	786,192	(826,194)	12,415,974
(Allowances for)/writeback of impairment losses on loans, advances, financing and other debts, net	(761,385)	(844,803)	11,105	(660)	4,487	–	(1,591,256)
(Allowances for)/writeback of impairment losses on financial investments, net	(186)	(8,261)	2,263	(41,064)	(437)	–	(47,685)
(Allowances for)/writeback of impairment losses on other financial assets, net	4,757	11,886	3,629	23	5,733	–	26,028
Operating profit/(loss)	5,569,187	5,126,275	224,291	(86,473)	795,975	(826,194)	10,803,061
Share of profits in associates and joint venture	–	97,568	717	–	–	–	98,285
Profit/(loss) before taxation and zakat	5,569,187	5,223,843	225,008	(86,473)	795,975	(826,194)	10,901,346
Taxation and zakat							(2,545,410)
Profit after taxation and zakat							8,355,936
Non-controlling interests							(242,676)
Profit for the financial year attributable to equity holders of the Bank							8,113,260
Included in other operating income are:							
Fee income:							
Commission	1,167,727	161,351	72,172	4,435	–	(73,199)	1,332,486
Service charges and fees	869,402	464,796	169,704	96,961	987	(226,248)	1,375,602
Underwriting fees	117	15,825	23,159	–	–	(117)	38,984
Brokerage income	–	–	397,870	–	–	–	397,870
Fees on loans, advances and financing	100,674	110,581	148	–	311	887	212,601
Fee income from IBS operations	258,740	119,630	50,011	–	–	(48,704)	379,677
Included in overhead expenses are:							
Depreciation of property, plant and equipment	(246,480)	(70,547)	(52,545)	(9,918)	(21,501)	–	(400,991)
Amortisation of intangible assets	(136,089)	(47,481)	(24,653)	(8,495)	(19,353)	–	(236,071)

Notes to the Financial Statements

31 December 2018

64. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group 2017	Business Segments					Head Office and Others RM'000	Total RM'000
	Group Global Banking						
	Group Community Financial Services RM'000	Group Corporate Banking & Global Markets RM'000	Group Investment Banking RM'000	Group Asset Management RM'000	Group Insurance and Takaful RM'000		
Net interest income and income from IBS operations:							
– External	10,579,751	5,366,277	394,301	8,765	1,043,745	(345,547)	17,047,292
– Inter-segment	–	–	(6,954)	(9,659)	49,830	(33,217)	–
	10,579,751	5,366,277	387,347	(894)	1,093,575	(378,764)	17,047,292
Net interest income and income from IBS operations	10,579,751	5,366,277	387,347	(894)	1,093,575	(378,764)	17,047,292
Net earned insurance premiums	–	–	–	–	5,250,890	–	5,250,890
Other operating income	2,917,299	2,291,371	949,917	248,273	821,149	(1,200,705)	6,027,304
Total operating income	13,497,050	7,657,648	1,337,264	247,379	7,165,614	(1,579,469)	28,325,486
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	–	–	–	–	(5,305,089)	217,747	(5,087,342)
Net operating income	13,497,050	7,657,648	1,337,264	247,379	1,860,525	(1,361,722)	23,238,144
Overhead expenses	(7,221,988)	(2,004,442)	(1,143,866)	(167,090)	(789,460)	–	(11,326,846)
Operating profit/(loss) before impairment losses	6,275,062	5,653,206	193,398	80,289	1,071,065	(1,361,722)	11,911,298
Allowances for impairment losses on loans, advances, financing and other debts, net	(963,760)	(977,631)	(11,347)	(502)	(5,820)	–	(1,959,060)
(Allowances for)/writeback of impairment losses on financial investments, net	–	(1,307)	(3,721)	(7,202)	(56,532)	–	(68,762)
Operating profit/(loss)	5,311,302	4,674,268	178,330	72,585	1,008,713	(1,361,722)	9,883,476
Share of profits in associates and joint venture	–	214,235	385	–	–	–	214,620
Profit/(loss) before taxation and zakat	5,311,302	4,888,503	178,715	72,585	1,008,713	(1,361,722)	10,098,096
Taxation and zakat							(2,301,222)
Profit after taxation and zakat							7,796,874
Non-controlling interests							(276,332)
Profit for the financial year attributable to equity holders of the Bank							7,520,542
Included in other operating income are:							
Fee income:							
Commission	1,133,831	171,763	60,828	14,832	–	(52,130)	1,329,124
Service charges and fees	909,402	420,276	241,349	82,552	2,580	(207,671)	1,448,488
Underwriting fees	–	24,064	56,164	–	–	9	80,237
Brokerage income	–	–	452,874	–	–	–	452,874
Fees on loans, advances and financing	132,850	118,997	53	–	1,072	130	253,102
Fee income from IBS operations	244,781	132,001	79,775	–	–	(53,764)	402,793
Included in overhead expenses are:							
Depreciation of property, plant and equipment	(263,429)	(74,419)	(61,648)	(830)	(18,591)	–	(418,917)
Amortisation of intangible assets	(168,681)	(46,152)	(43,007)	(478)	(15,355)	–	(273,673)



64. SEGMENT INFORMATION (CONT'D.)

(ii) By geographical locations

The Group has operations in Malaysia, Singapore, Indonesia, the Philippines, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia, Laos, Bahrain, Labuan Offshore and Thailand.

With the exception of Malaysia, Singapore and Indonesia, no other individual country contributed more than 10% of the consolidated operating revenue before operating expenses and of the total assets.

Operating revenue, net operating income, profit before taxation and zakat, and assets based on geographical locations of customers are as follows:

Income statement items	Operating revenue RM'000	Net operating income RM'000	Profit before taxation and zakat RM'000
For the financial year ended 31 December 2018			
Malaysia	32,695,989	18,321,222	10,359,268
Singapore	8,064,145	4,243,906	1,332,010
Indonesia	4,842,465	2,857,174	755,190
Others	5,605,803	1,745,954	1,175,849
	51,208,402	27,168,256	13,622,317
Elimination*	(3,888,549)	(3,538,615)	(2,720,971)
Group	47,319,853	23,629,641	10,901,346
For the financial year ended 31 December 2017			
Malaysia	32,922,022	18,087,247	10,662,633
Singapore	7,496,570	4,232,277	954,165
Indonesia	5,674,390	3,353,712	869,402
Others	4,949,928	1,829,018	1,081,258
	51,042,910	27,502,254	13,567,458
Elimination*	(5,462,600)	(4,264,110)	(3,469,362)
Group	45,580,310	23,238,144	10,098,096

* Inter-segment revenue are eliminated on consolidation.

The total non-current and current assets based on geographical locations are as follows:

	Non-current assets ¹		Current assets ²	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statement of financial position items:				
Malaysia	9,025,865	8,987,472	508,681,095	470,828,358
Singapore	893,302	909,478	215,261,665	191,073,126
Indonesia	58,474	96,660	50,210,991	52,004,976
Others	132,280	148,902	94,838,833	87,957,823
	10,109,921	10,142,512	868,992,584	801,864,283
Elimination ³	–	–	(72,110,824)	(46,705,029)
Group	10,109,921	10,142,512	796,881,760	755,159,254

¹ Non-current assets consist of investment properties, property, plant and equipment and intangible assets.

² Current assets are total assets excluding non-current assets as mentioned above.

³ Inter-segment balances are eliminated on consolidation.

65. SIGNIFICANT AND SUBSEQUENT EVENTS

- (i) The following are the significant events of the Group and of the Bank during the financial year ended 31 December 2018:

(a) Conversion of composite licences to single licences for Etiqa Takaful Berhad (“ETB”) and Etiqa Insurance Berhad (“EIB”)

Effective from 1 January 2018, ETB and EIB have both surrendered their composite licences in exchange for the issuance of four (4) single licences to Etiqa Family Takaful Berhad (to carry out Family Takaful business), Etiqa General Takaful Berhad (to carry out General Takaful business), Etiqa General Insurance Berhad (to carry out General Insurance business) and Etiqa Life Insurance Berhad (to carry out Life Insurance business).

(b) (i) Acquisition of 100% equity interest in Amanah Mutual Berhad (“AMB”) and 100% equity interest in Singapore Unit Trusts Limited (“SUTL”) by Maybank Asset Management Group Berhad (“MAMG”) for a total cash consideration of RM51.0 million; and

(ii) Subscription by Permodalan Nasional Berhad (“PNB”) of 8,336,404 new ordinary shares in MAMG, representing 20% of the enlarged issued share capital of MAMG for a cash consideration of RM50.0 million.

On 13 December 2017, Maybank Asset Management Group Berhad (“MAMG”), a wholly-owned subsidiary of the Bank, entered into the following agreements:

- (i) conditional share purchase agreement (“SPA”) with Amanah Saham Nasional Berhad (“ASNB”), a wholly-owned subsidiary of PNB, for the proposed acquisition of 100% equity interest in AMB for a cash consideration of RM16.12 million (“Proposed Acquisition I”) (“AMB SPA”);
- (ii) conditional SPA with PNB International Limited (“PIL”), a wholly-owned subsidiary of PNB, for the proposed acquisition of 100% equity interest in SUTL for a cash consideration of RM34.88 million (“Proposed Acquisition II”) (“SUTL SPA”); and

(Proposed Acquisition I and Proposed Acquisition II are collectively referred to as “Proposed Acquisitions”)

- (iii) conditional share subscription agreement (“Subscription Agreement”) with PNB for the proposed subscription by PNB of 8,336,404 new ordinary shares in MAMG (“MAMG Shares”) (“Subscription Shares”) for a cash consideration of RM50.0 million or approximately RM6.00 per Subscription Share (“Subscription Consideration”) (“Proposed Subscription”). The Subscription Agreement had also specified a put option for the full disposal of the MAMG shares back to the Bank on the 5th anniversary of the date of the completion of the subscription agreement falling in the financial year 2023, exercisable at fair value on the exercise date.

Maybank, MAMG and PNB will also enter into a shareholders’ agreement upon completion of the Proposed Subscription to form the basis of governance for the operations of MAMG following the Proposed Subscription and to govern the conduct, exercise of rights and performance of obligations of MAMG and PNB (“Shareholders’ Agreement”).

(Proposed Acquisitions and Proposed Subscription are collectively referred to as “Proposals”)

The Proposals are subject to the following approval being obtained:

- (i) BNM for the Proposed Acquisitions;
- (ii) the Securities Commission Malaysia (“SC”) for the Proposal;
- (iii) Monetary Authority of Singapore (“MAS”) for the Proposal;
- (iv) shareholders of Maybank at a general meeting to be convened for the Proposed Subscription; and
- (v) any other relevant authorities and/or parties for the Proposed Acquisitions I, Proposed Acquisition II and Proposed Subscription, as the case may be (if required).

The Proposed Acquisitions and the Proposed Subscription are not inter-conditional upon each other.

For avoidance of doubt, the Proposed Acquisitions are not subject to the approval of the shareholders of Maybank.

The Proposed Acquisitions and the Proposed Subscription were completed on 17 May 2018 and 30 May 2018 respectively.

(c) Redemption of Non-Innovative Tier 1 Capital Securities of RM63.0 million in nominal value

On 27 June 2018, the Bank fully redeemed the entire outstanding amount of the Non-Innovative Tier 1 Capital Securities of RM63.0 million in nominal value comprising of non-cumulative perpetual capital securities issued by Maybank which are stapled to subordinated notes issued by Cekap Mentari Berhad, a wholly-owned subsidiary of Maybank of RM3.5 billion in nominal value. The Non-Innovative Tier-1 Capital Securities were issued on 27 June 2008.

(d) Redemption of Innovative Tier 1 Capital Securities (“IT1CS”) of SGD522.0 million in nominal value pursuant to the IT1CS Programme of up to RM4.0 billion and/or its foreign currency equivalent in nominal value

On 13 August 2018, the Bank fully redeemed the entire outstanding amount of the IT1CS of SGD522.0 million in nominal value and accordingly, these IT1CS were delisted from the Singapore Exchange Securities Trading Limited. These IT1CS were issued on 11 August 2008.

(e) Redemption of Innovative Tier 1 Capital Securities (“IT1CS”) of RM1.1 billion in nominal value pursuant to IT1CS Programme of up to RM4.0 billion and/or its foreign currency equivalent in nominal value

On 25 September 2018, the Bank fully redeemed the entire outstanding amount of the IT1CS of RM1.1 billion in nominal value. These IT1CS were issued on 25 September 2008.



65. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

- (i) The following are the significant events of the Group and of the Bank during the financial year ended 31 December 2018 (cont'd.):

(f) Incorporation of Maybank Singapore Limited (“MSL”) – a wholly-owned subsidiary of Maybank

Maybank had on 1 February 2018 incorporated a new wholly-owned subsidiary in Singapore, namely Maybank Singapore Limited (“MSL”). MSL is a directly wholly-owned by an intermediate holding company, Cekap Mentari Berhad, which in turn is directly wholly-owned subsidiary of the Bank.

On 4 October 2018, the Bank announced the Monetary Authority of Singapore had on 3 October 2018 granted a full banking licence to MSL to operate as a subsidiary with Asian Currency Unit capabilities in Singapore with effect from 5 November 2018.

On 5 November 2018, the Bank transferred its Community Financial Services business in Maybank Singapore Branch to MSL.

Details of the business transfer are disclosed in Note 21(viii).

(g) Establishment of Maybank Group Employees’ Share Grant Plan (“ESGP”) and expiry of Maybank Group Employees’ Share Scheme (“ESS”)

On 26 January 2017, the Bank announced the proposed establishment of an employees’ share grant plan of up to seven point five percent (7.5%) of the issued and paid-up ordinary share capital of the Bank (excluding treasury shares) at any point in time (“Proposed ESGP”).

On 29 September 2017, Bursa Securities approved the Bank’s application for an extension of time from 13 September 2017 to 12 March 2018 for the implementation of the Proposed ESGP.

On 27 February 2018, Bursa Securities approved the Bank’s application for a further extension of time until 12 September 2018 for the implementation of the Proposed ESGP.

On 23 June 2018, the ESS which was implemented on 24 June 2011 has expired upon reaching the scheme period of 7 years.

On 6 September 2018, Bursa Securities approved the Bank’s application for a further extension of time until 12 March 2019 for the implementation of the Proposed ESGP.

On 2 November 2018, Bank Negara Malaysia approved the increase in the total number of issued shares of the Bank by up to 3.5% for the implementation of ESGP. The Bank implemented the ESGP on 14 December 2018.

(h) Redemption of Tier 2 Subordinated Notes of RM250.0 million in nominal value pursuant to the RM3.0 billion Subordinated Notes Programme

On 28 December 2018, the Bank fully redeemed the Subordinated Notes of RM250.0 million in nominal value and accordingly, these Subordinated Notes were delisted from the Bursa Malaysia Securities Berhad’s Exempt Regime. These Subordinated Notes were issued on 28 December 2011.

- (ii) The following are the significant events of the Group and of the Bank subsequent to the financial year ended 31 December 2018:

(i) Acquisition of up to 30% of the issued and partially-paid share capital of GPay Network (M) Sdn Bhd (“GPay”)

On 21 May 2018, the Bank signed a Memorandum of Understanding with GPay for a strategic partnership to drive the acceptance and usage of the GrabPay mobile wallet which is operated by GPay in Malaysia. On 12 December 2018, the Bank had obtained approval from Bank Negara Malaysia to invest in GPay.

On 8 February 2019, the Bank via its wholly-owned subsidiary, Maybank Alliances Sdn Bhd (“MA”), had completed a Collaboration Agreement (“CA”), Shareholder’s Agreement (“SHA”) and Share Subscription Agreement (“SSA”) with GP Network Asia Pte Ltd and GPay. The CA governs the strategic collaboration between the parties including the Bank’s exclusive role as the underlying financial system supporting GPay’s payment ecosystem and business vertical operated by GPay in Malaysia.

The SHA and SSA govern the Bank’s investment in GPay and the subscription of shares as follows:

- (a) 4,285,715 ordinary shares representing 20% of the enlarged issued share capital of GPay allotted and issued as fully paid ordinary shares of GPay in consideration of the cash payment of USD47.73 million (or equivalent amount of approximately RM194.07 million); and
- (b) 2,142,857 ordinary shares representing 10% of the enlarged issued share capital of GPay allotted and issued as partly-paid ordinary shares, of which USD0.40 has been paid for each partly paid share, in consideration of MA agreeing to provide to GPay contribution-in-kind such as preferred rates, merchant relationships and exclusive collaborations in accordance with the milestones and contribution period set out in the SSA.

(j) Redemption of Tier 2 Subordinated Notes of RM1.6 billion in nominal value pursuant to the RM20.0 billion Subordinated Note Programme

On 29 January 2019, the Bank fully redeemed the Subordinated Notes of RM1.6 billion in nominal value. These Subordinated Notes were issued on 29 January 2014.

(k) Issuance of Tier 2 Subordinated Sukuk Murabahah of RM3.7 billion in nominal value pursuant to Sukuk Programme of up to RM10.0 billion in nominal value

On 31 January 2019, the Bank has completed the issuance of Tier 2 Subordinated Sukuk Murabahah (“Subordinated Sukuk Murabahah”) of RM3.7 billion in nominal value pursuant to Sukuk Programme of up to RM10.0 billion in nominal value. Details of the issuance are as follows:

First Call Date/ Maturity Date	Nominal Value	Description	Tenor
31 January 2024/ 31 January 2029	RM2.0 billion	Tier 2 Subordinated Sukuk Murabahah (10 non-call 5)	10 years
30 January 2026/ 31 January 2031	RM1.7 billion	Tier 2 Subordinated Sukuk Murabahah (12 non-call 7)	10 years

Notes to the Financial Statements

31 December 2018

66. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS

(a) Income statement

Group	Life Fund		Family Takaful Fund		General Takaful Fund		Shareholders' and General Fund		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	2,391,321	1,817,412	1,650,222	1,723,828	1,128,841	1,084,573	1,537,732	2,617,813	6,708,116	7,243,626
Interest income	445,460	409,905	451,880	416,707	67,680	72,318	222,083	222,154	1,187,103	1,121,084
Interest expense	-	-	-	-	-	-	(24,095)	(34,222)	(24,095)	(34,222)
Net interest income	445,460	409,905	451,880	416,707	67,680	72,318	197,988	187,932	1,163,008	1,086,862
Net earned insurance premiums	2,285,876	1,884,285	1,281,050	1,172,398	1,065,758	1,008,741	1,300,879	1,185,466	5,933,563	5,250,890
Other operating income	(314,506)	468,248	(77,601)	145,385	(3,601)	6,628	28,747	186,365	(366,961)	806,626
Total operating income	2,416,830	2,762,438	1,655,329	1,734,490	1,129,837	1,087,687	1,527,614	1,559,763	6,729,610	7,144,378
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(2,231,262)	(2,480,379)	(1,627,697)	(1,681,228)	(1,131,125)	(1,088,315)	(175,577)	(24,955)	(5,165,661)	(5,274,877)
Net operating income/(loss)	185,568	282,059	27,632	53,262	(1,288)	(628)	1,352,037	1,534,808	1,563,949	1,869,501
Overhead expenses	(185,702)	(261,572)	(26,104)	(26,756)	(402)	(24)	(563,470)	(519,548)	(775,678)	(807,900)
Operating (loss)/profit before impairment losses	(134)	20,487	1,528	26,506	(1,690)	(652)	788,567	1,015,260	788,271	1,061,601
Writeback of/(allowances for) impairment losses on loans, advances, financing and other debts, net	445	(188)	(1,456)	(212)	1,428	905	4,069	(6,325)	4,486	(5,820)
(Allowances for)/writeback of impairment losses on financial investments, net	(160)	(20,299)	(72)	(26,294)	262	(253)	(467)	(9,687)	(437)	(56,533)
(Allowances for)/writeback of impairment losses on other financial assets, net	(151)	-	-	-	-	-	5,883	-	5,732	-
Operating profit	-	-	-	-	-	-	798,052	999,248	798,052	999,248
Share of profits in associates	-	-	-	-	-	-	-	-	-	-
Profit before taxation and zakat	-	-	-	-	-	-	798,052	999,248	798,052	999,248
Taxation and zakat	-	-	-	-	-	-	(102,232)	(243,607)	(102,232)	(243,607)
Profit for the financial year	-	-	-	-	-	-	695,820	755,641	695,820	755,641



66. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

(b) Statement of financial position

Group 2018	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Total RM'000
Assets					
Cash and short-term funds	132,562	9,787	73,218	369,725	585,292
Deposits and placements with financial institutions	980,609	737,368	132,863	636,764	2,487,604
Financial assets at fair value through profit or loss	9,970,035	6,542,722	86,911	2,058,860	18,658,528
Financial assets at fair value through other comprehensive income	1,163,070	3,257,876	1,494,223	2,352,084	8,267,253
Loans, advances and financing	234,673	-	-	57,517	292,190
Derivative assets	4,647	-	-	81	4,728
Reinsurance/retakaful assets and other insurance receivables	91,112	73,802	298,697	3,336,436	3,800,047
Other assets	125,759	168,989	6,423	303,407	604,578
Investment properties	762,240	-	-	128,432	890,672
Interest in associates	-	-	-	152	152
Property, plant and equipment	86,256	-	-	54,709	140,965
Intangible assets	43,949	-	-	51,863	95,812
Deferred tax assets	5,960	3,471	8,841	23,393	41,665
Total assets	13,600,872	10,794,015	2,101,176	9,373,423	35,869,486
Liabilities					
Derivative liabilities	14,168	-	-	33	14,201
Insurance/takaful contract liabilities and other insurance payables	10,407,488	10,313,387	1,789,053	4,343,174	26,853,102
Other liabilities*	3,157,901	480,726	310,265	(2,038,275)	1,910,617
Provision for taxation and zakat	(199)	(1,803)	-	284,373	282,371
Deferred tax liabilities	21,514	1,705	1,858	316,496	341,573
Subordinated obligations	-	-	-	301,189	301,189
Total liabilities	13,600,872	10,794,015	2,101,176	3,206,990	29,703,053
Equity attributable to equity holders of the Subsidiaries					
Share capital	-	-	-	660,865	660,865
Other reserves	-	-	-	5,505,568	5,505,568
	-	-	-	6,166,433	6,166,433
Total liabilities and shareholders' equity	13,600,872	10,794,015	2,101,176	9,373,423	35,869,486

* Included in other liabilities are the amounts due to/(from) life, general and investment-linked funds which are unsecured, not subject to any interest elements and are repayable on demand.

Notes to the Financial Statements

31 December 2018

66. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

(b) Statement of financial position (cont'd.)

Group 2017	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Total RM'000
Assets					
Cash and short-term funds	225,549	45,708	34,132	259,948	565,337
Deposits and placements with financial institutions	642,249	582,981	202,299	743,745	2,171,274
Financial assets at fair value through profit or loss	9,061,661	5,299,221	-	113,121	14,474,003
Financial investments available-for-sale	1,132,277	3,922,491	1,510,604	4,214,734	10,780,106
Loans, advances and financing	230,585	-	-	56,036	286,621
Derivative assets	3,319	-	-	1,848	5,167
Reinsurance/retakaful assets and other insurance receivables	81,501	188,038	345,028	3,319,205	3,933,772
Other assets	194,918	175,929	3,349	423,843	798,039
Investment properties	635,709	-	-	113,724	749,433
Interest in associates	-	-	-	152	152
Property, plant and equipment	86,160	-	-	63,001	149,161
Intangible assets	33,780	-	-	47,259	81,039
Deferred tax assets	6,109	5,459	5,867	20,598	38,033
Total assets	12,333,817	10,219,827	2,101,279	9,377,214	34,032,137
Liabilities					
Derivative liabilities	25,791	-	-	-	25,791
Insurance/takaful contract liabilities and other insurance payables	9,446,728	9,873,134	1,755,432	4,043,549	25,118,843
Other liabilities*	2,840,515	345,960	345,048	(1,802,610)	1,728,913
Provision for taxation and zakat	(5,953)	(852)	-	83,115	76,310
Deferred tax liabilities	26,736	1,585	799	566,070	595,190
Subordinated obligations	-	-	-	811,307	811,307
Total liabilities	12,333,817	10,219,827	2,101,279	3,701,431	28,356,354
Equity attributable to equity holders of the Subsidiaries					
Share capital	-	-	-	660,865	660,865
Other reserves	-	-	-	5,014,918	5,014,918
	-	-	-	5,675,783	5,675,783
Total liabilities and shareholders' equity	12,333,817	10,219,827	2,101,279	9,377,214	34,032,137

* Included in other liabilities are the amounts due to/(from) life, general and investment-linked funds which are unsecured, not subject to any interest elements and are repayable on demand.



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”)

(a) Statement of financial position

Group	Note	2018 RM'000	2017 RM'000
Assets			
Cash and short-term funds	(f)	21,944,445	17,150,402
Deposits and placements with financial institutions	(g)	251,328	–
Financial investments portfolio	(h)	20,051,272	13,092,564
Financing and advances	(i)	174,288,168	162,214,033
Derivative assets	(j)	403,993	487,989
Other assets	(k)	4,835,851	7,233,195
Statutory deposits with central banks	(l)	4,205,000	3,242,000
Property, plant and equipment	(m)	–	1,053
Intangible assets	(n)	–	2,541
Deferred tax assets	(o)	30,143	37,378
Total assets		226,010,200	203,461,155
Liabilities			
Customers' funding:			
– Deposits from customers	(p)	147,781,751	130,068,988
– Investment accounts of customers ¹	(q)	23,565,061	24,555,445
Deposits and placements from financial institutions	(r)	32,174,135	28,251,271
Financial liabilities at fair value through profit or loss	(s)	385,687	892,695
Bills and acceptances payable		11,050	8,854
Derivative liabilities	(j)	391,949	650,320
Other liabilities	(t)	2,555,728	660,680
Provision for taxation and zakat	(u)	35,826	148,510
Term funding	(v)	4,738,180	4,945,437
Subordinated sukuk	(w)	2,534,301	2,534,105
Capital securities	(x)	1,002,441	1,002,441
Total liabilities		215,176,109	193,718,746
Islamic Banking Capital Funds			
Islamic Banking Funds	(d)	7,473,540	5,769,752
Retained profits	(d)	3,050,868	3,499,853
Other reserves		309,683	472,804
		10,834,091	9,742,409
Total liabilities and Islamic Banking Capital Funds		226,010,200	203,461,155
Commitments and contingencies	(ah)	59,033,318	53,480,858

¹ Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

The accompanying notes provide further details on the balances as at reporting date.

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(b) Income statement

Group	Note	2018 RM'000	2017 RM'000
Income derived from investment of depositors' funds	(y)	8,831,808	7,045,382
Income derived from investment of investment account funds	(z)	1,099,068	1,526,848
Income derived from investment of Islamic Banking Funds	(aa)	511,559	402,161
Allowances for impairment losses on financing and advances, net	(ab)	(370,417)	(152,181)
Writeback of impairment losses on financial investments, net	(ac)	7,569	-
Writeback of impairment losses on other financial assets, net	(ad)	200	-
Total distributable income		10,079,787	8,822,210
Profit distributed to depositors	(ae)	(5,031,029)	(3,994,498)
Profit distributed to investment account holders		(597,724)	(913,276)
Total net income		4,451,034	3,914,436
Finance cost		(343,485)	(137,092)
Overhead expenses	(af)	(1,500,245)	(1,417,008)
Profit before taxation and zakat		2,607,304	2,360,336
Taxation	(ag)	(653,915)	(494,426)
Zakat		(24,314)	(19,670)
Profit for the financial year		1,929,075	1,846,240

For consolidation with the conventional banking operations, income from Islamic Banking Scheme as shown on the face of the consolidated income statement, comprises the following items:

Group	2018 RM'000	2017 RM'000
Income derived from investment of depositors' funds	8,831,808	7,045,382
Income derived from investment of investment account funds	1,099,068	1,526,848
Income derived from investment of Islamic Banking Funds	511,559	402,161
Total income before allowances for impairment losses on financial assets and overhead expenses	10,442,435	8,974,391
Profit distributed to depositors	(5,031,029)	(3,994,498)
Profit distributed to investment account holders	(597,724)	(913,276)
Finance cost	4,813,682	4,066,617
Net of intercompany income and expenses	(343,485)	(137,092)
Income from Islamic Banking Scheme operations reported in the income statement of the Group	1,141,507	970,726
	5,611,704	4,900,251

The accompanying notes provide further details on the amounts recorded for the financial years ended 31 December 2018 and 31 December 2017.



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(c) Statement of comprehensive income

Group	2018 RM'000	2017 RM'000
Profit for the financial year	1,929,075	1,846,240
Other comprehensive income/(loss):		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Defined benefit plan actuarial gain	505	496
Income tax effect	(126)	(124)
	379	372
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net gain/(loss) on foreign exchange translation	20,035	(65,600)
Net gain on financial investments at fair value through other comprehensive income	25,103	-
- Net gain from change in fair value	27,873	-
- Changes in expected credit losses	3,920	-
- Income tax effect	(6,690)	-
Net gain of financial investments available-for-sale	-	22,946
- Net gain from change in fair value	-	30,185
- Income tax effect	-	(7,239)
	45,138	(42,654)
Other comprehensive income/(loss) for the financial year, net of tax	45,517	(42,282)
Total comprehensive income for the financial year	1,974,592	1,803,958

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) Statement of changes in Islamic Banking Capital Funds

Group	Islamic Banking Funds RM'000	Non-distributable					Defined Benefit Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
		Fair Value Through Other Comprehensive Income Reserve RM'000	Exchange Fluctuation Reserve RM'000	Regulatory Reserve RM'000	*Equity Contribution From the Holding Company RM'000				
As at 31 December 2018									
At 1 January 2018									
- as previously stated	5,769,752	(32,318)	(5,723)	508,700	1,697	448	3,499,853	9,742,409	
- effect of adopting MFRS 9	-	1,350	-	(493,501)	-	-	(361,412)	(853,563)	
At 1 January 2018, as restated	5,769,752	(30,968)	(5,723)	15,199	1,697	448	3,138,441	8,888,846	
Profit for the financial year	-	-	-	-	-	-	1,929,075	1,929,075	
Other comprehensive income	-	25,103	20,035	-	-	379	-	45,517	
Defined benefit plan actuarial gain	-	-	-	-	-	379	-	379	
Net gain on foreign exchange translation	-	-	20,035	-	-	-	-	20,035	
Net gain on financial investments at fair value through other comprehensive income	-	25,103	-	-	-	-	-	25,103	
Total comprehensive income for the financial year	-	25,103	20,035	-	-	379	1,929,075	1,974,592	
Transfer to conventional banking operations	(11,827)	-	(14,785)	-	-	(19)	(2,716)	(29,347)	
Transfer to regulatory reserve	-	-	-	298,317	-	-	(298,317)	-	
Issue of ordinary shares	1,715,615	-	-	-	-	-	-	1,715,615	
Dividends paid	-	-	-	-	-	-	(1,715,615)	(1,715,615)	
At 31 December 2018	7,473,540	(5,865)	(473)	313,516	1,697	808	3,050,868	10,834,091	

Group	Islamic Banking Funds RM'000	Share Premium RM'000	**AFS Reserve RM'000	Non-distributable					Defined Benefit Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
				Exchange Fluctuation Reserve RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	*Equity Contribution From the Holding Company RM'000				
As at 31 December 2017											
At 1 January 2017	595,076	5,200,228	(55,264)	(2,897)	409,672	393,700	1,697	85	2,881,471	9,423,768	
Profit for the financial year	-	-	-	-	-	-	-	-	1,846,240	1,846,240	
Other comprehensive income/(loss)	-	-	22,946	(65,600)	-	-	-	372	-	(42,282)	
Defined benefit plan actuarial gain	-	-	-	-	-	-	-	372	-	372	
Net loss on foreign exchange translation	-	-	-	(65,600)	-	-	-	-	-	(65,600)	
Net gain on financial investments available-for-sale	-	-	22,946	-	-	-	-	-	-	22,946	
Total comprehensive income/(loss) for the financial year	-	-	22,946	(65,600)	-	-	-	372	1,846,240	1,803,958	
Transfer (to)/from conventional banking operations	(25,552)	-	-	62,774	-	-	-	(9)	14,766	51,979	
Transfer to regulatory reserve	-	-	-	-	-	115,000	-	-	(115,000)	-	
Transfer from statutory reserve	-	-	-	-	(409,672)	-	-	-	409,672	-	
Transfer from share premium	5,200,228	(5,200,228)	-	-	-	-	-	-	-	-	
Dividends paid	-	-	-	-	-	-	-	-	(1,537,296)	(1,537,296)	
At 31 December 2017	5,769,752	-	(32,318)	(5,723)	-	508,700	1,697	448	3,499,853	9,742,409	

* This equity contribution reserve from holding company is pertaining to waiver of intercompany balance between respective subsidiaries and its holding company.

** AFS reserve was transferred to fair value through other comprehensive income reserve effective 1 January 2018.



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows

Group	2018 RM'000	2017 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	2,607,304	2,360,336
Adjustments for:		
Allowances for impairment losses on financing and advances, net	413,858	272,611
Writeback of impairment losses on financial investments, net	(7,569)	-
Writeback of impairment losses on other financial assets, net	(200)	-
Amortisation of premiums less accretion of discounts, net	(49,197)	(75,266)
Unrealised gain of derivatives	(26,892)	(6,510)
Unrealised loss of financial assets at fair value through profit or loss	207	9
Unrealised loss of financial liabilities at fair value through profit or loss	6,187	9,582
Net gain on disposal of financial investments available-for-sale	-	(9,317)
Net gain on disposal of financial investments through other comprehensive income	(5,870)	-
Net loss/(gain) on disposal of financial assets at fair value through profit or loss	797	(5,038)
(Gain)/loss on foreign exchange transactions	(135,825)	11,780
Depreciation of property, plant and equipment	946	473
Amortisation of computer software	3,667	428
ESS expenses	-	511
Finance cost	343,485	137,092
Operating profit before working capital changes	3,150,898	2,696,691
Change in deposits and placements with financial institutions	-	654,194
Change in cash and short-term funds with original maturity of more than three months	(50,452)	201,263
Change in financing and advances	(13,563,337)	(13,775,752)
Change in derivative assets and liabilities	(147,483)	149,234
Change in other assets	2,431,728	(2,273,206)
Change in statutory deposit with central banks	(963,000)	(172,000)
Change in deposits from customers	17,712,763	23,226,027
Change in deposits and placements from financial institutions	4,060,456	(2,104,332)
Change in investment accounts of customers	(990,384)	(6,989,142)
Change in bills and acceptances payable	2,196	(44,366)
Change in financial investments portfolio	(6,869,486)	(3,856,377)
Change in financial liabilities at fair value through profit or loss	(513,195)	(18,978)
Change in other liabilities	1,914,068	272,051
Cash generated from/(used in) operations	6,174,772	(2,034,693)
Taxes and zakat paid	(555,928)	(489,703)
Net cash generated from/(used in) operating activities	5,618,844	(2,524,396)
Cash flows from investing activities		
Purchase of property, plant and equipment	(22)	(187)
Purchase of intangible asset	(1,266)	(1,776)
Net cash used in investing activities	(1,288)	(1,963)

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows (cont'd.)

Group	2018 RM'000	2017 RM'000
Cash flows from financing activities		
Dividends paid	(1,715,615)	(1,537,296)
Dividends paid for subordinated sukuk	(117,555)	(118,140)
Dividends paid for term funding	(176,235)	(13,679)
Dividends paid for capital securities	(49,500)	-
Proceeds from issuance of ordinary shares	1,715,615	-
Issuance of capital securities	-	1,000,000
(Redemption)/drawdown of term funding	(250,000)	4,942,215
Funds transferred (to)/from holding company	(29,347)	51,979
Net cash (used in)/generated from financing activities	(622,637)	4,325,079
Net increase in cash and cash equivalent	4,994,919	1,798,720
Cash and cash equivalents at 1 January	17,150,402	15,351,682
Cash and cash equivalents at 31 December	22,145,321	17,150,402
Cash and cash equivalents comprise:		
Cash and short-term funds (Note 67(f))	21,944,445	17,150,402
Deposits and placements with financial institutions (Note 67(g))	251,328	-
	22,195,773	17,150,402
Less:		
Cash and short-term funds and deposits and placements with original maturity of more than three months	(50,452)	-
	22,145,321	17,150,402

(f) Cash and short-term funds

Group	Note	2018 RM'000	2017 RM'000
Cash, bank balances and deposits with financial institutions		22,745	15,781
Money at call		21,921,708	17,134,621
		21,944,453	17,150,402
Allowances for impairment losses	(i)	(8)	-
		21,944,445	17,150,402



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(f) Cash and short-term funds (cont'd.)

- (i) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on cash and short-term funds are as follows:
Changes in the cash and short-term funds that contributed to changes in the loss allowances were mainly due to the following:
- The derecognition of financial assets contributed to the decrease in the ECL allowances for cash and short-term funds during the financial year.

Group	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018 - effect of adopting MFRS 9	216	-	-	216
At 1 January 2018, as restated	216	-	-	216
Net remeasurement of allowances	(200)	-	-	(200)
Exchange differences	(8)	-	-	(8)
At 31 December 2018	8	-	-	8

(g) Deposits and placements with financial institutions

Group	2018 RM'000	2017 RM'000
Licensed Islamic banks	150,547	-
Other financial institutions	100,781	-
	251,328	-

(h) Financial investments portfolio

Group	Note	2018 RM'000	2017 RM'000
Financial investments at fair value through profit or loss	(i)	995,072	240,571
Financial investments at fair value through other comprehensive income	(ii)	12,447,389	-
Financial investments available-for-sale	(iii)	-	9,882,004
Financial investments at amortised cost	(iv)	6,608,811	-
Financial investments held-to-maturity	(v)	-	2,969,989
		20,051,272	13,092,564

- (i) Financial investments at fair value through profit or loss are as follows:

Group	2018 RM'000	2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	745,765	-
Unquoted securities:		
Outside Malaysia:		
Corporate Sukuk	249,307	240,571
Total financial investments at fair value through profit or loss	995,072	240,571

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income are as follows:

Group	2018 RM'000	2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	9,466,354	-
Khazanah Sukuk	153,244	-
	9,619,598	-
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	2,766,367	-
Government Sukuk	43,767	-
Equity	1,250	-
	2,811,384	-
Outside Malaysia:		
Corporate Sukuk	16,407	-
Total financial investments at fair value through other comprehensive income	12,447,389	-

(a) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at fair value through other comprehensive income are as follows:

Changes in the financial investments at fair value through other comprehensive income that contributed to the changes in the loss allowances were mainly due to the the following:

- The overall increase in the gross carrying amount of financial investments at FVOCI was mainly contributed by Government-related securities which have minimal ECL allowances.
- The gross carrying amount for Corporate Sukuk increase due to new financial assets purchased during the financial year. These new Corporate Sukuk have low credit risk and had contributed to minimal impact on ECL allowances. The derecognition of Corporate Sukuk which have higher credit risk contributed to the overall decrease in ECL allowances.

Group As at 31 December 2018	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired 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
Transferred to Stage 2	(14)	14	-	-
Net remeasurement of allowances	230	30	-	260
New financial assets originated or purchased	57	-	-	57
Financial assets derecognised	(920)	(155)	-	(1,075)
Exchange differences	1	-	-	1
At 31 December 2018	485	44	-	529



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

(iii) Financial investments available-for-sale are as follows:

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

(iv) Financial investments at amortised cost are as follows:

Group	Note	2018 RM'000	2017 RM'000
At amortised cost			
Money market instruments:			
Malaysian Government Investment Issues		1,540,977	-
Foreign Certificates of Deposits		154,150	-
		1,695,127	-
Unquoted securities:			
In Malaysia:			
Corporate Sukuk		4,929,387	-
		4,929,387	-
Accumulated impairment losses	(a)	(15,703)	-
Total financial investments at amortised cost		6,608,811	-

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

(iv) Financial investments at amortised cost are as follows (cont'd.):

- (a) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows:

Changes in the financial investments at amortised cost that contributed to the changes in the loss allowances were mainly due to the following:

- The increase in the gross carrying amount of financial investments at amortised cost was largely contributed by Corporate Sukuk, due to new financial assets purchased during the financial year which correspondingly increased the ECL allowances. This is mitigated by the decrease in the ECL allowances mainly due to improvement in credit risk.

Group	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018				448
- as previously stated - MFRS 139				22,082
- effect of adopting MFRS 9				
At 1 January 2018, as restated	8,866	13,664	-	22,530
Net remeasurement of allowances	(6,265)	(4,310)	-	(10,575)
New financial assets originated or purchased	5,539	-	-	5,539
Financial assets derecognised	(1,775)	-	-	(1,775)
Exchange differences	(16)	-	-	(16)
At 31 December 2018	6,349	9,354	-	15,703

(v) Financial investments held-to-maturity are as follows:

Group	Note	2018 RM'000	2017 RM'000
At amortised cost			
Money market instruments:			
Foreign Certificates of Deposits		-	174,618
Foreign Government Securities		-	19,057
		-	193,675
Unquoted securities:			
Corporate Sukuk in Malaysia		-	2,731,560
Foreign Corporate Sukuk		-	45,202
		-	2,776,762
Accumulated impairment losses	(a)	-	(448)
Total financial investments held-to-maturity		-	2,969,989

(a) Movements in the allowances for impairment losses on financial investments held-to-maturity are as follows:

Group	2018 RM'000	2017 RM'000
At 1 January	-	501
Exchange differences	-	(53)
At 31 December	-	448



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)**(h) Financial investments portfolio (cont'd.)**

The maturity profile of money market instruments at fair value through other comprehensive income, available-for-sale, at amortised cost and held-to-maturity are as follows:

Group	2018 RM'000	2017 RM'000
Within one year	2,569,385	843,952
One year to three years	345,744	1,793,362
Three years to five years	2,149,254	575,283
After five years	6,250,342	4,831,992
	11,314,725	8,044,589

(i) Financing and advances

Group	2018 RM'000	2017 RM'000
Financing and advances to customers:		
(A) Financing and advances to customers at fair value through other comprehensive income	471,122	-
(B) Financing and advances to customers at amortised cost	271,246,935	261,036,338
	271,718,057	261,036,338
Unearned income	(94,879,202)	(97,335,170)
Gross financing and advances	176,838,855	163,701,168
Allowances for impaired financing and advances:		
- Stage 1 - 12-month ECL	(510,311)	-
- Stage 2 - Lifetime ECL not credit impaired	(984,565)	-
- Stage 3 - Lifetime ECL credit impaired	(1,055,811)	-
- Individual allowance	-	(661,181)
- Collective allowance	-	(825,954)
Net financing and advances	174,288,168	162,214,033

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

Group	Bai** RM'000	Murabahah RM'000	Musyarakah 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
2018								
Cashline	-	6,113,118	-	-	-	126	-	6,113,244
Term financing								
- Housing financing	15,968,002	65,870,117	2,140,367	-	-	-	627	83,979,113
- Syndicated financing	-	1,432,287	-	-	-	-	-	1,432,287
- Hire purchase receivables	-	224,525	-	37,895,766	-	-	-	38,120,291
- Lease receivables	-	-	-	-	9,450	-	-	9,450
- Other term financing	17,475,558	99,485,955	563,979	-	102,001	127,395	17,280	117,772,168
Bills receivables	-	163	-	-	-	-	799	962
Trust receipts	-	145,613	-	-	-	-	-	145,613
Claims on customers under acceptance credits	-	4,921,799	-	-	-	-	-	4,921,799
Staff financing	517,202	1,670,905	8,965	156,713	2,539	-	52,723	2,409,047
Credit card receivables	-	-	-	-	-	-	1,104,219	1,104,219
Revolving credit	-	15,681,860	-	-	-	-	-	15,681,860
Share margin financing	-	22,322	-	-	-	-	-	22,322
Financing to:								
- Directors of the Bank	-	2,503	-	465	-	-	8	2,976
- Directors of subsidiaries	-	2,030	-	676	-	-	-	2,706
Unearned income	33,960,762	195,573,197	2,713,311	38,053,620	113,990	127,521	1,175,656	271,718,057 (94,879,202)
Gross financing and advances**								176,838,855
Allowances for impaired financing and advances:								
- Stage 1 - 12-month ECL								(510,311)
- Stage 2 - Lifetime ECL not credit impaired								(984,565)
- Stage 3 - Lifetime ECL credit impaired								(1,055,811)
Net financing and advances								174,288,168

* Bai' comprises 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").



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

Group	Bai** RM'000	Murabahah RM'000	Musyarakah 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
2017								
Cashline	-	5,570,142	-	-	-	78	-	5,570,220
Term financing								
- Housing financing	17,660,022	63,125,656	2,374,094	-	-	-	-	83,159,772
- Syndicated financing	-	790,499	-	-	-	-	-	790,499
- Hire purchase receivables	-	-	-	37,176,740	-	-	-	37,176,740
- Other term financing	21,729,080	85,917,965	1,200,320	-	124,918	132,001	60,396	109,164,680
Bills receivables	-	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	-	-	49,928	2,349,546
Credit card receivables	-	-	-	-	-	-	982,881	982,881
Revolving credit	-	16,742,846	-	-	-	-	-	16,742,846
Share margin financing	-	29,890	-	-	-	-	-	29,890
Financing to:								
- Directors of the Bank	2,258	865	-	918	-	-	-	4,041
- Directors of subsidiaries	-	2,761	-	303	-	-	29	3,093
Unearned income	40,010,294	178,761,314	3,584,198	37,330,301	124,918	132,079	1,093,234	261,036,338 (97,335,170)
Gross financing and advances**								163,701,168
Allowances for impaired financing and advances:								
- Individual allowance								(661,181)
- Collective allowance								(825,954)
Net financing and advances								162,214,033

* Bai' comprises 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").

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

Group	2018 RM'000	2017 RM'000
Domestic non-banking institutions	4,616,580	4,979,718
Domestic business enterprises		
– Small and medium enterprises	34,763,204	31,417,288
– Others	17,178,166	14,899,310
Government and statutory bodies	13,517,323	14,501,853
Individuals	105,110,857	96,187,112
Other domestic entities	26,715	25,455
Foreign entities	1,626,010	1,690,432
Gross financing and advances	176,838,855	163,701,168

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

Group	2018 RM'000	2017 RM'000
Fixed rate		
– House financing	1,240,669	1,197,274
– Hire purchase receivables	33,187,018	32,249,261
– Other financing	25,599,757	27,148,158
	60,027,444	60,594,693
Floating rate		
– House financing	40,556,557	35,422,279
– Other financing	76,254,854	67,684,196
	116,811,411	103,106,475
Gross financing and advances	176,838,855	163,701,168

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

Group	2018 RM'000	2017 RM'000
Purchase of securities	23,163,495	20,351,945
Purchase of transport vehicles	33,118,301	32,224,211
Purchase of landed properties		
– Residential	40,757,787	35,970,912
– Non-residential	11,874,200	11,223,437
Purchase of fixed assets	54,876	40,451
Personal use	3,853,527	3,540,248
Consumer durables	302	330
Construction	2,576,566	3,627,019
Working capital	60,261,860	55,566,579
Credit/charge cards	1,158,862	1,028,349
Other purposes	19,079	127,687
Gross financing and advances	176,838,855	163,701,168



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(i) Financing and advances (cont’d.)

(iv) The maturity profile of financing and advances are as follows:

Group	2018 RM’000	2017 RM’000
Within one year	33,070,102	33,402,949
One year to three years	6,912,616	6,887,139
Three years to five years	14,394,039	13,267,220
After five years	122,462,098	110,143,860
Gross financing and advances	176,838,855	163,701,168

(v) Movements in the impaired financing and advances (“impaired financing”) are as follows:

Group	2018 RM’000	2017 RM’000
At 1 January		
– as previously stated	1,755,299	1,667,994
– effect of adopting MFRS 9	121,438	–
At 1 January, as restated	1,876,737	1,667,994
Newly impaired	1,367,882	1,289,639
Reclassified as non-impaired	(228,568)	(531,863)
Amount recovered	(444,519)	(405,108)
Amount written-off	(442,632)	(265,363)
Transferred to holding company	(34,496)	–
Exchange differences	(297)	–
Gross impaired financing at 31 December	2,094,107	1,755,299
Less: Stage 3 – Lifetime ECL credit impaired	(1,055,811)	–
Individual allowance	–	(661,181)
Net impaired financing at 31 December	1,038,296	1,094,118
Calculation of ratio of net impaired financing:		
Gross impaired financing at 31 December (excluding financing funded by RPSIA and IA)	2,030,688	1,689,335
Less: Stage 3 – Lifetime ECL credit impaired	(1,055,811)	–
Individual allowance	–	(661,181)
Net impaired financing at 31 December	974,877	1,028,154
Gross financing and advances (excluding financing funded by RPSIA and IA)	137,331,642	122,450,621
Less: Allowances for impaired financing and advances at amortised cost and FVOCI	(2,555,886)	–
Individual allowance	–	(661,181)
Net financing and advances	134,775,756	121,789,440
Net impaired financing as a percentage of net financing and advances	0.72%	0.84%

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

(vi) Impaired financing and advances by economic purposes are as follows:

Group	2018 RM'000	2017 RM'000
Purchase of securities	5,666	10,490
Purchase of transport vehicles	403,062	149,452
Purchase of landed properties		
– Residential	278,783	158,635
– Non-residential	142,442	91,046
Personal use	38,526	20,548
Consumer durables	8	8
Construction	244,764	349,422
Working capital	972,484	964,980
Credit/charge cards	8,372	10,718
Impaired financing and advances	2,094,107	1,755,299

(vii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows:

Changes in the financing and advances carried at fair value through other comprehensive income and at amortised cost for the Group that contributed to the changes in the loss allowance were mainly due to the following:

- The high volume of syndicated financing, cashline and other term financing originated during the financial year, increased the gross carrying amount by 81%, 10% and 8% respectively which correspondingly increased the ECL allowances.
- The financial assets derecognised during the financial year for the Group arising from the financing settled and matured which resulted in a decrease in ECL allowances across all stages.
- The write-off of financing with a total carrying amount of RM442.6 million for the Group resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.

At fair value through other comprehensive income

Group	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018				
– effect of adopting MFRS 9	522	–	–	522
At 1 January 2018, as restated	522	–	–	522
Net remeasurement of allowances	45	–	–	45
New financial assets originated or purchased	1,354	3,800	–	5,154
Financial assets derecognised	(522)	–	–	(522)
At 31 December 2018	1,399	3,800	–	5,199



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(i) Financing and advances (cont’d.)

(vii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont’d.):

At amortised cost

Group	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
As at 31 December 2018				
At 1 January 2018				
– as previously stated – MFRS 139				1,487,135
– effect of adopting MFRS 9				1,076,449
At 1 January 2018, as restated	409,534	1,061,080	1,092,970	2,563,584
Transferred to Stage 1	410,336	(263,234)	(147,102)	–
Transferred to Stage 2	(32,812)	69,092	(36,280)	–
Transferred to Stage 3	(2,942)	(96,473)	99,415	–
Net remeasurement of allowances*	(329,067)	180,529	723,244	574,706
New financial assets originated or purchased	194,867	128,773	–	323,640
Financial assets derecognised	(70,166)	(88,990)	(270,168)	(429,324)
Changes in models/risk parameters	(69,473)	(6,644)	(1,683)	(77,800)
Transferred to holding company	–	–	37,371	37,371
Amount written-off	–	–	(442,632)	(442,632)
Exchange differences	34	432	676	1,142
At 31 December 2018	510,311	984,565	1,055,811	2,550,687

Group	2018 RM'000	2017 RM'000
Individual allowance		
At 1 January	–	746,215
Allowance made* (Note 67(ab))	–	159,929
Amount written back in respect of recoveries (Note 67(ab))	–	(75,632)
Amount written-off	–	(156,307)
Transferred to collective allowance	–	(5,191)
Exchange differences	–	(7,833)
At 31 December	–	661,181
Collective allowance		
At 1 January	–	758,418
Allowance made* (Note 67(ab))	–	178,389
Amount written-off	–	(115,476)
Transferred from individual allowance	–	5,191
Exchange differences	–	(568)
At 31 December	–	825,954

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 31 December 2018, the gross exposure of the financing funded by RPSIA was RM15,942.2 million (2017: RM16,695.1 million). The expected credit loss relating to these financing amounting to RM274.5 million (31 December 2017: The individual allowance and collective allowance amounting to RM168.3 million and RM41.5 million respectively) are recognised in the Group's conventional banking operations.

The gross exposure of the financing funded by IA as at 31 December 2018 was RM23,565.1 million (2017: RM24,555.4 million). The expected credit loss relating to financing funded by IA are not recognised in the financial statements of the Group, but is charged to and borne by the investors.

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Derivative financial instruments

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

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

Group	2018			2017		
	Principal amount RM'000	Fair Values		Principal amount RM'000	Fair Values	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives						
<u>Foreign exchange related contracts</u>						
Currency forward:						
– Less than one year	5,493,987	114,998	(24,049)	3,978,004	8,805	(223,594)
– One year to three years	870,321	4,883	(4,913)	623,903	8,534	(18,294)
– More than three years	60,842	49	(49)	–	–	–
Currency swaps:						
– Less than one year	5,893,262	50,859	(135,612)	5,451,419	229,285	(152,482)
– One year to three years	27,111	44	(14)	–	–	–
Currency spots:						
– Less than one year	191,924	69	(66)	270,312	10	(872)
Cross currency profit rate swaps:						
– One year to three years	639,685	36,618	(36,110)	632,421	33,862	(33,039)
– More than three years	2,065,349	59,109	(59,109)	2,013,315	65,553	(65,553)
	15,242,481	266,629	(259,922)	12,969,374	346,049	(493,834)
<u>Profit rate related contracts</u>						
Profit rate options:						
– One year to three years	680,000	1,316	(2,734)	–	–	–
– More than three years	100,000	352	(352)	1,490,000	5,463	(16,789)
Profit rate swaps:						
– Less than one year	750,000	795	(765)	–	–	–
– One year to three years	182,770	1,572	(1,560)	850,000	1,849	(1,789)
– More than three years	3,885,554	19,186	(12,552)	2,900,620	18,451	(10,341)
	5,598,324	23,221	(17,963)	5,240,620	25,763	(28,919)
	20,840,805	289,850	(277,885)	18,209,994	371,812	(522,753)
Hedging derivatives						
<u>Foreign exchange related contracts</u>						
Cross currency profit rate swaps:						
– Less than one year	1,515,787	112,648	(112,648)	170,607	–	(11,620)
– One year to three years	–	–	–	1,514,854	114,921	(114,921)
	1,515,787	112,648	(112,648)	1,685,461	114,921	(126,541)
<u>Profit rate related contracts</u>						
Profit rate swaps:						
– Less than one year	620,776	1,495	(1,416)	–	–	–
– One year to three years	–	–	–	607,500	1,256	(1,026)
	620,776	1,495	(1,416)	607,500	1,256	(1,026)
	2,136,563	114,143	(114,064)	2,292,961	116,177	(127,567)
Total	22,977,368	403,993	(391,949)	20,502,955	487,989	(650,320)



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Other assets

Group	2018 RM'000	2017 RM'000
Amount due from holding company	3,574,085	6,232,515
Prepayment and deposits	287,694	271,289
Tax recoverable	176,213	-
Other debtors	797,859	729,391
	4,835,851	7,233,195

(l) Statutory deposits with central banks

The non-interest bearing statutory deposits maintained with BNM are in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as set percentages of total eligible liabilities.

(m) Property, plant and equipment

Group	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
As at 31 December 2018				
Cost				
At 1 January 2018	3,091	2,387	665	6,143
Additions	-	22	-	22
Disposals	(129)	-	(140)	(269)
Exchange differences	(130)	(100)	(29)	(259)
At 31 December 2018	2,832	2,309	496	5,637
Accumulated depreciation				
At 1 January 2018	2,904	1,600	586	5,090
Depreciation charge for the financial year (Note 67(af))	100	770	76	946
Disposals	(129)	-	(140)	(269)
Exchange differences	(43)	(61)	(26)	(130)
At 31 December 2018	2,832	2,309	496	5,637
Net carrying amount				
At 31 December 2018	-	-	-	-

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(m) Property, plant and equipment (cont'd.)

Group As at 31 December 2017	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 January 2017	3,077	3,600	740	7,417
Additions	187	-	-	187
Transferred to intangible assets (Note 67(n))	-	(651)	-	(651)
Exchange differences	(173)	(562)	(75)	(810)
At 31 December 2017	3,091	2,387	665	6,143
Accumulated depreciation				
At 1 January 2017	2,789	1,509	553	4,851
Depreciation charge for the financial year (Note 67(af))	225	153	95	473
Exchange differences	(110)	(62)	(62)	(234)
At 31 December 2017	2,904	1,600	586	5,090
Net carrying amount				
At 31 December 2017	187	787	79	1,053

(n) Intangible assets

Group	2018 RM'000	2017 RM'000
Computer software		
Cost		
At 1 January	9,029	7,374
Additions	1,266	1,776
Transferred from property, plant and equipment (Note 67(m))	-	651
Exchange differences	(379)	(772)
At 31 December	9,916	9,029
Accumulated amortisation		
At 1 January	6,488	6,760
Amortisation charge for the financial year (Note 67(af))	3,667	428
Exchange differences	(239)	(700)
At 31 December	9,916	6,488
Net carrying amount		
At 31 December	-	2,541



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(o) Deferred tax assets

Group	2018 RM'000	2017 RM'000
At 1 January	(37,378)	(21,012)
– effect of adopting MFRS 9	(6,414)	–
At 1 January 2018, as restated	(43,792)	(21,012)
Recognised in income statement, net (Note 67(ag))	5,334	(25,556)
Recognised in statement of comprehensive income, net	6,816	7,363
Exchange differences	1,499	1,827
At 31 December	(30,143)	(37,378)

Deferred tax assets of the Group:

Group	Impairment losses on financing and advances RM'000	FVOCI reserve, impairment loss on financial investments and amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2018					
At 1 January 2018	(22,864)	(10,664)	(5)	(3,845)	(37,378)
– effect of adopting MFRS 9	(6,258)	(145)	–	(11)	(6,414)
At 1 January 2018, as restated	(29,122)	(10,809)	(5)	(3,856)	(43,792)
Recognised in income statement	6,008	–	(150)	(524)	5,334
Recognised in statement of comprehensive income	–	6,690	126	–	6,816
Exchange differences	991	460	29	19	1,499
At 31 December 2018	(22,123)	(3,659)	–	(4,361)	(30,143)
As at 31 December 2017					
At 1 January 2017	(176)	(17,903)	(29)	(2,904)	(21,012)
Recognised in income statement	(24,371)	–	(192)	(993)	(25,556)
Recognised in statement of comprehensive income	–	7,239	124	–	7,363
Exchange differences	1,683	–	92	52	1,827
At 31 December 2017	(22,864)	(10,664)	(5)	(3,845)	(37,378)

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) Deposits from customers

Group	2018 RM'000	2017 RM'000
Savings deposit		
Qard	16,081,568	14,629,051
Demand deposit		
Qard	18,403,934	18,734,884
Term deposit		
Murabahah	111,692,152	94,379,313
Qard	1,604,097	2,325,740
	113,296,249	96,705,053
Total deposits from customers	147,781,751	130,068,988

(i) The maturity profile of term deposits are as follows:

Group	2018 RM'000	2017 RM'000
Within six months	101,144,116	80,676,337
Six months to one year	11,663,679	14,731,846
One year to three years	474,334	1,273,516
Three years to five years	14,120	23,354
	113,296,249	96,705,053

(ii) The deposits are sourced from the following types of customers:

Group	2018 RM'000	2017 RM'000
Business enterprises	51,815,436	53,932,007
Individuals	39,445,354	41,157,440
Government and statutory bodies	26,423,140	19,292,571
Others	30,097,821	15,686,970
	147,781,751	130,068,988

(q) Investment accounts of customers

Group	2018 RM'000	2017 RM'000
Mudharabah		
Unrestricted Investment accounts	23,445,562	24,555,445
Restricted Investment accounts*	119,499	-
	23,565,061	24,555,445

* Net of credit losses associated with the financing assets funded by the Restricted Investment Accounts.



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(q) Investment accounts of customers (cont’d.)

(i) Movements in the investment accounts of customers are as follows:

Group	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
2018			
<u>Funding inflows/(outflows)</u>			
At 1 January	24,555,445	–	24,555,445
New placement during the financial year	36,398,700	119,447	36,518,147
Redemption during the financial year	(37,500,226)	–	(37,500,226)
Profit payable	(8,357)	52	(8,305)
At 31 December	23,445,562	119,499	23,565,061
2017			
<u>Funding inflows/(outflows)</u>			
At 1 January	31,544,587	–	31,544,587
New placement during the financial year	57,230,520	–	57,230,520
Redemption during the financial year	(64,204,911)	–	(64,204,911)
Profit payable	(14,751)	–	(14,751)
At 31 December	24,555,445	–	24,555,445

(ii) Investment accounts are sourced from the following type of customers:

Group	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
2018			
Business enterprises	11,814,357	119,499	11,933,856
Individuals	10,475,578	–	10,475,578
Government and statutory bodies	128,414	–	128,414
Others	1,027,213	–	1,027,213
	23,445,562	119,499	23,565,061
2017			
Business enterprises	9,841,269	–	9,841,269
Individuals	13,255,075	–	13,255,075
Government and statutory bodies	218,371	–	218,371
Others	1,240,730	–	1,240,730
	24,555,445	–	24,555,445

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(q) Investment accounts of customers (cont'd.)

(iii) Maturity structure of investment accounts are as follows:

Group	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
2018			
- Without maturity	13,067,406	-	13,067,406
- With maturity	10,378,156	119,499	10,497,655
Due within six months	8,233,509	119,499	8,353,008
Six months to one year	2,125,559	-	2,125,559
One year to three years	5,176	-	5,176
Three years to five years	13,912	-	13,912
	23,445,562	119,499	23,565,061
2017			
- Without maturity	9,948,920	-	9,948,920
- With maturity	14,606,525	-	14,606,525
Due within six months	12,053,209	-	12,053,209
Six months to one year	2,532,512	-	2,532,512
One year to three years	2,564	-	2,564
Three years to five years	18,240	-	18,240
	24,555,445	-	24,555,445

(iv) The allocations of investment asset are as follows:

Group	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
2018			
Retail financing	21,644,759	-	21,644,759
Non-retail financing	1,800,803	119,499	1,920,302
	23,445,562	119,499	23,565,061
2017			
Retail financing	24,554,642	-	24,554,642
Non-retail financing	803	-	803
	24,555,445	-	24,555,445



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(q) Investment accounts of customers (cont’d.)

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

Group	Investment account holder (“IAH”)	
	Average profit sharing ratio %	Average rate of return %
2018		
Unrestricted investment accounts	55.00	2.82
Restricted investment accounts	99.95	4.31
2017		
Unrestricted investment accounts	60.00	3.07
Restricted investment accounts	–	–

(r) Deposits and placements from financial institutions

Group	2018 RM’000	2017 RM’000
Mudharabah Fund		
Licensed banks*	17,223,165	18,082,098
	17,223,165	18,082,098
Non-Mudharabah Fund		
Licensed banks	11,767,354	5,260,456
Licensed Islamic banks	497,383	1,873,521
Licensed investment banks	–	199,034
Other financial institutions	2,686,233	2,836,162
	14,950,970	10,169,173
	32,174,135	28,251,271

* Included in the deposits and placements from licensed banks is the Restricted Profit Sharing Investment Account (“RPSIA”) placed by the Group’s conventional operations amounting to RM17,223.2 million (2017: RM18,068.2 million). These placements are used to fund certain specific financing and advances. The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the investor solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne by the Group’s conventional operations as the investor.

(s) Financial liabilities at fair value through profit or loss

Group	2018 RM’000	2017 RM’000
Structured deposits	385,687	892,695

The Group have designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 9 *Financial Instruments: Recognition and Measurement* as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and include terms that have substantive derivative characteristics.

The carrying amount of structured deposits designated at fair value through profit or loss of the Group as at 31 December 2018 was RM384,986,000 (2017: RM898,182,000). The fair value changes of the financial liabilities that are attributable to the changes in its own credit risk are not significant.

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(t) Other liabilities

Group	Note	2018 RM'000	2017 RM'000
Due to holding company		416,280	330,542
Other creditors, provisions and accruals		2,103,513	326,692
Defined benefit pension plans		4,993	3,446
Allowances for impairment losses on financing commitments and financial guarantee contracts	(i)	30,942	-
		2,555,728	660,680

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

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2018	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	RM'000
At 1 January 2018 – effect of adopting MFRS 9	14,887	7,550	2,222	24,659
At 1 January 2018, as restated	14,887	7,550	2,222	24,659
Transferred to Stage 1	699	(563)	(136)	-
Transferred to Stage 2	(14)	463	(449)	-
Net remeasurement of allowances	9,183	(876)	(1,256)	7,051
New financial assets originated or purchased	2,596	3,079	269	5,944
Financial assets derecognised	(3,965)	(3,187)	(388)	(7,540)
Exchange differences	806	8	14	828
At 31 December 2018	24,192	6,474	276	30,942

(u) Provision for taxation and zakat

Group	2018 RM'000	2017 RM'000
Taxation	11,667	130,022
Zakat	24,159	18,488
	35,826	148,510

(v) Term funding

Group	2018 RM'000	2017 RM'000
Unsecured term funding:		
(i) Commercial Papers		
– Less than one year	2,734,958	2,459,845
(ii) Medium Term Notes		
– Less than one year	-	482,370
– More than one year	2,003,222	2,003,222
	2,003,222	2,485,592
Total term funding	4,738,180	4,945,437

The unsecured term fundings are commercial papers and medium term notes denominated in Ringgit Malaysia ("RM"). The profit rates of these unsecured term fundings ranging from 3.91% to 4.22% per annum (2017: 3.68% to 4.20% per annum).



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(v) Term funding (cont'd.)

The following are the changes in the term funding include the commercial papers/medium term notes/sukuk issued/redeemed by the Group:

(1) Redemption of Ringgit Medium Term Notes pursuant to the RM10.0 billion Islamic Commercial Paper/Medium Term Note Programme by Maybank Islamic Berhad

Redemption	Maturity Date	Nominal value	Description	Tenor
Redemption	16 November 2018	RM250.0 million	Zero Coupon Notes	365 days
Redemption	19 December 2018	RM250.0 million	Zero Coupon Notes	365 days

(2) Issuance of Islamic Commercial Papers by Maybank Islamic Berhad

The aggregate nominal value of the Islamic commercial papers issued by the Group which are still outstanding as at 31 December 2018 are as follows:

Programme Name	Tenor	Nominal value
RM10.0 billion Islamic Commercial Paper/Medium Term Note Programme	68 – 364 days	RM2,750.0 million

(w) Subordinated sukuk

Group	Note	2018 RM'000	2017 RM'000
RM1,500 million subordinated sukuk due in 2024	(i)	1,516,593	1,516,397
RM1,000 million subordinated sukuk due in 2026	(ii)	1,017,708	1,017,708
		2,534,301	2,534,105

Details of the issued subordinated sukuk are as follows:

Note	Description/nominal value	Issue date	First call date	Maturity date	Profit rate (% p.a.)	Nominal value
	Maybank Islamic Berhad					
	<u>RM10.0 billion Subordinated Sukuk Murabahah Programme</u>					
(i)	Subordinated Sukuk Murabahah ¹	7-Apr-14	5-Apr-19	5-Apr-24	4.75	RM1,500.0 million
(ii)	Subordinated Sukuk Murabahah ¹	15-Feb-16	15-Feb-21	13-Feb-26	4.65	RM1,000.0 million

¹ The subsidiary may, subject to the prior consent of BNM, redeem these subordinated sukuk, in whole or in part, on the first call date and on each profit payment date thereafter.

(x) Capital securities

Description	Issue date	First call date	Maturity date	2018 RM'000	2017 RM'000
Maybank Islamic Berhad					
<u>RM10.0 billion Additional Tier 1 Sukuk Wakalah Programme</u>					
RM1,000.0 million 4.95% Additional Tier 1 Sukuk Wakalah ¹	14-Dec-17	14-Dec-22	Perpetual	1,002,441	1,002,441

¹ The subsidiary, may redeem these capital securities, in whole or in part on the first call date and on every Periodic Distribution Date thereafter.

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(y) Income derived from investment of depositors' funds

Group	2018 RM'000	2017 RM'000
Income from investment of:		
(i) General investment deposits	6,770,868	5,237,277
(ii) Other deposits	2,060,940	1,808,105
	8,831,808	7,045,382

(i) Income derived from investment of general investment deposits:

Group	2018 RM'000	2017 RM'000
Finance income and hibah:		
Financing and advances	5,480,215	4,300,422
Financial investments at FVOCI	320,704	-
Financial investments AFS	-	221,718
Financial investments at amortised cost	178,607	-
Financial investments HTM	-	61,785
Financial investments at FVTPL	7,579	5,866
Money at call and deposits and placements with financial institutions	363,169	338,857
	6,350,274	4,928,648
Accretion of discounts, net	35,965	53,721
Total finance income and hibah	6,386,239	4,982,369
Other operating income:		
Fee income	262,940	246,133
(Loss)/gain on disposal of financial assets at FVTPL	(1,639)	327
Gain on disposal of financial investments at FVOCI	4,291	-
Gain on disposal of financial investments AFS	-	6,650
Unrealised (loss)/gain on revaluation of:		
- Financial assets at FVTPL	(151)	(7)
- Financial liabilities at FVTPL	(4,523)	(6,839)
- Derivatives	19,659	4,646
Foreign exchange gain/(loss), net	98,439	(8,365)
Net profit on derivatives	5,613	12,363
Total other operating income	384,629	254,908
	6,770,868	5,237,277



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)**(y) Income derived from investment of depositors’ funds (cont’d.)**

(ii) Income derived from investment of other deposits:

Group	2018 RM'000	2017 RM'000
Finance income and hibah:		
Financing and advances	1,668,087	1,483,700
Financial investments at FVOCI	97,617	-
Financial investments AFS	-	76,341
Financial investments at amortised cost	54,365	-
Financial investments HTM	-	21,291
Financial investments at FVTPL	2,307	2,020
Money at call and deposits and placements with financial institutions	110,543	118,300
	1,932,919	1,701,652
Accretion of discounts, net	10,947	18,497
Total finance income and hibah	1,943,866	1,720,149
Other operating income:		
Fee income	80,035	84,814
(Loss)/gain on disposal of financial assets at FVTPL	(499)	113
Gain on disposal of financial investments at FVOCI	1,306	-
Gain on disposal of financial investments AFS	-	2,290
Unrealised (loss)/gain on revaluation of:		
– Financial assets at FVTPL	(46)	(2)
– Financial liabilities at FVTPL	(1,377)	(2,355)
– Derivatives	5,984	1,600
Foreign exchange gain/(loss), net	29,963	(2,761)
Net profit on derivatives	1,708	4,257
Total other operating income	117,074	87,956
	2,060,940	1,808,105

(z) Income derived from investment of investment account funds

Group	2018 RM'000	2017 RM'000
Finance income and hibah:		
Financing and advances	1,078,834	1,503,196
Other operating income:		
Fee income	20,234	23,652
	1,099,068	1,526,848

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(aa) Income derived from investment of Islamic Banking Funds

Group	2018 RM'000	2017 RM'000
Finance income and hibah:		
Financing and advances	363,511	257,175
Financial investments at FVOCI	20,373	-
Financial investments AFS	-	12,578
Financial investments at amortised cost	11,346	-
Financial investments HTM	-	3,582
Financial investments at FVTPL	481	333
Money at call and deposits and placements with financial institutions	35,788	26,388
	431,499	300,056
Accretion of discounts, net	2,285	3,048
Total finance income and hibah	433,784	303,104
Other operating income:		
Fee income	67,429	94,159
Gain on disposal of financial assets at FVTPL	1,341	4,598
Gain on disposal of financial investments at FVOCI	273	-
Gain on disposal of financial investments AFS	-	377
Unrealised (loss)/gain on revaluation of:		
- Financial assets at FVTPL	(10)	-
- Financial liabilities at FVTPL	(287)	(388)
- Derivatives	1,249	264
Foreign exchange gain/(loss), net	7,423	(654)
Net profit on derivatives	357	701
Total other operating income	77,775	99,057
	511,559	402,161

(ab) Allowances for impairment losses on financing and advances, net

Group	2018 RM'000	2017 RM'000
Stage 1 – 12-month ECL, net	(265,148)	-
Stage 2 – Lifetime ECL not credit impaired, net	216,484	-
Stage 3 – Lifetime ECL credit impaired, net	450,018	-
Individual allowance:		
- Allowance made (Note 67(i)(vii))	-	159,929
- Amount written back (Note 67(i)(vii))	-	(75,632)
Collective allowance (Note 67(i)(vii))	-	178,389
Bad debts and financing:		
- Written-off	12,124	9,371
- Recovered	(43,441)	(120,430)
Allowances for impairment losses on other debts	380	554
	370,417	152,181



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)**(ac) Writeback of impairment losses on financial investments, net**

Group	2018 RM'000	2017 RM'000
Financial investments at fair value through other comprehensive income		
Stage 1 – 12-month ECL, net	(633)	–
Stage 2 – Lifetime ECL not credit impaired, net	(125)	–
	(758)	–
Financial investments at amortised cost		
Stage 1 – 12-month ECL, net	(2,501)	–
Stage 2 – Lifetime ECL not credit impaired, net	(4,310)	–
	(6,811)	–
	(7,569)	–

(ad) Writeback of impairment losses on other financial assets, net

Group	2018 RM'000	2017 RM'000
Cash and short-term funds		
Stage 1 – 12-month ECL, net	(200)	–

(ae) Profit distributed to depositors

Group	2018 RM'000	2017 RM'000
Deposits from customers:		
– Mudharabah Fund	1,195	4,763
– Non-Mudharabah Fund	4,043,791	2,971,975
Deposits and placements from financial institutions:		
– Mudharabah Fund	702,226	640,642
– Non-Mudharabah Fund	241,952	332,224
Financial liabilities at fair value through profit or loss	41,865	44,894
	5,031,029	3,994,498

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(af) Overhead expenses

Group	2018 RM'000	2017 RM'000
Personnel expenses:		
– Salaries and wages	43,260	39,950
– Social security cost	155	131
– Pension cost – defined contribution plan	5,650	4,646
– ESS expenses	-	511
– Other staff related expenses	6,178	7,930
	55,243	53,168
Establishment costs:		
– Depreciation of property, plant and equipment (Note 67(m))	946	473
– Amortisation of computer software (Note 67(n))	3,667	428
– Information technology expenses	4,175	3,330
– Others	5,088	5,702
	13,876	9,933
Marketing costs:		
– Advertisement and publicity	9,939	9,627
– Others	1,487	1,774
	11,426	11,401
Administration and general expenses:		
– Fees and brokerage	62,069	67,787
– Administrative expenses	190	1,300
– General expenses	75,640	98,898
	137,899	167,985
Shared service cost paid/payable to Maybank	1,281,801	1,174,521
Total	1,500,245	1,417,008
Included in overhead expenses are:		
Shariah Committee Members' fee and remuneration	817	607

(ag) Taxation

Group	2018 RM'000	2017 RM'000
Tax expense for the financial year:		
Malaysian income tax	667,084	531,062
Foreign income tax	50	-
Over provision in respect of prior years:		
Malaysian income tax	(18,553)	(11,080)
	648,581	519,982
Deferred tax (Note 67(o)):		
Relating to origination and reversal of temporary differences	5,334	(25,556)
	5,334	(25,556)
Effect of changes in tax rate on opening balances of deferred tax	653,915	494,426



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)**(ah) Commitments and contingencies**

In the normal course of business, the Group 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 Group as at each reporting date are as follows:

Group 2018	Full Commitment RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
<u>Contingent liabilities</u>			
Direct credit substitutes	1,406,819	1,282,494	1,188,080
Certain transaction-related contingent items	3,382,496	1,669,190	1,292,876
Short-term self-liquidating trade-related contingencies	210,731	54,669	25,219
	5,000,046	3,006,353	2,506,175
<u>Commitments</u>			
Irrevocable commitments to extend credit:			
– Maturity within one year	22,252,458	5,315,091	2,611,836
– Maturity exceeding one year	8,719,317	2,599,960	1,124,353
	30,971,775	7,915,051	3,736,189
Miscellaneous commitments and contingencies	84,129	–	–
Total credit-related commitments and contingencies	36,055,950	10,921,404	6,242,364
<u>Derivative financial instruments</u>			
Foreign exchange related contracts:			
– Less than one year	13,094,961	219,591	113,693
– One year to less than five years	3,663,308	56,062	25,064
	16,758,269	275,653	138,757
Profit rate related contracts:			
– Less than one year	1,370,775	141,687	25,037
– One year to less than five years	2,452,770	440,646	196,829
– Five years and above	2,395,554	167,587	145,821
	6,219,099	749,920	367,687
Total treasury-related commitments and contingencies	22,977,368	1,025,573	506,444
Total commitments and contingencies	59,033,318	11,946,977	6,748,808

* The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM.

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ah) Commitments and contingencies (cont'd.)

The risk-weighted exposures of the Group as at each reporting date are as follows (cont'd.):

Group 2017	Full Commitment RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
Contingent liabilities			
Direct credit substitutes	1,483,863	1,438,157	1,292,069
Certain transaction-related contingent items	3,486,103	1,718,161	1,278,929
Short-term self-liquidating trade-related contingencies	188,659	36,697	28,596
	5,158,625	3,193,015	2,599,594
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	19,987,064	4,218,895	2,330,534
– Maturity exceeding one year	7,705,504	2,676,066	1,093,008
	27,692,568	6,894,961	3,423,542
Miscellaneous commitments and contingencies	126,710	–	–
Total credit-related commitments and contingencies	32,977,903	10,087,976	6,023,136
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	9,870,342	407,037	83,392
– One year to less than five years	4,784,493	182,470	103,359
	14,654,835	589,507	186,751
Profit rate related contracts:			
– One year to less than five years	3,808,120	683,383	284,177
– Five years and above	2,040,000	72,276	41,970
	5,848,120	755,659	326,147
Total treasury-related commitments and contingencies	20,502,955	1,345,166	512,898
Total commitments and contingencies	53,480,858	11,433,142	6,536,034

* The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM.



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(ai) Capital adequacy

The capital adequacy ratios of the Group are as follows:

Group	2018	2017
CET1 Capital Ratio	16.812%	14.935%
Tier 1 Capital Ratio	18.415%	16.559%
Total Capital Ratio	22.943%	21.127%

Components of capital:

Group	2018 RM'000	2017 RM'000
CET1/Tier 1 Capital		
Paid-up share capital/Islamic Banking Fund	7,473,540	5,769,752
Retained profits	3,050,868	3,499,853
Other reserves	309,683	472,804
CET1 Capital before regulatory adjustments	10,834,091	9,742,409
Less: Regulatory adjustment applied in CET1 Capital	(348,615)	(546,078)
Total CET1 Capital	10,485,476	9,196,331
Additional Tier 1 Capital		
Capital securities	1,000,000	1,000,000
Total Tier 1 Capital	11,485,476	10,196,331
Tier 2 Capital		
Tier 2 capital instruments	2,500,000	2,500,000
General provisions ²	24,192	-
Collective allowance ¹	-	25,694
Surplus of eligible provision over expected loss	299,696	287,154
Total Tier 2 Capital	2,823,888	2,812,848
Total Capital	14,309,364	13,009,179

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

² 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.

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

Group	2018 RM'000	2017 RM'000
Standardised Approach exposure	5,809,095	9,240,097
Internal Ratings-Based Approach exposure after scaling factor	60,840,802	60,375,489
Total RWA for credit risk	66,649,897	69,615,586
Total RWA for credit risk absorbed by Maybank and IAH*	(13,113,007)	(15,855,390)
Total RWA for market risk	1,301,881	1,169,182
Total RWA for operational risk	7,531,362	6,647,456
Total RWA	62,370,133	61,576,834

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

Notes to the Financial Statements

31 December 2018

67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(aj) Fair values of financial assets and financial liabilities

The estimated fair values of financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the following financial assets and liabilities:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2018					
Financial assets					
Financial investments at amortised cost	-	6,609,126	-	6,609,126	6,608,811
Financing and advances	-	24,405,455	151,331,186	175,736,641	174,288,168
Financial liabilities					
Customers' funding:					
- Deposits from customers	-	147,777,725	-	147,777,725	147,781,751
- Investment accounts of customers [^]	-	23,565,595	-	23,565,595	23,565,061
Deposits and placements from financial institutions	-	32,116,353	-	32,116,353	32,174,135
Term funding	-	4,730,383	-	4,730,383	4,738,180
Subordinated sukuk	-	2,584,647	-	2,584,647	2,534,301
Capital securities	-	998,975	-	998,975	1,002,441
2017					
Financial assets					
Financial investments HTM	-	2,973,952	-	2,973,952	2,969,989
Financing and advances	-	36,688,103	122,503,950	159,192,053	162,214,033
Financial liabilities					
Customers' funding:					
- Deposits from customers	-	130,058,317	-	130,058,317	130,068,988
- Investment accounts of customers [^]	-	24,555,704	-	24,555,704	24,555,445
Deposits and placements from financial institutions	-	28,176,217	-	28,176,217	28,251,271
Term funding	-	4,941,794	-	4,941,794	4,945,437
Subordinated sukuk	-	2,558,967	-	2,558,967	2,534,105
Capital securities	-	999,897	-	999,897	1,002,441

[^] Investment accounts of customers are used to fund financing and advances as disclosed in Note 67(i)(vii).

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as disclosed in Note 58.

(ak) Allocation of income

The policy of allocation of income to the various types of deposits and investments is subject to “The Framework on Rate of Return” issued by BNM in October 2001 and has been updated on 13 March 2013. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

(al) Shariah disclosures

(i) Shariah Committee and governance

The operation of the Group is governed by Section 28 and 29 of the Islamic Financial Services Act 2013 (“IFSA”), which stipulates that “any licensed institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah and in accordance with the advice or ruling of Shariah Advisory Council (“SAC”), specify standards on Shariah matters in respect of the carrying on of its business, affair or activity” and Section IV of BNM’s “Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions” known as the Shariah Governance Framework (“SGF”) (which supersedes the BNM/GPS 1), which stipulates that “Every Islamic institution is required to establish a Shariah Committee”.

Based on the above, the duties and responsibilities of the Group’s Shariah Committee are to advise on the overall Islamic Banking operations of the Group’s business in order to ensure compliance with the Shariah requirements.



67. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(al) Shariah disclosures (cont’d.)

(i) Shariah Committee and governance (cont’d.)

The roles and responsibilities of Shariah Committee (“SC”) in monitoring the Group’s activities include:

- (a) To advise the Board on Shariah matters in its business operations;
- (b) To endorse Shariah Compliance Manual;
- (c) To endorse and validate relevant documentations;
- (d) To assist related parties on Shariah matters for advise upon request;
- (e) To advise on matters to be referred to the SAC;
- (f) To provide written Shariah opinion; and
- (g) To assist the SAC on reference for advise.

The Shariah Committee at the Group level has seven members.

Any transaction suspected as Shariah non-compliance will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and Bank Negara Malaysia. For any Shariah non-compliance transactions, the related income will be purified by channeling the amount to an approved charitable organisation.

(ii) Shariah non-compliance events

For the financial year ended 31 December 2018, the nature of transactions deliberated at the Shariah Committee for Shariah non-compliance are as follows:

Group	No. of events	RM’000
2018		
Non-execution of Commodity Murabahah trading prior to financing disbursement	1	28
	1	28
2017		
Non-existence and/or insufficient of underlying assets, usage of non-eligible underlying assets and non-execution of aqad	3	1
	3	1

Apart from the purification of income from Shariah non-compliance events, Maybank Islamic Berhad has implemented several rectification measures relating to processes, legal documents and other control mechanism to minimise reoccurrence of Shariah non-compliance incidents.

(iii) Sources and uses of charity funds

	2018 RM’000	2017 RM’000
Sources of charity funds		
Shariah non-compliance/prohibited income	28	1
Total sources of charity funds during the financial year	28	1
Uses of charity funds		
Contribution to non-profit organisation	28	1
Total uses of charity funds during the financial year	28	1
Undistributed charity funds as at 31 December	–	–

(iv) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contracts is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

Notes to the Financial Statements

31 December 2018

68. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES

(a) Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital		Effective Interest held by the Group		Effective Interest held by the Non-Controlling Interest		Total	
			2018	2017	2018	2017	2018	2017	2018	2017
			RM	RM	%	%	%	%	%	%
Banking										
Maybank Islamic Berhad	Islamic banking	Malaysia	7,197,397,860	5,481,783,300	100.00	100.00	-	-	100.00	100.00
PT Bank Maybank Syariah Indonesia ¹¹	Islamic banking	Indonesia	819,307,000,000 ¹	819,307,000,000 ¹	100.00	100.00	-	-	100.00	100.00
Maybank International (L) Ltd.	Offshore banking	Malaysia	3,500,000 ²	3,500,000 ²	100.00	100.00	-	-	100.00	100.00
Maybank Philippines, Incorporated ¹¹	Banking	Philippines	10,545,500,302 ³	10,545,500,302 ³	99.97	99.97	0.03	0.03	100.00	100.00
PT Bank Maybank Indonesia Tbk ¹¹	Banking	Indonesia	10,213,284,063,018 ¹	8,220,957,567,797 ¹	98.54 ¹⁵	98.31 ¹⁵	1.46	1.69	100.00	100.00
Maybank (Cambodia) Plc. ¹¹	Banking	Cambodia	75,000,000 ²	65,000,000 ²	100.00	100.00	-	-	100.00	100.00
Maybank Singapore Limited ¹¹	Banking	Singapore	2,400,000,100 ⁴	-	100.00	-	-	-	100.00	-
Finance										
Myfin Berhad	Ceased operations	Malaysia	847,500,000	847,500,000	100.00	100.00	-	-	100.00	100.00
Maybank Alliances Sdn Bhd (formerly known as Maybank Allied Credit & Leasing Sdn. Bhd.)	Financing	Malaysia	10,000,000	10,000,000	100.00	100.00	-	-	100.00	100.00
PT Maybank Indonesia Finance ¹¹	Multi-financing	Indonesia	32,370,000,000 ¹	32,370,000,000 ¹	98.54 ¹⁵	98.31 ¹⁵	1.46	1.69	100.00	100.00
PT Wahana Ottomitra Multiartha Tbk ¹¹	Multi-financing	Indonesia	508,338,022,174 ¹	508,338,022,174 ¹	67.55 ¹⁵	67.39 ¹⁵	32.45	32.61	100.00	100.00
Kim Eng Finance (Singapore) Pte. Ltd. ¹¹	Money lending	Singapore	2 ⁴	2 ⁴	100.00	100.00	-	-	100.00	100.00
Insurance										
Maybank Ageas Holdings Berhad	Investment holding	Malaysia	660,866,223	660,866,223	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa Life International (L) Ltd.	Offshore investment-linked insurance	Malaysia	3,500,000 ²	3,500,000 ²	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad)	General insurance, life insurance and investment-linked business	Malaysia	229,878,927	169,878,927	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa Family Takaful Berhad (formerly known as EtiqaTakaful Berhad)	General takaful, family takaful and investment-linked business	Malaysia	100,000,000	400,000,000	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa Offshore Insurance (L) Ltd.	Provision of bureau services in Federal Territory of Labuan	Malaysia	215,500 ²	215,500 ²	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa International Holdings Sdn. Bhd.	Investment holding	Malaysia	485,310,828	485,310,828	100.00	100.00	-	-	100.00	100.00
AsianLife & General Assurance Corporation ¹¹	Insurance provider	Philippines	1,206,511,152 ³	1,206,511,152 ³	95.24	95.24	4.76	4.76	100.00	100.00
Etiqa Insurance Pte. Ltd. ¹¹	Underwriting of general insurance and life insurance businesses	Singapore	93,000,000 ⁴	78,000,000 ⁴	69.05	69.05	30.95	30.95	100.00	100.00
PT Asuransi Asoka Mas ¹²	Insurance provider	Indonesia	150,000,000,000 ¹	150,000,000,000 ¹	75.00	75.00	25.00	25.00	100.00	100.00
Etiqa Life Insurance Berhad	Life and investment-linked business	Malaysia	100,000,000	100,000,000	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa General Takaful Berhad	General takaful business	Malaysia	870,000,000	870,000,000	69.05	69.05	30.95	30.95	100.00	100.00



68. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital		Effective Interest held by the Group		Effective Interest held by the Non-Controlling Interest		Total	
			2018	2017	2018	2017	2018	2017	2018	2017
			RM	RM	%	%	%	%	%	%
Investment Banking										
Maybank Investment Bank Berhad	Investment banking	Malaysia	222,785,000	222,785,000	100.00	100.00	-	-	100.00	100.00
Maysec Sdn. Bhd.	Investment holding	Malaysia	162,000,000	162,000,000	100.00	100.00	-	-	100.00	100.00
PhileoAllied Securities (Philippines) Inc. ¹¹	Under member's voluntary liquidation	Philippines	21,875,000 ³	21,875,000 ³	100.00	100.00	-	-	100.00	100.00
BinaFikir Sdn. Bhd.	Business/Economic consultancy and advisory	Malaysia	742,011	742,011	100.00	100.00	-	-	100.00	100.00
Maybank International Holdings Sdn. Bhd.	Investment holding	Malaysia	4,390,000,000	4,390,000,000	100.00	100.00	-	-	100.00	100.00
Maybank Kim Eng Holdings Limited ¹¹	Investment holding	Singapore	211,114,224 ⁴	211,114,224 ⁴	100.00	100.00	-	-	100.00	100.00
Maybank Kim Eng Securities Pte. Ltd. ¹¹	Dealing in securities	Singapore	75,000,000 ⁴	75,000,000 ⁴	100.00	100.00	-	-	100.00	100.00
PT. Maybank Kim Eng Sekuritas ¹¹ (formerly known as PT. Maybank Kim Eng Securities)	Dealing in securities	Indonesia	589,805,000,000 ¹	50,000,000,000 ¹	99.78	80.00	0.22	20.00	100.00	100.00
Maybank Kim Eng Securities (Thailand) Public Company Limited ¹¹	Dealing in securities	Thailand	3,377,643,229 ⁷	3,377,643,229 ⁷	83.50	83.50	16.50	16.50	100.00	100.00
Maybank Kim Eng Securities (London) Limited ¹¹	Dealing in securities	United Kingdom	600,000 ⁶	600,000 ⁶	100.00	100.00	-	-	100.00	100.00
Maybank Kim Eng Securities USA Inc. ¹²	Dealing in securities	United States of America	21,500,000 ²	21,500,000 ²	100.00	100.00	-	-	100.00	100.00
Kim Eng Securities India Private Limited ¹¹	Dealing in securities	India	290,000,000 ⁸	290,000,000 ⁸	100.00	75.00	-	25.00	100.00	100.00
Ong Asia Limited ¹¹	Liquidated	Singapore	-	63,578,072 ⁴	-	100.00	-	-	-	100.00
Ong Asia Securities (HK) Limited ¹¹	Securities trading	Hong Kong	30,000,000 ⁵	30,000,000 ⁵	100.00	100.00	-	-	100.00	100.00
Maybank Kim Eng Research Pte. Ltd. ¹¹	Provision of research services	Singapore	300,000 ⁴	300,000 ⁴	100.00	100.00	-	-	100.00	100.00
Kim Eng Securities (Hong Kong) Limited ¹¹	Dealing in securities	Hong Kong	310,000,000 ⁵	310,000,000 ⁵	100.00	100.00	-	-	100.00	100.00
Kim Eng Futures (Hong Kong) Limited ¹¹	Futures contracts broker	Hong Kong	6,000,000 ⁵	6,000,000 ⁵	100.00	100.00	-	-	100.00	100.00
Maybank ATR Kim Eng Capital Partners, Inc. ¹¹	Corporate finance & financial and investment advisory	Philippines	872,558,000 ³	872,558,000 ³	100.00	100.00	-	-	100.00	100.00
Maybank ATR Kim Eng Securities, Inc. ¹¹	Dealing in securities	Philippines	404,795,900 ³	404,795,900 ³	100.00	100.00	-	-	100.00	100.00
Maybank Kim Eng Securities Limited ¹¹	Dealing in securities	Vietnam	1,056,110,000,000 ¹⁰	829,110,000,000 ¹⁰	100.00	100.00	-	-	100.00	100.00

Notes to the Financial Statements

31 December 2018

68. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital		Effective Interest held by the Group		Effective Interest held by the Non-Controlling Interest		Total	
			2018	2017	2018	2017	2018	2017	2018	2017
			RM	RM	%	%	%	%	%	%
Asset Management/Trustees/Custody										
Maybank Asset Management Group Berhad	Investment holding	Malaysia	212,300,030	212,300,030	80.00	100.00	20.00	-	100.00	100.00
Maybank (Indonesia) Berhad	Dormant	Malaysia	5,000,000	5,000,000	100.00	100.00	-	-	100.00	100.00
Cekap Mentari Berhad	Securities issuer	Malaysia	7,284,748,970	2	100.00	100.00	-	-	100.00	100.00
Maybank International Trust (Labuan) Berhad	Investment holding	Malaysia	2,879,678,473	2,879,678,473	100.00	100.00	-	-	100.00	100.00
Maybank Offshore Corporate Services (Labuan) Sdn. Bhd.	Investment holding	Malaysia	9,813,403,836	9,262,091,185	100.00	100.00	-	-	100.00	100.00
Maybank Trustees Berhad	Trustee services	Malaysia	500,000	500,000	100.00	100.00	-	-	100.00	100.00
Maybank Private Equity Sdn. Bhd.	Private equity investments	Malaysia	14,000,000	14,000,000	80.00	100.00	20.00	-	100.00	100.00
Maybank Asset Management Sdn. Bhd.	Fund management	Malaysia	47,720,000	31,600,000	80.00	100.00	20.00	-	100.00	100.00
Philmay Property, Inc. ¹¹	Property leasing and trading	Philippines	100,000,000 ³	100,000,000 ³	60.00	60.00	40.00	40.00	100.00	100.00
Maybank (Nominees) Sdn. Bhd.	Nominee services	Malaysia	31,000	31,000	100.00	100.00	-	-	100.00	100.00
Maybank Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.00	100.00	-	-	100.00	100.00
Maybank Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.00	100.00	-	-	100.00	100.00
Maybank Nominees (Singapore) Private Limited ¹¹	Nominee services	Singapore	60,000 ⁴	60,000 ⁴	100.00	100.00	-	-	100.00	100.00
Maybank Nominees (Hong Kong) Limited ¹¹	Nominee services	Hong Kong	3 ⁵	3 ⁵	100.00	100.00	-	-	100.00	100.00
Maybank Securities Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.00	100.00	-	-	100.00	100.00
Maybank Securities Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.00	100.00	-	-	100.00	100.00
Maybank Allied Berhad	Investment holding	Malaysia	753,908,638	753,908,638	100.00	100.00	-	-	100.00	100.00
Dourado Tora Holdings Sdn. Bhd.	Investment holding	Malaysia	81,196,888	71,224,427	100.00	100.00	-	-	100.00	100.00
Aurea Lakra Holdings Sdn. Bhd.	Property investment	Malaysia	1,000,000	1,000,000	100.00	100.00	-	-	100.00	100.00
KBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.00	100.00	-	-	100.00	100.00
KBB Properties Sdn. Bhd.	Ceased operations	Malaysia	410,000	410,000	100.00	100.00	-	-	100.00	100.00
Etiqa Overseas Investment Pte. Ltd.	Investment holding	Malaysia	1 ²	1 ²	69.05	69.05	30.95	30.95	100.00	100.00
Double Care Sdn. Bhd. ¹⁴	Under member's voluntary liquidation	Malaysia	35,000,000	35,000,000	69.05	69.05	30.95	30.95	100.00	100.00
Sorak Financial Holdings Pte. Ltd. ¹¹	Investment holding	Singapore	882,010,600 ⁴	779,694,200 ⁴	100.00	100.00	-	-	100.00	100.00
Rezan Pte. Ltd. ¹⁴	Under member's voluntary liquidation	Singapore	2 ⁴	2 ⁴	100.00	100.00	-	-	100.00	100.00



68. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital		Effective Interest held by the Group		Effective Interest held by the Non-Controlling Interest		Total	
			2018	2017	2018	2017	2018	2017	2018	2017
			RM	RM	%	%	%	%	%	%
Asset Management/Trustees/Custody (cont'd.)										
Maybank KE Strategic Pte. Ltd. ¹¹	Investment holding	Singapore	2 ⁴	2 ⁴	100.00	100.00	-	-	100.00	100.00
Maybank Kim Eng Properties Pte. Ltd. ¹¹	Property investment	Singapore	8,000,000 ⁴	8,000,000 ⁴	100.00	100.00	-	-	100.00	100.00
Strategic Acquisitions Pte. Ltd. ¹¹	Investment holding	Singapore	1 ⁴	1 ⁴	80.00	100.00	20.00	-	100.00	100.00
Kim Eng Investment Limited ¹¹	Investment holding	Hong Kong	415,000,000 ⁵	415,000,000 ⁵	100.00	100.00	-	-	100.00	100.00
KE Sovereign Limited ¹³	Investment holding	British Virgin Islands	500,000 ²	5,000,000 ²	100.00	100.00	-	-	100.00	100.00
FXDS Learning Group Pte. Ltd. ¹¹	Financial education	Singapore	200,000 ⁴	200,000 ⁴	100.00	100.00	-	-	100.00	100.00
Ong & Company Private Limited ¹⁴	Liquidated	Singapore	-	53,441,173 ⁴	-	100.00	-	-	-	100.00
Maybank Kim Eng Securities Nominees Pte. Ltd. ¹¹	Acting as nominee for beneficiary shareholders	Singapore	10,000 ⁴	10,000 ⁴	100.00	100.00	-	-	100.00	100.00
St. Michael's Development Pte. Ltd. ¹¹	Under members' voluntary liquidation	Singapore	1,000,000 ⁴	1,000,000 ⁴	100.00	100.00	-	-	100.00	100.00
Maybank Asset Management Singapore Pte. Ltd. ¹¹	Fund management	Singapore	16,768,512 ⁴	5,000,000 ⁴	80.00	100.00	20.00	-	100.00	100.00
Kim Eng Nominees (Hong Kong) Limited ¹¹	Nominee services	Hong Kong	2 ⁵	2 ⁵	100.00	100.00	-	-	100.00	100.00
Maybank Kim Eng Properties USA Inc. ¹³	Property investment	United States of America	3,000,000 ²	3,000,000 ²	100.00	100.00	-	-	100.00	100.00
PT Prosperindo ¹²	Investment holding	Indonesia	275,731,829,836 ¹	240,510,000,000 ¹	100.00	100.00	-	-	100.00	100.00
Maybank Shared Services Sdn. Bhd.	IT shared services	Malaysia	5,000,000	5,000,000	100.00	100.00	-	-	100.00	100.00
PT Maybank Asset Management ¹¹	Fund management	Indonesia	48,000,000,000 ¹	48,000,000,000 ¹	79.20	99.00	20.80	1.00	100.00	100.00
Maybank Islamic Asset Management Sdn. Bhd.	Fund management	Malaysia	3,000,000	3,000,000	80.00	100.00	20.00	-	100.00	100.00
MAM DP Ltd.	Fund management	Malaysia	1 ²	1 ²	80.00	100.00	20.00	-	100.00	100.00
MBB Labs Private Limited ¹¹	IT development services	India	60,000,000 ⁸	15,000,000 ⁸	100.00	100.00	-	-	100.00	100.00
Amanah Mutual Berhad	Fund management	Malaysia	5,000,000	-	80.00	-	20.00	-	100.00	-
Singapore Unit Trusts Limited ¹¹	Dormant	Singapore	9,400,000 ⁴	-	80.00	-	20.00	-	100.00	-

Notes to the Financial Statements

31 December 2018

68. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(b) Details of the deemed controlled structured entities are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest	
			2018 %	2017 %
Held by the Bank				
Akshayam Asia Fund Limited ¹¹	Equity Fund	British Virgin Islands	89	90
Akshayam Asia Master Fund Limited ¹¹	Equity Fund	British Virgin Islands	100	90
Maybank Bluewaterz Total Return Bond Fund ¹¹	Fixed Income Fund and other securities	Cayman Islands	54	63
Maybank Syariah Equity Fund	Equity Fund	Indonesia	–	99
Held through subsidiaries				
MAM PE Asia Fund I (Labuan) LLP	Private Equity Fund	Malaysia	80	100
Maybank Asian Equity Fund ¹¹	Equity Fund	Singapore	46	84
Maybank Asian Income Fund ¹¹	Fixed Income Fund	Singapore	47	88
Maybank Malaysia Equity-I Fund	Equity Fund	Malaysia	68	84
(c) Details of the associates are as follows:				
Held by the Bank				
Uzbek Leasing International A.O. ¹²	Leasing	Uzbekistan	20	20
Philmay Holding, Inc. ¹¹	Investment holding	Philippines	33	33
An Binh Commercial Joint Stock Bank ¹²	Banking	Vietnam	20	20
Maybank Malaysia Sukuk Fund	Fixed Income Fund	Malaysia	8	37
Held through subsidiaries				
Pak-Kuwait Takaful Company Limited ¹²	General takaful businesses	Pakistan	22	22
MCB Bank Limited ¹²	Banking	Pakistan	19	19
Asian Forum, Inc. ¹²	Under member's voluntary liquidation	Malaysia	23	23
Tullet Prebon (Philippines), Inc. ¹²	Broker between participants in forex, and fixed income	Philippines	49	49
Adrian V. Ocampo Insurance Brokers, Inc. ¹¹	Insurance brokerage	Philippines	23	40
(d) Details of the joint ventures are as follows:				
Anfaal Capital ¹²	Investment banking	Kingdom of Saudi Arabia	35	35

Note:⁽¹⁾ Indonesia Rupiah (IDR)⁽²⁾ United States Dollars (USD)⁽³⁾ Philippine Peso (Peso)⁽⁴⁾ Singapore Dollars (SGD)⁽⁵⁾ Hong Kong Dollars (HKD)⁽⁶⁾ Great Britain Pound (GBP)⁽⁷⁾ Thailand Baht (THB)⁽⁸⁾ Indian Rupee (INR)⁽⁹⁾ Chinese Renminbi (CNY)⁽¹⁰⁾ Vietnamese Dong (VND)⁽¹¹⁾ Audited by other member firms of Ernst & Young Global⁽¹²⁾ Audited by firms of auditors other than Ernst & Young⁽¹³⁾ No audit required as allowed by the laws of the respective country of incorporation⁽¹⁴⁾ No audit required as the entity is under members' voluntary liquidation⁽¹⁵⁾ In the financial year ended 31 December 2013, the Group completed the disposal of 18.3% equity interest in PT Bank Maybank Indonesia Tbk ("BMI") to a third party investor. The disposal was undertaken to ensure compliance with the Otoritas Jasa Keuangan ("OJK")'s mandatory sell down requirement under the OJK Regulation No. IX.H.1. The Group has also entered into a commercial arrangement where the economic exposure resulting from the disposal is being retained. Hence, the disposal has no financial impact to the Group and has not resulted to a decrease in the Group's effective interest in BMI.

69. CURRENCY

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency and rounded to the nearest thousand (RM'000) unless otherwise stated.



70. DIRECTORS OF SUBSIDIARIES OF THE GROUP

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report:

Name of Company	Name of Directors	Name of Company	Name of Directors
Maybank Islamic Berhad	Zainal Abidin bin Jamal Dato' Dr Muhammad Afifi al-Akiti Dali Kumar @ Dali bin Sardar Nor Hizam bin Hashim Datuk Mohd Anwar bin Yahya Datin Paduka Jam'iah binti Abdul Hamid (deceased on 19 November 2018)	Maybank Alliances Sdn Bhd (formerly known as Maybank Allied Credit & Leasing Sdn. Bhd.)	Surin Segar a/l Gnanasegaram Khalijah binti Ismail (appointed on 30 January 2019) Leong Chin Seng (resigned on 31 January 2019)
PT Bank Maybank Syariah Indonesia	Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Fransisca Ekawati Hadi Sunaryo	PT Maybank Indonesia Finance	Deswandhy Agusman Ghazali bin Mohd Rasad Jenny Wiriyanto
Maybank International (L) Ltd.	Khalijah binti Ismail Khairudin bin Abdul Rahman Aziah binti Abdullah Lim Siew Ming (resigned on 15 May 2018)	PT Wahana Ottomitra Multiartha Tbk	I Nyoman Tjager Robbyanto Budiman Garibaldi Thohir Thilagavathy Nadason Myrnie Zachraini Tamin
Maybank Philippines, Incorporated	Dato' Dr Tan Tat Wai Datuk Lim Hong Tat Pollie Sim Sio Hoong Atty. Ray C. Espinosa Renato Tinio De Guzman Aloysius B. Colayco Choong Wai Hong Manuel Nava Tordesillas (appointed on 23 March 2018) Fauziah binti Hisham (appointed on 11 September 2018)	Kim Eng Finance (Singapore) Pte. Ltd.	Chuah Lai Hock Bedi Harmeet Singh
PT Bank Maybank Indonesia Tbk	Datuk Abdul Farid bin Alias Budhi Dyah Sitawati Achjar Iljas Edwin Gerungan Hendar Datuk Lim Hong Tat ¹ Spencer Lee Tien Chye (resigned on 18 October 2018)	Maybank Ageas Holdings Berhad	Datuk R. Karunakaran Bart K.A. Smet Dato' Johan bin Ariffin Gary Lee Crist Dato' Amirul Feisal bin Wan Zahir Dato' Majid bin Mohamad Datuk Mohd Najib bin Abdullah (appointed on 1 July 2018)
Maybank (Cambodia) Plc.	Dato' Johan bin Ariffin Spencer Lee Tien Chye Datuk Hamirullah bin Boorhan Soon Su Long Anthony Brent Elam	Etiqua Life International (L) Ltd.	Datuk Sulaiman bin Salleh Frank J.G. Van Kempen Lee Hin Sze (appointed 26 January 2018)
Maybank Singapore Limited	Datuk R. Karunakaran (appointed on 1 October 2018) Datuk Abdul Farid Bin Alias (appointed on 1 October 2018) Anthony Brent Elam (appointed on 1 October 2018) Spencer Lee Tien Chye (appointed on 1 October 2018) Wong Heng Ning Kevin (appointed on 1 October 2018) Lee Yong Guan (appointed on 1 October 2018) Dr John Lee Hin Hock (appointed on 1 February 2018, resigned on 1 October 2018) Lim Choon Meng (appointed on 1 February 2018, resigned on 1 October 2018)	Etiqua General Insurance Berhad (formerly known as Etiqua Insurance Berhad)	Philippe Pol Arthur Latour Dato' Johan bin Ariffin Loh Lee Soon Frank J.G. Van Kempen Koh Heng Kong Normala binti A. Manaf Datuk R. Karunakaran (resigned on 31 December 2018) Datuk Mohd Najib bin Abdullah (appointed on 1 July 2018)
Myfin Berhad	Loy Teck Wooi Surin Segar a/l Gnanasegaram	Etiqua Family Takaful Berhad (formerly known as Etiqua Takaful Berhad)	Dato' Majid bin Mohamad Philippe Pol Arthur Latour Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Dato' Johan bin Ariffin Dr. Abdul Rahim bin Abdul Rahman Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 March 2018)
		Etiqua Offshore Insurance (L) Ltd.	Datuk Sulaiman bin Salleh Frank J.G. Van Kempen Lee Hin Sze (appointed 26 January 2018)
		Etiqua International Holdings Sdn. Bhd.	Datuk R. Karunakaran Dato' Johan bin Ariffin Dato' Amirul Feisal bin Wan Zahir (appointed on 1 September 2018) Datuk Abdul Farid bin Alias (resigned on 1 September 2018)

¹ The appointment has been approved through the Annual Shareholder' General Meeting dated 18 October 2018. The approval for the Fit and Proper Test is still in progress.

Notes to the Financial Statements

31 December 2018

70. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report (cont'd.):

Name of Company	Name of Directors
AsianLife & General Assurance Corporation	Kamaludin bin Ahmad Lee Hin Sze Manuel N. Tordesillas Eulogio A. Mendoza Modesta P. Mammud Ma. Victoria C. Vinas Joven D. Reyes (appointed on 16 July 2018)
Etiqa Insurance Pte. Ltd.	Dato' Mohd Salleh bin Hj Harun Kamaludin bin Ahmad Frank J.G. Van Kempen Sallim bin Abdul Kadir Wong Pakshong Kat Jeong Colin Stewart Dr. John Lee Hin Hock (appointed on 5 February 2018) Datuk Lim Hong Tat (resigned on 5 February 2018)
PT Asuransi Asoka Mas	Endra Raharja Oka Masagung Amir Imam Poero Andy Wardhana Putra Tanumihardja Kamaludin bin Ahmad (appointed on 25 April 2018) Wijayanto (appointed on 4 July 2018) Siti Nita Zuhra binti Mod. Nazri (appointed on 6 July 2018) Adie Poernomo Widjaya (appointed on 16 October 2018)
Etiqa Life Insurance Berhad	Datuk Mohd Najib bin Abdullah (appointed on 1 July 2018) Philippe Pol Arthur Latour Dato' Johan bin Ariffin (appointed on 1 January 2018) Loh Lee Soon (appointed on 1 January 2018) Normala binti A. Manaf (appointed on 1 January 2018) Frank J.G. Van Kempen (appointed on 1 January 2018) Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 January 2018) Datuk R. Karunakaran (appointed on 1 January 2018, ceased on 31 December 2018)
Etiqa General Takaful Berhad	Dato' Majid bin Mohamad (appointed on 1 January 2018) Philippe Pol Arthur Latour (appointed on 1 January 2018) Dato' Johan bin Ariffin (appointed on 1 January 2018) Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican (appointed on 1 January 2018) Dr. Abdul Rahim bin Abdul Rahman (appointed on 1 January 2018) Koh Heng Kong (appointed on 1 January 2018)

Name of Company	Name of Directors
Maybank Investment Bank Berhad	Datuk Mohaiyani binti Shamsudin Hans Johan Patrik Sandin Goh Ching Yin Dato' Muzaffar bin Hisham Dato' Abdul Hamid bin Sheikh Mohamed Dato' Sri Sharifah Sofianny binti Syed Hussain Che Zakiah binti Che Din (appointed on 26 October 2018) Lee Siang Chin (resigned on 16 May 2018)
Maysec Sdn. Bhd.	Mohamad Yasin bin Abdullah Malique Firdauz bin Ahmad Sidique (appointed on 4 January 2018) Koh Swee Ong (resigned on 5 January 2018)
PhileoAllied Securities (Philippines) Inc.*	Mohamad Yasin bin Abdullah Hamidah binti Moris Luis Manuel L. Gatmaitan Graciella Marie D. Baldoz-Paz Ma. Alicia Picazo-San Juan
BinaFikir Sdn. Bhd.	Zain Azhari Zainul Bador Fad'l bin Mohamed
Maybank International Holdings Sdn. Bhd.	Wan Marzimin bin Wan Muhammad Mohamad Yasin bin Abdullah
Maybank Kim Eng Holdings Limited	Datuk Mohaiyani binti Shamsudin Dato' John Chong Eng Chuan Dato' Muzaffar bin Hisham Leslie Foo Chek Shen Dr John Lee Hin Hock
Maybank Kim Eng Securities Pte. Ltd.	Bedi Harmeet Singh Datuk Lim Hong Tat Jeffrey Goh Cho Kiat
PT Maybank Kim Eng Securities	I Nyoman Tjager Deswandhy Agusman Fad'l bin Mohamed
Maybank Kim Eng Securities (Thailand) Public Company Limited	Yuth Vorachattarn Montree Sornpaisarn Dato' John Chong Eng Chuan Sopawadee Lertmanaschai Lee Siang Chin
Maybank Kim Eng Securities (London) Limited	Patrick Chung Ho Han Alexander Panasko Leonard White James Johnstone
Maybank Kim Eng Securities USA Inc.	Alexander Panasko Jean Louis Lee Joe Borusso
Kim Eng Securities India Private Limited	Jigar Shah Bedi Harmeet Singh Alexander Panasko Vikas Kawatra (ceased on 17 December 2018)



70. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report (cont'd.):

Name of Company	Name of Directors	Name of Company	Name of Directors
Ong Asia Limited	Chuah Lai Hock Ng Mui Hong	Maybank (Indonesia) Berhad	Loy Teck Wooi Wan Marzimin bin Wan Muhammad
Ong Asia Securities (HK) Limited	Mohamad Yasin bin Abdullah Lim Eng Ping (appointed on 10 April 2018) Boh In Cher (resigned on 10 April 2018)	Cekap Mentari Berhad	Khalijah binti Ismail Lee Yih Hwan
Maybank Kim Eng Research Pte. Ltd.	Ong Seng Yeow Saddiq Currimbhoy	Maybank International Trust (Labuan) Berhad	Khalijah binti Ismail Lee Yih Hwan
Kim Eng Securities (Hong Kong) Limited	Dato' John Chong Eng Chuan Alexander Panasko Oh-Lau Chong Jin Caroline Teoh Meow Choo Gregory Seow Poon Garn Lim Eng Ping Mitchell Kim Min Ki (appointed on 27 April 2018) Goh Keat Jin (resigned on 18 January 2018) Boh In Cher (resigned on 27 April 2018) Jacqueline Ko (resigned on 27 April 2018) Cecil Ng Kim Hung (resigned on 18 July 2018)	Maybank Offshore Corporate Services (Labuan) Sdn. Bhd.	Khalijah binti Ismail Ronnie Royston Fernandiz
Kim Eng Futures (Hong Kong) Limited	Jeffrey Goh Cho Kiat Lim Eng Ping (appointed on 10 April 2018) Goh Keat Jin (resigned on 18 January 2018) Boh In Cher (resigned on 25 June 2018)	Maybank Trustee Berhad	Cheng Kee Check Dato' Dr Tan Tat Wai Ong Sau Yin Datuk Jatry Abie @ Jeffry Mohd Ali (appointed on 4 July 2018) Datuk Mohd Hanif bin Suadi (resigned on 2 March 2018)
Maybank ATR Kim Eng Capital Partners, Inc.	Ekhwan bin Jani Udaishankar a/I Raman Ma. Victoria C. Viñas David L. Balangue Maria Lourdes Kristen S. Quintos Choong Wai Hong Alexander Ludwig L. Dauz (appointed on 15 October 2018) Manuel N. Tordesillas (retired on 16 August 2018) Lorenzo Sixto T. Lichauco (resigned on 15 October 2018)	Maybank Private Equity Sdn. Bhd.	Goh Ching Yin Fad'l bin Mohamed Norlia binti Mat Yusof
Maybank ATR Kim Eng Securities, Inc.	Ekhwan bin Jani Jeffrey Goh Cho Kiat Alexander Ludwig L. Dauz (appointed on 15 October 2018) Lorenzo Sixto T. Lichauco (resigned on 15 October 2018)	Maybank Asset Management Sdn. Bhd.	Dr Hasnita binti Dato' Hashim Goh Ching Yin Badrul Hisyam bin Abu Bakar Ahmad Najib bin Nazlan (appointed on 19 February 2018) Khalijah binti Ismail (resigned on 25 April 2018)
Maybank Kim Eng Securities Limited	Ronnie Royston Fernandiz Alexander Panasko Jeffrey Goh Cho Kiat Mohamad Yasin bin Abdullah (appointed on 18 December 2018) Hamidah binti Moris (resigned on 18 December 2018)	Philmay Property, Inc.	Ong Seet-Joon Atty. Llewellyn L. Llanillo Ng Yok Chin
Maybank Asset Management Group Berhad	Dr Hasnita binti Dato' Hashim Dato' Muzaffar bin Hisham Loh Lee Soon Goh Ching Yin Mohd Irwan bin Ahmad Mustafa @ Mustafa (appointed 24 July 2018) Dato' Azian binti Mohd Noh (resigned on 6 April 2018) Fad'l bin Mohamed (alternate director to Dato' Muzaffar bin Hisham) (resigned on 2 May 2018)	Maybank (Nominees) Sdn. Bhd.	Mohamad Yasin bin Abdullah Ronnie Royston Fernandiz
		Maybank Nominees (Tempatan) Sdn. Bhd.	Mohamad Yasin bin Abdullah Ronnie Royston Fernandiz
		Maybank Nominees (Asing) Sdn. Bhd.	Mohamad Yasin bin Abdullah Ronnie Royston Fernandiz
		Maybank Nominees (Singapore) Private Limited	Allen Ng Kian Guan Alan Lau Chee Keong Lim Choon Meng (appointed on 3 May 2018) Lee Hong Khim (resigned on 3 May 2018)
		Maybank Nominees (Hong Kong) Limited	Seow Poon Garn
		Maybank Securities Nominees (Tempatan) Sdn. Bhd.	Mohamad Yasin bin Abdullah Malique Firdauz bin Ahmad Sidique (appointed on 4 January 2018) Koh Swee Ong (resigned on 5 January 2018)
		Maybank Securities Nominees (Asing) Sdn. Bhd.	Mohamad Yasin bin Abdullah Malique Firdauz bin Ahmad Sidique (appointed on 4 January 2018) Koh Swee Ong (resigned on 15 January 2018)

Notes to the Financial Statements

31 December 2018

70. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report (cont'd.):

Name of Company	Name of Directors
Maybank Allied Berhad	Wan Marzimin bin Wan Muhammad Khalijah binti Ismail (appointed on 30 January 2019) Leong Chin Seng (resigned on 31 January 2019)
Dourado Tora Holdings Sdn. Bhd.	Lee Yih Hwan Khalijah binti Ismail (appointed on 1 November 2018) Muhammad Fuad bin Hassan (resigned on 2 November 2018)
Aurea Lakra Holdings Sdn. Bhd.	Lee Yih Hwan Choong Yoke Choo (appointed on 1 November 2018) Muhammad Fuad bin Hassan (resigned on 2 November 2018)
KBB Nominees (Tempatan) Sdn. Bhd.	Yeoh Cheang Teik Abdullah bin Taib
KBB Properties Sdn. Bhd.	Yeoh Cheang Teik Mohd Noor bin Bahari Abdullah bin Taib
Etiqa Overseas Investment Pte. Ltd.	Ahmad Shaifuldin bin Mahamad Sharudi (appointed on 18 April 2018) Lee Hin Sze (resigned on 19 April 2018)
Double Care Sdn. Bhd.*	Dato' Aminuddin bin Md Desa Hans De Cuyper
Sorak Financial Holdings Pte. Ltd.	Lim Choon Meng Khalijah binti Ismail
Rezan Pte. Ltd.*	Jeffrey Goh Cho Kiat Chuah Lai Hock
Maybank KE Strategic Pte. Ltd.	Ng Mui Hong Chuah Lai Hock
Maybank Kim Eng Properties Pte. Ltd.	Mohamad Yasin bin Abdullah Jeffrey Goh Cho Kiat
Strategic Acquisitions Pte. Ltd.	Tan Boon Guan Badrul Hisyam bin Abu Bakar (appointed on 31 May 2018) Baizashaharin bin Bain (resigned on 31 May 2018)
Kim Eng Investment Limited	Chuah Lai Hock Yan Sek Weng Lim Eng Ping (appointed on 10 April 2018)
KE Sovereign Limited	Alexander Panasko
FXDS Learning Group Pte. Ltd.	Jeffrey Goh Cho Kiat Winston Ng Yu-Tang
Maybank Kim Eng Securities Nominees Pte. Ltd.	Jeffrey Goh Cho Kiat Henry Koh Swee Hang
St. Michael's Development Pte. Ltd.*	Ng Mui Hong Chuah Lai Hock

Name of Company	Name of Directors
Maybank Asset Management Singapore Pte. Ltd.	Loh Lee Soon Bedi Harmeet Singh Goh Keat Jin
Kim Eng Nominees (Hong Kong) Limited	Chris Chan Lim Eng Ping (appointed on 10 April 2018) Boh In Cher (resigned on 10 April 2018)
Maybank Kim Eng Properties USA Inc.	Alexander Panasko Jean Louis Lee Joe Borusso
PT Prosperindo	Lee Tien Poh Narita Naziree binti Ahmad Naziree Surin Segar a/l Gnanasegaram
Maybank Shared Services Sdn. Bhd.	Surin Segar a/l Gnanasegaram Loy Teck Wooi Mohd Suhail Amar Suresh bin Abdullah
PT Maybank Asset Management	Drs M Noor Rachman Badrul Hisyam bin Abu Bakar Sharifah Sarah binti Syed Mohamed Tahir
Maybank Islamic Asset Management Sdn. Bhd.	Dr Hasnita binti Dato' Hashim (appointed on 2 May 2018) Badrul Hisyam bin Abu Bakar (appointed on 2 May 2018) Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican (appointed on 2 May 2018) Nor Shahrizan Bin Sulaiman (alternate Director to Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican) (appointed on 2 May 2018) Nadjihah binti Mohd Dzaidin (appointed on 20 February 2018) Dato' Azian binti Mohd Noh (resigned on 5 April 2018) Ahmad Najib bin Nazlan (resigned on 2 May 2018)
MAM DP Ltd.	Badrul Hisyam bin Abu Bakar (appointed on 31 May 2018) Baizashaharin bin Bain (resigned on 31 May 2018) Tan Wai Yuen (resigned on 19 September 2018)
MBB Labs Private Limited	Meenakshy Ramaswamy Iyer Mohd Suhail Amar Suresh bin Abdullah Normala binti A. Manaf
Amanah Mutual Berhad	Dato' Noorizah binti Haji Abd Hamid Norlin binti Abdul Samad Badrul Hisyam bin Abu Bakar
Singapore Unit Trusts Limited	Lee Han Eng Alvin Goh Keat Jin (appointed on 15 May 2018)

* Under members' voluntary liquidation



www.maybank.com