Leading Asia

Maybank

Humanising Financial Services SINCE 1960

ANNUAL REPORT 2019
FINANCIAL STATEMENTS

Together Through Generations

RM8.20 billion Net Profit
- A new record high

15.729% CET1 CApital Ratio
- Among the region's strongest

RM834.4 billion Total Assets
- Strong total assets base

This is what you will find

inside this report

FINANCIAL HIGHLIGHTS

Net Profit*
RM8.20 billion

Return on Equity
10.9%

Earnings per Share
73.5 sen

CET1 Capital Ratio
15.729%

* 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 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 2019 was distributed as follows:

RM18.19 billion*

FOR THE GROUP'S SUSTAINABILITY

RM1.00 billion — 6%

Maybank reinvested **RM1.00 billion** via retained profits to fund future growth across our diversified franchise.

FOR OUR SHAREHOLDERS

RM7.19 billion — 40%

We rewarded our shareholders with a full year all cash dividend of **64 sen** per share, translating to a dividend yield of **7.4%**, among the sector's highest.

FOR THE ECONOMY

RM2.54 billion — 14%

A total of **RM2.54 billion** in taxes and zakat paid to governments, contributing to the development of ASEAN economies.

FOR OUR EMPLOYEES

RM6.63 billion — 36%

Salaries and rewards to Maybankers amounted to **RM5.01 billion**.

* Includes non-controlling interests as well as depreciation and amortisation which represent the combined 4% not illustrated above.

FINANCIAL PERFORMANCE

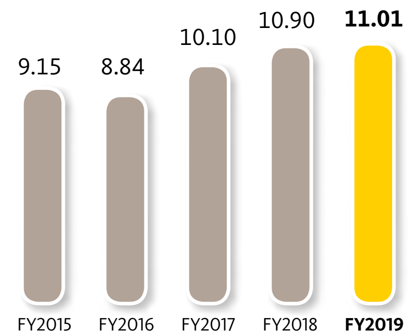
FIVE-YEAR GROUP FINANCIAL SUMMARY

	Group FY 31 Dec					Bank FY 31 Dec	
	2015	2016	2017	2018	2019	2018	2019
OPERATING RESULTS (RM' million)							
Operating revenue	40,556	44,658	45,580	47,320	**52,845**	26,681	**26,906**
Pre-provisioning operating profit ("PPOP")[1]	10,953	11,686	11,911	12,416	**13,179**	9,491	**10,283**
Operating profit	8,940	8,671	9,883	10,803	**10,856**	8,748	**8,415**
Profit before taxation and zakat	9,152	8,844	10,098	10,901	**11,014**	8,748	**8,415**
Profit attributable to equity holders of the Bank	6,836	6,743	7,521	8,113	**8,198**	7,308	**7,279**
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)							
Total assets	708,345	735,956	765,302	806,992	**834,413**	456,613	**464,360**
Financial investments portfolio[2]	122,166	130,902	154,373	177,952	**192,830**	121,354	**126,286**
Loans, advances and financing	453,493	477,775	485,584	507,084	**513,420**	230,367	**226,589**
Total liabilities	644,831	665,481	690,118	729,254	**750,344**	391,024	**394,297**
Deposits from customers	478,151	485,524	502,017	532,733	**544,531**	255,160	**242,758**
Investment accounts of customers	17,658	31,545	24,555	23,565	**20,738**	–	**–**
Commitments and contingencies	719,952	766,439	811,374	872,955	**1,208,623**	780,161	**1,125,440**
Paid-up capital/Share capital[3]	9,762	10,193	44,250	46,747	**48,280**	46,747	**48,280**
Share premium[3]	25,900	28,879	–	–	**–**	–	**–**
Shareholders' equity	61,695	68,516	72,989	75,330	**81,571**	65,589	**70,063**
SHARE INFORMATION							
Per share (sen)							
Basic earnings	72.0	67.8	72.0	74.2	**73.5**	66.8	**65.2**
Diluted earnings	72.0	67.8	72.0	74.2	**73.5**	66.8	**65.2**
Gross dividend	54.0	52.0	55.0	57.0	**64.0**	57.0	**64.0**
Net assets (sen)	632.0	672.2	676.9	681.7	**725.6**	593.6	**623.3**
Share price as at 31 Dec (RM)	8.40	8.20	9.80	9.50	**8.64**	–	**–**
Market capitalisation (RM' million)	81,999	83,584	105,671	104,972	**97,125**	–	**–**
FINANCIAL RATIOS (%)							
Profitability Ratios/Market Share							
Net interest margin on average interest-earning assets	2.4	2.3	2.4	2.3	**2.3**	2.0	**1.9**
Net interest on average risk-weighted assets	4.1	4.1	4.5	4.6	**4.6**	3.6	**3.5**
Net return on average shareholders' funds	12.2	10.6	10.9	11.4	**10.9**	11.9	**11.3**
Net return on average assets	1.0	0.9	1.0	1.0	**1.0**	1.5	**1.6**
Net return on average risk-weighted assets	1.9	1.8	2.0	2.2	**2.2**	3.0	**3.3**
Cost to income ratio[4]	48.2	47.1	48.6	47.5	**46.7**	38.0	**32.8**
Domestic market share in:							
Loans, advances and financing	18.0	18.2	18.3	18.1	**17.9**	18.1	**17.9**
Deposits from customers - Savings Account	25.4	25.3	25.7	26.1	**25.5**	26.1	**25.5**
Deposits from customers - Current Account	19.9	20.4	19.4	19.3	**18.4**	19.3	**18.4**
CAPITAL ADEQUACY RATIOS (%)							
CET1 Capital Ratio	12.780	13.990	14.773	15.029	**15.729**	13.757	**15.314**
Tier 1 Capital Ratio	14.471	15.664	16.459	15.983	**16.486**	14.871	**16.120**
Total Capital Ratio	17.743	19.293	19.383	19.024	**19.387**	18.266	**19.387**
ASSET QUALITY RATIOS							
Net impaired loans (%)	1.43	1.60	1.58	1.28	**1.33**	1.73	**1.65**
Loan loss coverage (%)	72.0	72.0	71.5	83.6	**77.3**	74.3	**76.1**
Loan-to-deposit ratio (%)[5]	92.7	93.9	93.8	92.7	**92.4**	85.8	**87.7**
Deposits to shareholders' fund (times)[6]	8.0	7.5	7.2	7.4	**6.9**	3.9	**3.5**
VALUATIONS ON SHARE							
Gross dividend yield (%)	6.4	6.3	5.6	6.0	**7.4**	–	**–**
Dividend payout ratio (%)	76.3	78.1	78.5	77.3	**87.8**	–	**–**
Price to earnings multiple (times)	11.7	12.1	13.6	12.8	**11.8**	–	**–**
Price to book multiple (times)	1.3	1.2	1.4	1.4	**1.2**	–	**–**

1 PPOP is equivalent to operating profit before impairment losses as stated in the income statements of the financial statements.
2 Prior to adoption of MFRS 9 on 1 January 2018, financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. Upon adoption of MFRS 9, the 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.
3 Pursuant to Companies Act 2016, the share capital will cease to have par or nominal value and share premium becomes 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 is computed using gross loans, advances and financing over deposits from customers and investment accounts of customers.
6 Deposits to shareholders' fund include investment accounts of customers.

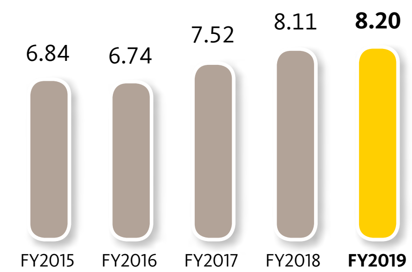
Profit Before Taxation and Zakat

RM11.01 billion



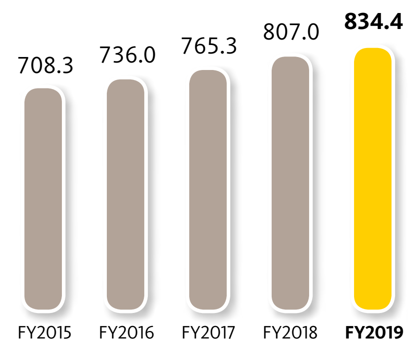
Profit Attributable to Equity Holders of the Bank

RM8.20 billion



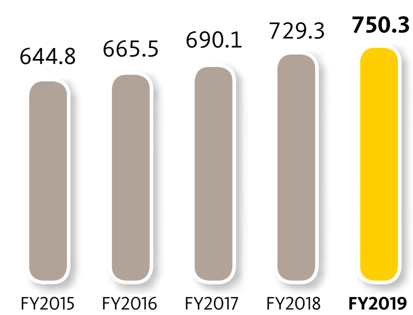
Total Assets

RM834.4 billion



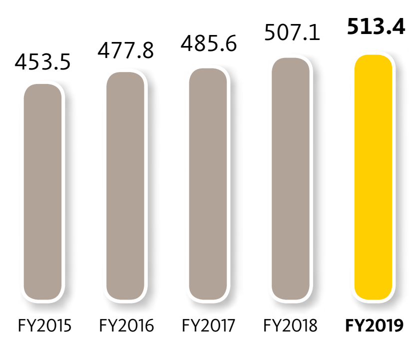
Total Liabilities

RM750.3 billion



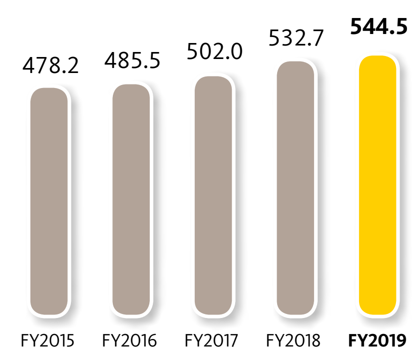
Loans, Advances and Financing

RM513.4 billion



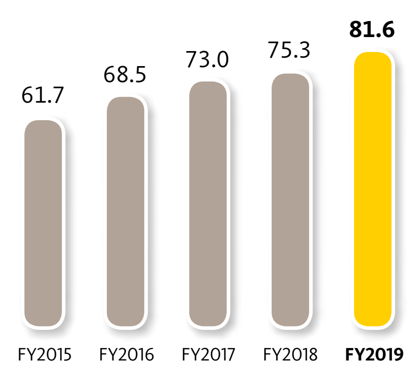
Deposits From Customers

RM544.5 billion



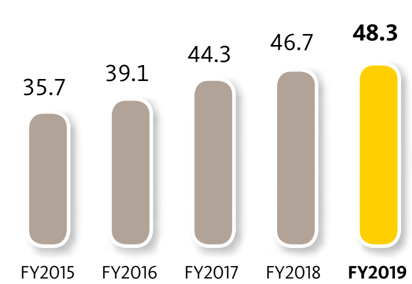
Shareholders' Equity

RM81.6 billion



Share Capital[1]

RM48.3 billion



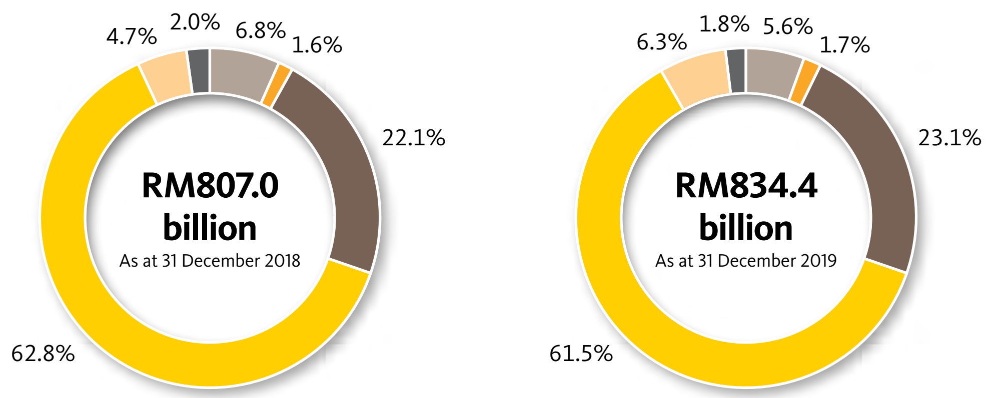
[1] Share capital for FY2016 and FY2015 is inclusive of share premium.

Financial Performance

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

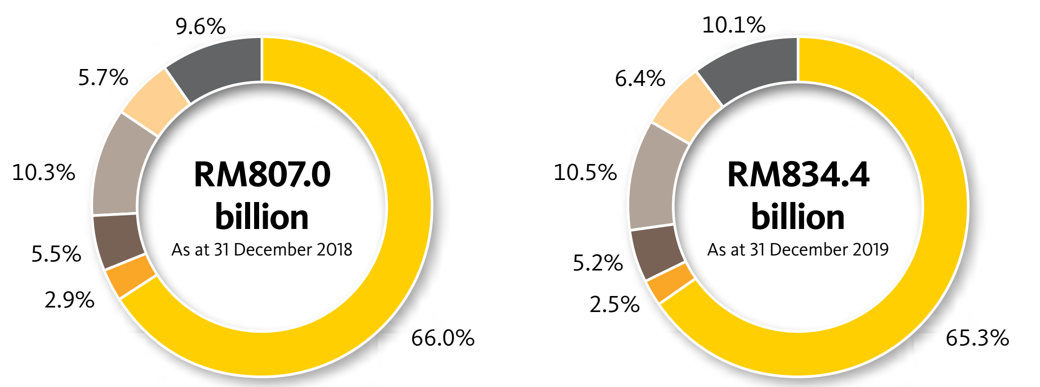
Total Assets

- Cash and short-term funds
- Deposits and placements with financial institutions
- Financial investments portfolio
- Loans, advances and financing
- Other assets
- Statutory deposits with central banks



Total Liabilities & Shareholders' Equity

- Deposits from customers
- Investment accounts of customers
- Deposits and placements from financial institutions
- Other liabilities
- Borrowings, subordinated obligations and capital securities
- Shareholders' equity



GROUP QUARTERLY FINANCIAL PERFORMANCE

	FY 31 Dec 2019				
RM' million	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
Operating revenue	**12,976**	**13,054**	**13,833**	**12,982**	**52,845**
Net interest income (including income from Islamic Banking Scheme operations)	**4,450**	**4,300**	**4,655**	**4,669**	**18,074**
Net earned insurance premiums	**1,627**	**1,624**	**1,749**	**1,761**	**6,761**
Other operating income	**1,678**	**1,980**	**2,148**	**1,471**	**7,277**
Total operating income	**7,755**	**7,904**	**8,552**	**7,901**	**32,112**
Operating profit	**2,415**	**2,616**	**2,600**	**3,225**	**10,856**
Profit before taxation and zakat	**2,450**	**2,652**	**2,648**	**3,264**	**11,014**
Profit attributable to equity holders of the Bank	**1,809**	**1,941**	**1,999**	**2,449**	**8,198**
Earnings per share (sen)	**16.4**	**17.5**	**17.8**	**21.8**	**73.5**
Dividend per share (sen)	**-**	**25.00**	**-**	**39.00**	**64.00**

	FY 31 Dec 2018				
RM' million	**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	1,431	1,502	5,934
Other operating income	1,302	1,008	1,448	1,193	4,951
Total operating income	7,181	6,818	7,267	7,303	28,569
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

KEY INTEREST BEARING ASSETS AND LIABILITIES

	FY 31 Dec 2018			FY 31 Dec 2019		
	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
Interest earning assets						
Loans, advances and financing	507,084	5.46	25,493	**513,420**	**5.35**	**26,416**
Cash and short-term funds & deposits and placements with financial institutions	67,528	2.38	1,314	**60,562**	**2.58**	**1,320**
Financial assets at fair value through profit or loss	29,969	2.70	1,092	**34,694**	**2.64**	**1,113**
Financial investments at fair value through other comprehensive income	120,914	3.36	3,647	**123,352**	**3.27**	**3,959**
Financial investments at amortised cost	27,069	5.55	1,007	**34,784**	**4.50**	**1,414**
Interest bearing liabilities						
Customers' funding:						
- Deposits from customers	532,733	2.32	11,300	**544,531**	**2.18**	**12,492**
- Investment accounts of customers	23,565	2.79	598	**20,738**	**2.51**	**567**
Deposits and placements from financial institutions	43,851	2.59	2,125	**43,557**	**2.21**	**2,267**
Borrowings	31,600	3.33	1,061	**41,339**	**2.78**	**1,347**
Subordinated obligations	10,717	4.62	915	**9,321**	**4.63**	**959**
Capital securities	3,531	5.25	342	**2,827**	**4.07**	**185**

STATEMENT OF VALUE ADDED

	FY 31 Dec 2018 RM'000	FY 31 Dec 2019 RM'000
Net interest income	12,072,906	**12,095,005**
Income from Islamic Banking Scheme operations	5,611,704	**5,979,577**
Net earned insurance premiums	5,933,563	**6,760,618**
Other operating income	4,951,022	**7,276,998**
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(4,907,529)	**(7,371,318)**
Overhead expenses excluding personnel expenses, depreciation and amortisation[1]	(4,159,106)	**(4,387,248)**
Allowances for impairment losses on loans, advances and financing and other debts, net	(1,591,256)	**(2,287,490)**
(Allowances for)/writeback of impairment losses on financial investments, net	(47,685)	**20,400**
Writeback of/(allowances for) impairment losses on other financial assets, net	26,028	**(56,344)**
Share of profits in associates and joint ventures	98,285	**158,373**
Value added available for distribution	17,987,932	**18,188,571**

DISTRIBUTION OF VALUE ADDED

	FY 31 Dec 2018 RM'000	FY 31 Dec 2019 RM'000
To employees:		
Personnel expenses	6,449,524	**6,625,037**
To the Government:		
Taxation	2,545,410	**2,538,231**
To providers of capital:		
Dividends to shareholders	6,272,198	**7,194,472**
Non-controlling interests	242,676	**277,575**
To reinvest to the Group:		
Depreciation and amortisation[1]	637,062	**549,654**
Retained profits	1,841,062	**1,003,602**
Value added available for distribution	17,987,932	**18,188,571**

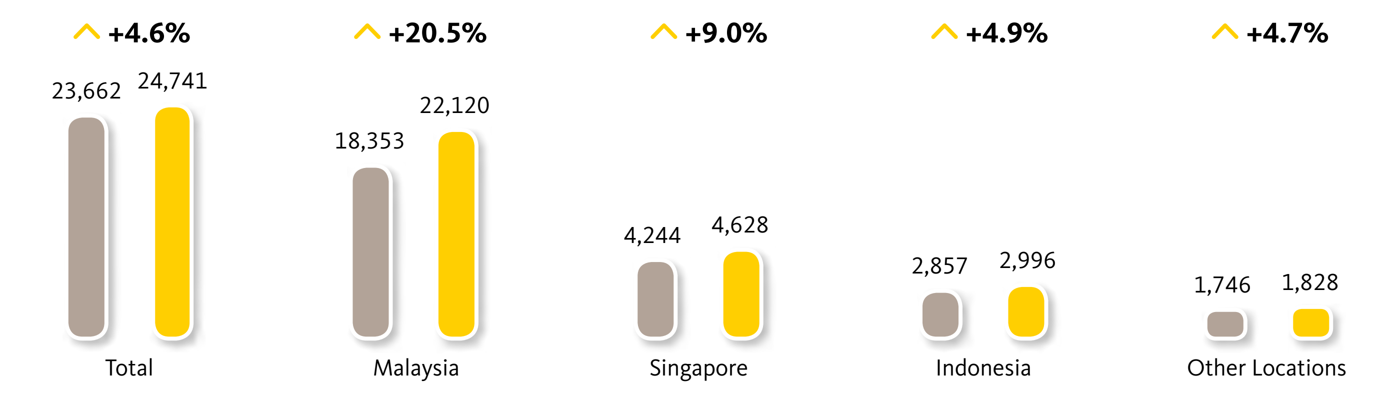
[1] Depreciation and amortisation for FY 31 December 2019 excludes depreciation of right-of-use assets.

Financial Performance

SEGMENTAL INFORMATION

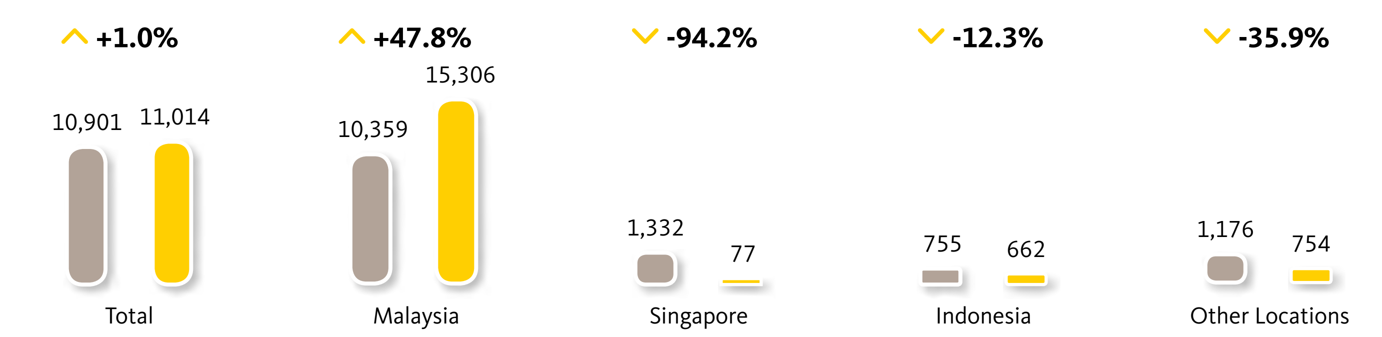
ANALYSIS BY GEOGRAPHICAL LOCATION

Net Operating Income (RM' million)



Note:
Total net operating income includes inter-segment which are eliminated on consolidation of RM6,831 million for FY 31 December 2019 and RM3,538 million for FY 31 December 2018.

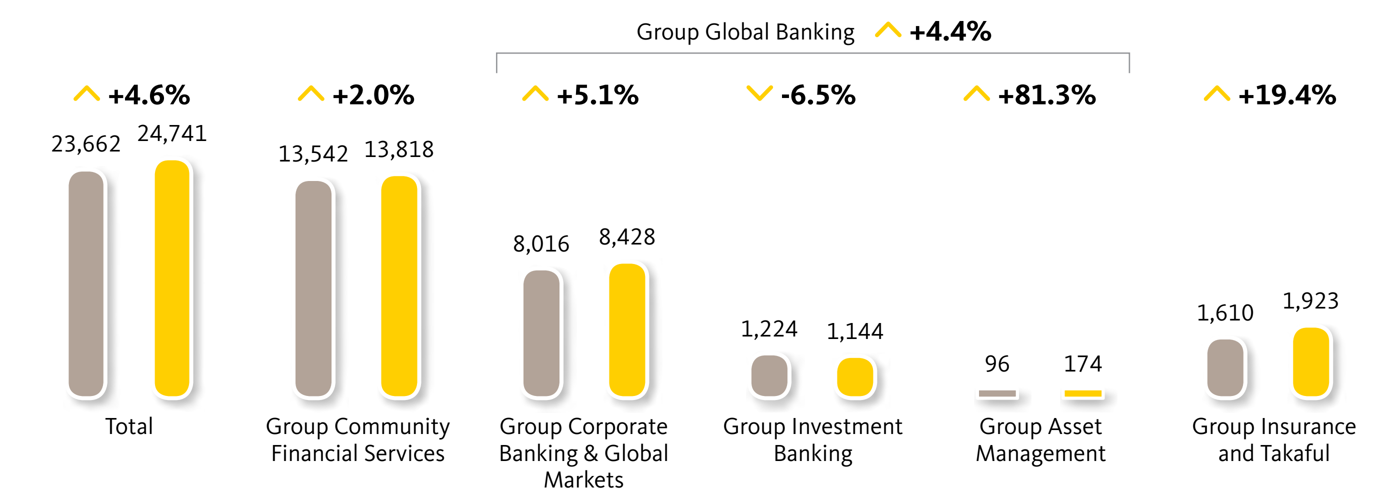
Profit Before Taxation and Zakat (RM' million)



Note:
Total profit before taxation and zakat includes inter-segment which are eliminated on consolidation of RM5,785 million for FY 31 December 2019 and RM2,721 million for FY 31 December 2018.

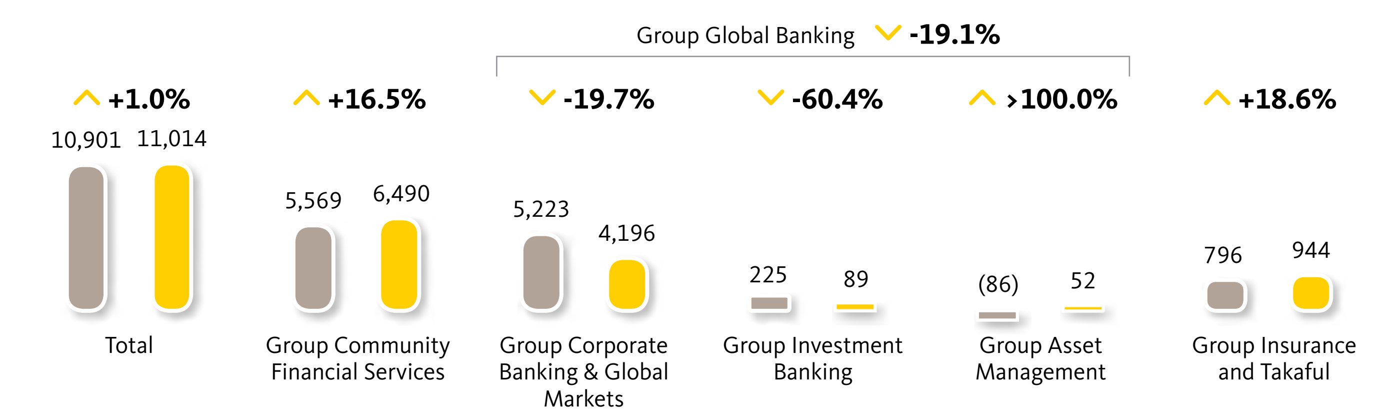
ANALYSIS BY BUSINESS SEGMENTS

Net Operating Income (RM' million)



Note:
Total net operating income includes expenditure of Head Office & others and inter-segment which are eliminated on consolidation of RM746 million for FY 31 December 2019 and RM826 million for FY 31 December 2018.

Profit before Taxation and Zakat (RM' million)



Note:
Total profit before taxation and zakat includes expenditure of Head Office & others and inter-segment which are eliminated on consolidation of RM757 million for FY 31 December 2019 and RM826 million for FY 31 December 2018.

FY 31 DEC 2018 FY 31 DEC 2019

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Audited Financial Statements for the Financial Year Ended 31 December 2019

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 2019, 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 judgements 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 FY2019 FINANCIAL RESULTS

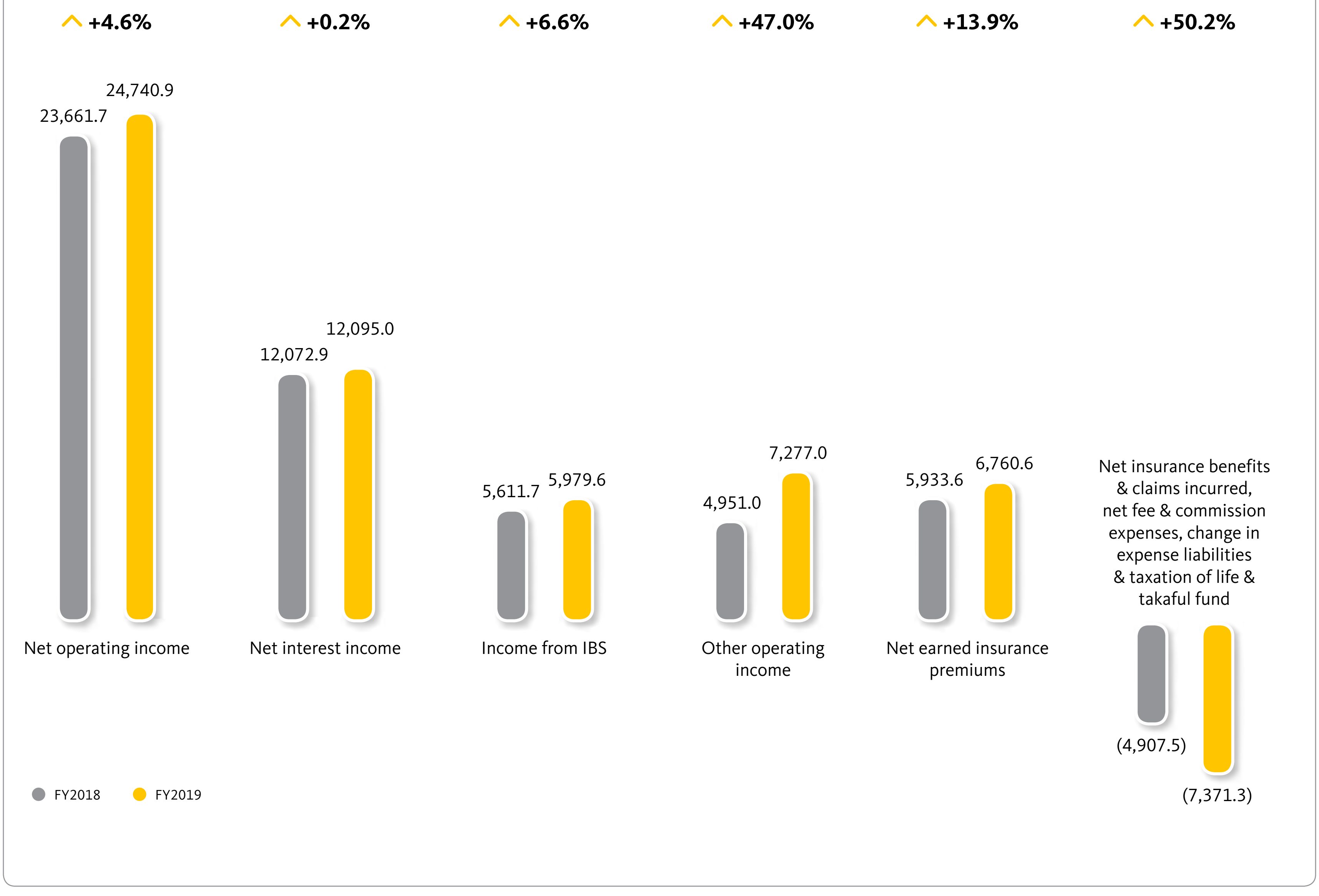
The Group showed a steady performance by recording an increase in profit attributable to equity holders of the Bank to a new record of RM8,198.1 million in FY19 from RM8,113.3 million in FY18. The performance was driven by an increased in net operating income of RM1,079.2 million, offset with an increase in net allowances for impairment losses on financial assets of RM710.5 million and increased overhead expenses of RM316.2 million.

Net allowances for impairment losses on loans, advances and financing rose 43.8% or RM696.2 million in FY19, from provisioning made for some newly impaired loans and existing impaired loans. The weakening external environment resulted in some international corporate borrowers displaying asset quality weakness.

NET OPERATING INCOME

The Group's net operating income was 4.6% higher despite weaker external environment experienced in FY2019. The increase was mainly contributed by higher other operating income of RM2,326.0 million, net earned insurance premium of RM827.0 million, income from Islamic Banking Scheme ("IBS") of RM367.9 million and net interest income of RM22.1 million. However, these were offset with an increase in net insurance benefits & claims incurred, net fee & commission expenses, change in expense liabilities & taxation of life & takaful fund of RM2,463.8 million.

Net Operating Income (RM' million)



Analysis of Financial Statements

NET INTEREST INCOME

The Group's net interest income improved by RM22.1 million mainly due to increase in interest income from loans, advances and financing of RM573.8 million and interest income from financial investments portfolio of RM471.9 million which are in line with the growth of gross loans, advances and financing and financial investments portfolio. However, these were partially offset by an increase in interest expense on deposits from customers of RM828.3 million and interest expense on borrowings, subordinated notes and bonds and capital securities of RM98.6 million.

RM' million	FY2018	FY2019	Variance	% Change
Interest Income				
Loans, advances and financing	16,902.8	**17,476.6**	**573.8**	**3.4%**
Money at call and deposit and placements with financial institutions	804.4	**779.9**	**(24.5)**	**(3.0%)**
Financial investments portfolio	5,053.1	**5,525.0**	**471.9**	**9.3%**
Other interest income	433.4	**326.7**	**(106.7)**	**(24.6%)**
	23,193.7	**24,108.2**	**914.5**	**3.9%**
Interest Expense				
Deposits and placements from financial institutions	1,180.6	**1,121.9**	**(58.7)**	**(5.0%)**
Deposits from customers	7,255.4	**8,083.7**	**828.3**	**11.4%**
Borrowings, subordinated notes and bonds and capital securities	1,975.1	**2,073.7**	**98.6**	**5.0%**
Financial liabilities at fair value through profit or loss	340.5	**317.4**	**(23.1)**	**(6.8%)**
Structured deposit	127.8	**147.0**	**19.2**	**15.0%**
Other interest expense	241.4	**269.5**	**28.1**	**11.7%**
	11,120.8	**12,013.2**	**892.4**	**8.0%**
Net Interest income	12,072.9	**12,095.0**	**22.1**	**0.2%**

INCOME FOR ISLAMIC BANKING SCHEME OPERATIONS ("IBS")

Income for Islamic Banking Scheme Operations ("IBS") increased by RM367.9 million as a result of positive growth in fund based income of RM356.8 million and fee based income of RM11.0 million. Year-on-year growth in fund based income was suppported by an increase in income from financing and advances of RM348.3 million and financial investments portfolio of RM267.7 million. These were offset by an increase in profit distributed to depositors and investment account holders of RM265.3 million.

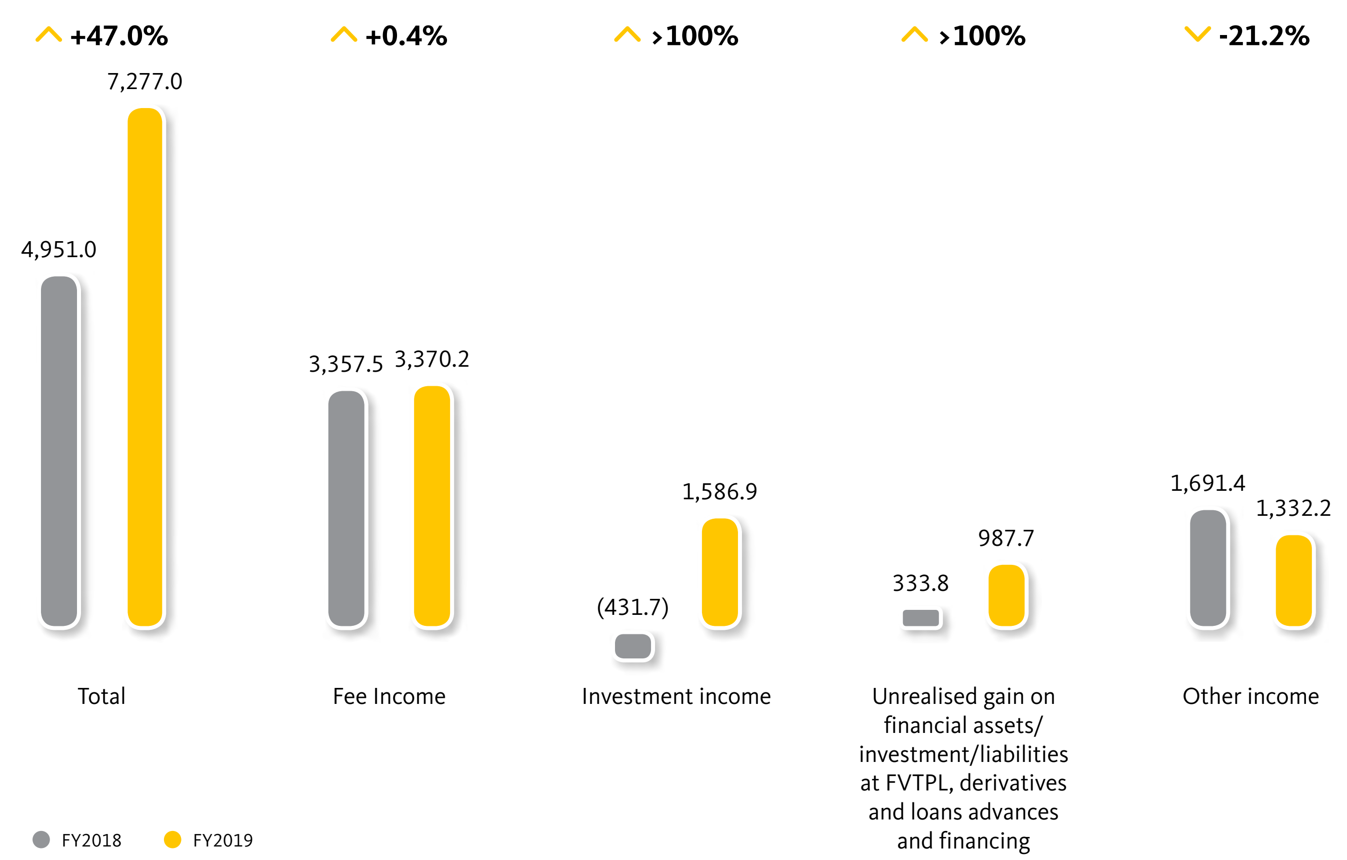
The increase in fee based income was mainly due to higher gain on disposal of financial investments portfolio of RM77.7 million, higher commission income of RM16.1 million and service charges and fees of RM6.6 million. These increases were offset by a lower gain on foreign exchange of RM66.3 million and unrealised gain mark-to-market on revaluation of financial assets/liabilities at FVTPL and derivatives of RM18.3 million.

OTHER OPERATING INCOME

The Group's other operating income grew by RM2,326.0 million, contributed significantly by the net gain in investment income of RM1,586.9 million as compared to net loss of RM431.7 million in FY2018, higher in unrealised mark-to-market gain on revaluation of financial assets/liabilities at FVTPL, derivatives and loans advances and financing of RM653.9 million other income of RM359.2 million and fee income of RM12.7 million.

Investment income rose by RM2,018.7 million year-on-year attributed to realised investment and trading income from financial investments at fair value through other comprehensive income portfolio and financial assets at fair value through profit or loss portfolio.

Other Operating Income (RM' million)



Analysis of Financial Statements

OVERHEAD EXPENSES

The Group remained diligent in keeping cost growth contained. As a result, overhead expenses were managed at a low single-digit growth of 2.8% year-on-year, yielding a positive JAWs position and a cost to income ratio of 46.7% for FY19, within the Group's guidance of 47%.

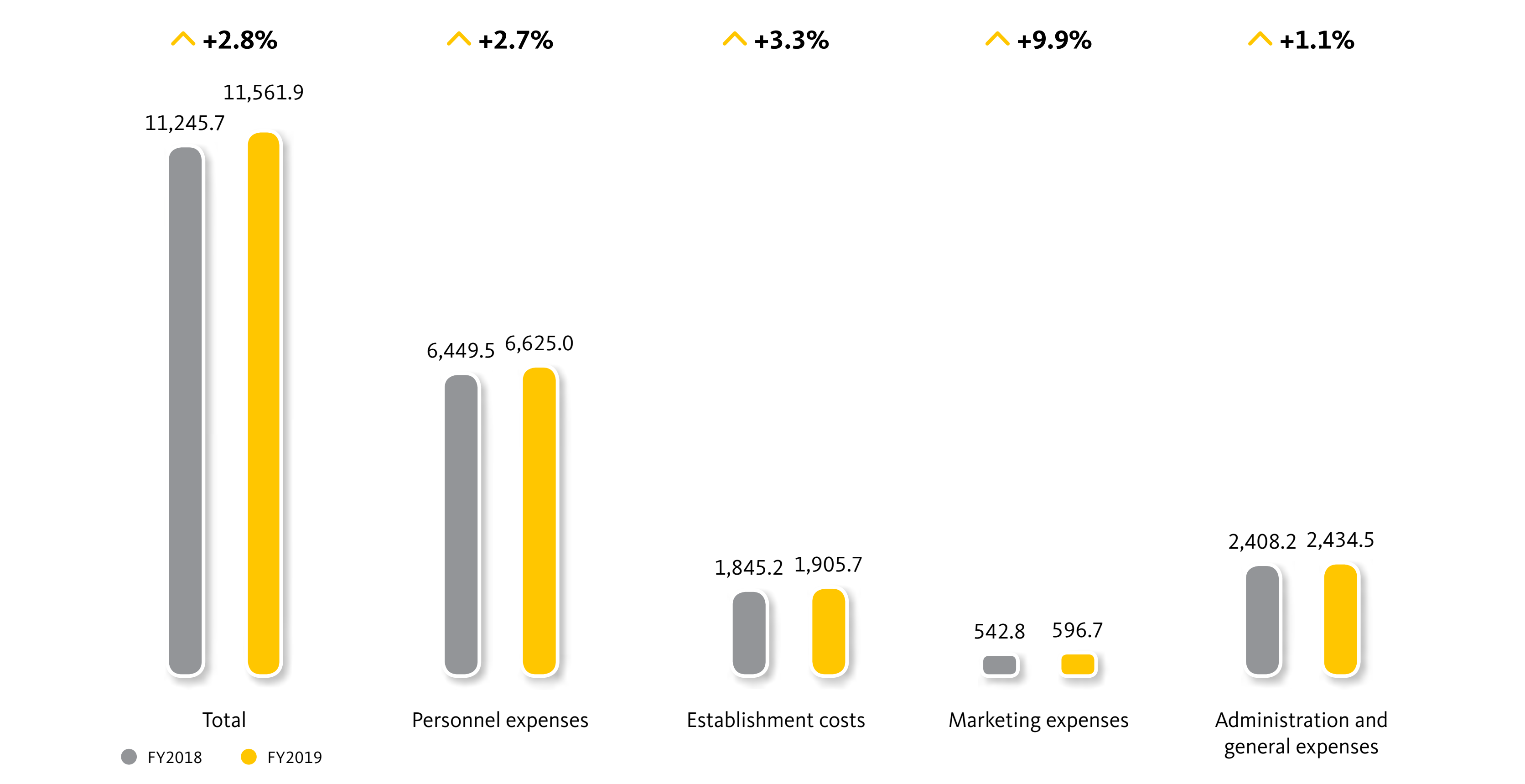
Personnel expenses which represents 56% growth in overhead expenses rose by RM175.5 million to RM6,625 million in FY2019. This was attributable to an increase in salaries, allowances and bonuses of RM69.3 million, employee shares scheme expenses of RM39.3 million, medical expenses of RM16.5 million and training expenses of RM14.6 million.

Establishment cost increased by RM60.5 million from RM1,845.2 million in FY18 mainly contributed by depreciation of right-of-use assets ("ROU") RM389.3 million and interest expense on ROU finance lease obligations of RM66.4 million arising from adoption of MFRS 16 and higher amortisation of computer software of RM26.5 million. These increases were mitigated by lower rental for leasehold land and premises of RM274.1 million, depreciation charges of RM103.8 million and information technology expenses of RM42.7 million.

Marketing expenses increased by RM53.9 million from RM542.8 million as recorded in FY18 to RM596.7 million in FY19.

Administration and general expenses grew by RM26.3 million to RM2,408.2 million in FY19 mainly due to higher fees and brokerage expenses of RM31.3 million, administration expenses of RM27.0 million, offset by lower general of RM35.4 million.

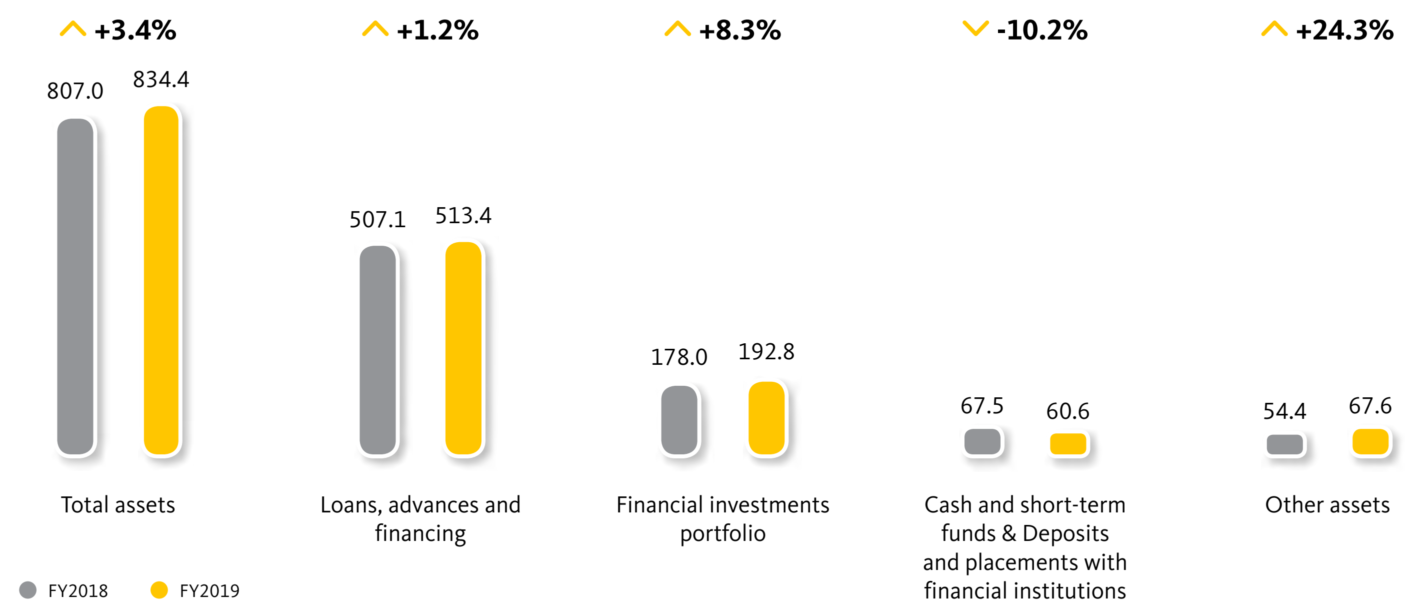
Overhead Expenses (RM' million)



TOTAL ASSETS

The Group's total assets as at 31 December 2019 rose by RM27.4 billion or 3.4% to RM834.4 billion. The increase was attributable to growth in financial investments portfolio of RM14.8 billion or 8.3%, higher other assets of 24.3% or RM13.2 billion and an increase of RM6.3 billion in loans, advances and financing. These were offset by a 10.2% reduction in short-term funds and deposits with financial institutions of RM 6.9 billion.

Total assets (RM' billion)



LOANS, ADVANCES AND FINANCING

The Group's loans, advances and financing grew 1.2% year-on-year, supported by growth in Malaysia at 4.9%, but moderated by a lower base in Singapore and Indonesia, attributable to the slower economic climate. For more information, refer to page 31 of Corporate Book.

FINANCIAL INVESTMENTS PORTFOLIO

The Group's financial investments portfolio expanded by RM14.8 billion to RM192.8 billion as at 31 December 2019, attributable to healthy growth recorded in financial investments at amortised cost of RM7.7 billion, financial investments at fair value through profit or loss of RM5.2 billion and financial investments at fair value through other comprehensive income of RM2.4 billion. These were offset by a reduction of RM0.4 billion in financial assets designated upon initial recognition at fair value through profit or loss.

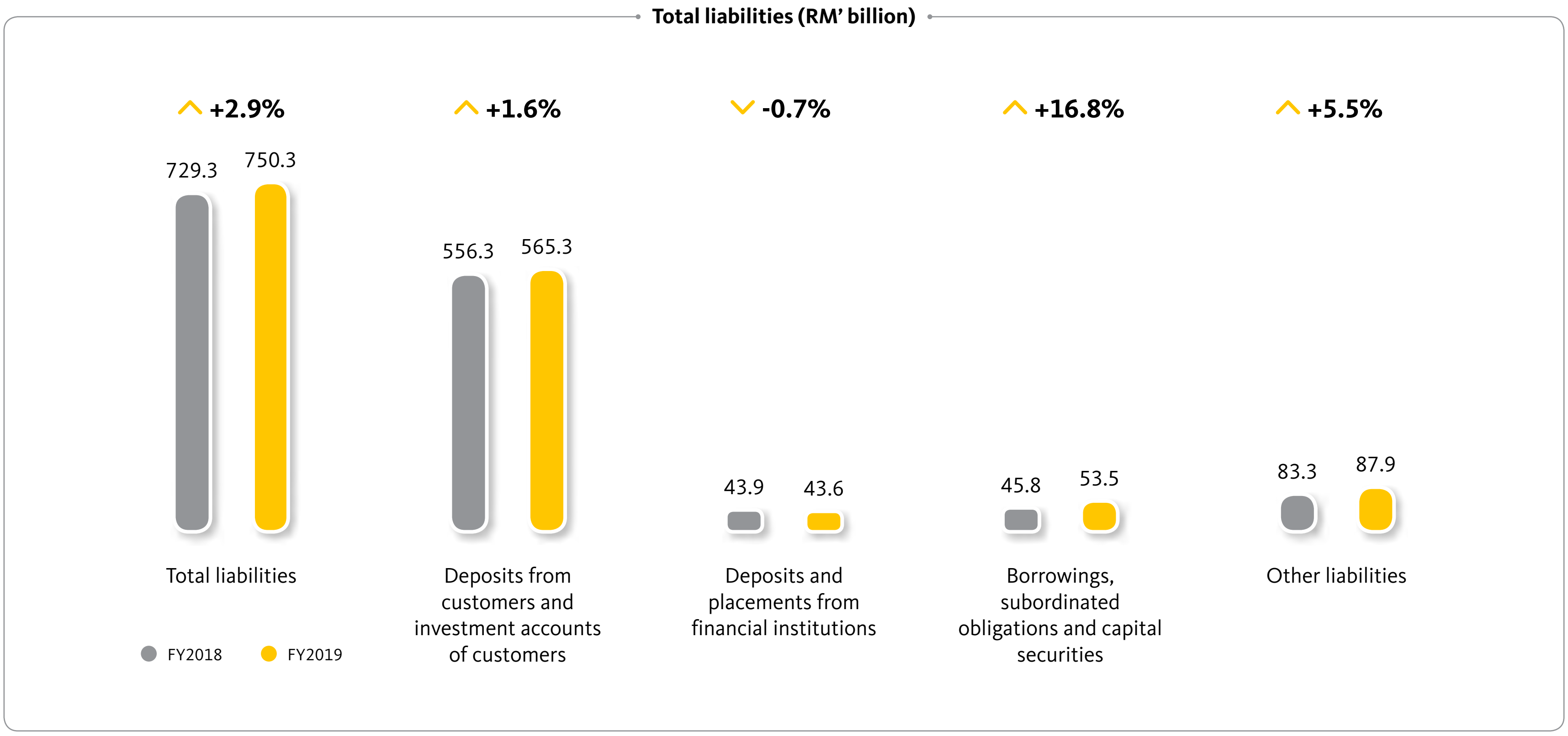
OTHER ASSETS

The Group's total other assets rose 24.3% or RM13.2 billion as at 31 December 2019, came from an increase in financial assets purchased under resale agreements, derivative assets, partially offset against a decrease in statutory deposits with central banks.

Analysis of Financial Statements

TOTAL LIABILITIES

The Group's total liabilities rose RM21.0 billion or 2.9% to RM750.3 billion as at 31 December 2019. The growth was mainly attributable to higher deposits from customers and investment accounts of customers of RM9.0 billion and borrowings, subordinated obligations and capital securities of RM7.7 billion.



DEPOSITS FROM CUSTOMERS AND INVESTMENT ACCOUNTS OF CUSTOMERS

The Group's deposits from customers and investment accounts of customers expanded by 1.6% year-on-year on current account and savings account ("CASA") deposit growth in Malaysia and fixed deposit ("FD") expansion in Singapore and Malaysia. Group CASA ratio remained stable at 35.5%. For more information, refer to page 31 of Corporate Book.

BORROWINGS, SUBORDINATED OBLIGATIONS AND CAPITAL SECURITIES

The Group's borrowings, subordinated obligations and capital securities increased by RM7.7 billion to RM53.5 billion as at 31 December 2019, arising from net issuances during the financial year for borrowings of RM9.7 billion. This was offset with net redemption for subordinated obligations of RM1.3 billion and capital securities of RM0.7 billion.

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 2019.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of Commercial Banking and the provision of 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 66(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	**11,013,880**	8,415,383
Taxation and zakat	**(2,538,231)**	(1,136,083)
Profit for the financial year	**8,475,649**	7,279,300
Attributable to:		
Equity holders of the Bank	**8,198,074**	7,279,300
Non-controlling interests	**277,575**	–
	8,475,649	7,279,300

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, 10, 11, 12, 14, 15, 17, 27, 46, 47 and 48 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 2018 (as disclosed in Note 53(c) to the financial statements) were as follows:

	RM'000
In respect of the financial year ended 31 December 2018 as reported in the directors' report of that year:	
Final dividend of 32 sen single-tier dividend consists of cash portion of 15 sen single-tier dividend per ordinary share and an electable portion of 17 sen per ordinary share, on 11,049,682,979 ordinary shares, approved on 11 April 2019 and paid on 7 June 2019.	**3,535,899**
In respect of the financial year ended 31 December 2019:	
A single-tier interim cash dividend of 25 sen per ordinary share, on 11,241,361,887 ordinary shares, declared on 29 August 2019 and paid on 2 October 2019.	**2,810,341**
	6,346,240

Subsequent to the financial year end, on 26 March 2020, the Board of Directors declared a single-tier second interim cash dividend in respect of the current financial year ended 31 December 2019 of 39 sen single-tier dividend per ordinary share amounting to a net dividend payable of RM4,384,131,136 (based on 11,241,361,887 ordinary shares issued as at 31 December 2019).

The financial statements for the current financial year ended 31 December 2019 do not reflect this proposed single-tier second interim cash dividend. Such dividend 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 2020.

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

The ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and 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 scheme was awarded to the participating Maybank Group employees who fulfill the eligibility criteria.

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.

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

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 34(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
30.09.2019 – Second Grant	13,118	

(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
30.09.2019 – Second Grant	4,226	

* The number of shares awarded are based on the assumption that the Group and the 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.

The following table illustrates the number of, and movements in, ESGP Shares during the financial year ended 31 December 2019:

	Outstanding as at	Movements during the financial year		Outstanding as at
Award date	1.1.2019 '000	Awarded '000	Forfeited '000	31.12.2019 '000
14.12.2018 – First Grant	12,392	–	(681)	11,711
30.09.2019 – Second Grant	–	13,118	(174)	12,944
	12,392	13,118	(855)	24,655

The following table illustrates the number of, and movements in, CESGP during the financial year ended 31 December 2019:

	Outstanding as at	Movements during the financial year		Outstanding as at
Award date	1.1.2019 '000	Awarded '000	Forfeited '000	31.12.2019 '000
14.12.2018 – First Grant	3,324	–	(217)	3,107
30.09.2019 – Second Grant	–	4,226	(8)	4,218
	3,324	4,226	(225)	7,325

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been awarded with the ESGP Shares and CESGP for less than 208,000 shares during the financial year ended 31 December 2019.

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

The names of employees who have been awarded with the ESGP Shares and CESGP of 208,000 shares and above during the financial year ended 31 December 2019 are as follows:

Name	Number of ESGP Shares awarded '000	Number of CESGP awarded '000
Datuk Abdul Farid bin Alias	600	–
Dato' Amirul Feisal bin Wan Zahir	208	–
Dato' John Chong Eng Chuan	208	–
Dato' Muzaffar bin Hisham	208	–
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	208	–
Datuk Hamirullah bin Boorhan	208	–
Datuk Normala binti A. Manaf	208	–
Dr John Lee Hin Hock	–	208
Hon Kah Cho	208	–
Kamaludin bin Ahmad	208	–
Mohd Suhail Amar Suresh bin Abdullah	208	–
Gilbert August Alfred Kohnke	208	–
Foong Seong Yew	208	–

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 2019:

(i) During the financial year ended 31 December 2019, the Bank increased its issued and paid-up ordinary shares from 11,049,682,979 units to 11,241,361,887 units via issuance of 191,678,908 new ordinary shares amounting to RM1,532,913,512 arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of the final dividend of 17 sen per ordinary share in respect of the financial year ended 31 December 2018, as disclosed in Note 53(c)(i) 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 2019, the Group and the Bank made various issuances and redemptions of debt securities, as disclosed in Notes 25, 31, 32 and 33 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
Dr Hasnita binti Dato' Hashim
Mr Anthony Brent Elam
Ms Che Zakiah binti Che Din
Ms Fauziah binti Hisham
Mr Shariffuddin bin Khalid
Dato' Idris bin Kechot (Appointed on 15 May 2019)
Dato' Zulkiflee Abbas bin Abdul Hamid (Appointed on 15 August 2019)
Mr Nor Hizam bin Hashim (Retired on 12 June 2019)

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 68 to the financial statements.

Directors' Report

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 subsidiaries 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.

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 45 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 and ESGP of the Bank during the financial year were as follows:

	Number of ordinary shares		
Direct interest	**As at 1.1.2019**	**Issued pursuant to DRP**	**As at 31.12.2019**
Datuk Abdul Farid bin Alias	633,406	13,459	646,865
Ms Fauziah binti Hisham	14,483	307	14,790

		Number of ESGP Shares awarded		
	Award date	**Outstanding as at 1.1.2019**	**Awarded**	**Outstanding as at 31.12.2019**
Datuk Abdul Farid bin Alias	14.12.2018 – First Grant	300,000	–	300,000
	30.09.2019 – Second Grant	–	300,000	300,000
		300,000	300,000	600,000

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	8 August 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
		Counterparty Risk Ratings	A2/P-1
Standard & Poor's ("S&P")	23 December 2019	Issuer Credit Rating	A-/Stable/A-2
		Junior Subordinated	BB+
		Senior Unsecured	A-
		Senior Unsecured	A-2
		Subordinated	BBB
Fitch Ratings	29 August 2019	Long-Term Foreign-Currency Issuer Default Rating	A-/Stable
		Short-Term Foreign-Currency Issuer Default Rating	F2
		Long-Term Local-Currency Issuer Default Rating	A-/Stable
		Viability Rating	a-
		Support Rating	2
		Support Rating Floor	BBB
		Senior Notes and Multicurrency MTN Programme	A-

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
RAM Ratings Services Berhad ("RAM")	27 August 2019	Financial Institution Ratings – National Scale	AAA/Stable/P1
		Financial Institution Ratings – ASEAN Scale	seaAAA/Stable/seaP1
		RM20.0 billion Subordinated Note Programme	AA1/Stable
		RM10.0 billion Additional Tier-1 Capital Securities Programme	AA3/Stable
		RM10.0 billion Senior and Subordinated Sukuk Murabahah Programme	
		– Senior	AAA/Stable
		– Subordinated	AA1/Stable
		RM10.0 billion Additional Tier 1 Sukuk Mudharabah	AA3/Stable
		RM10.0 billion Commercial Papers/Medium Term Notes Programme	AAA/Stable/P1
		RM10.0 billion Senior Medium Term Notes Programme	AAA/Stable
Japan Credit Rating Agency	5 December 2019	Foreign Currency Long-term Issuer Rating	A
		Outlook	Stable
		Bond	A
China Chengxin International ("CCXI")	26 July 2019	Issuer's Credit Rating	AAA
		Outlook	Stable
		Renminbi Bond Credit Rating	AAA

BUSINESS OUTLOOK

The World Health Organisation declared the novel coronavirus ("COVID-19") a global pandemic on 11 March 2020, given the alarming level of spread and severity of the virus across the world. Since then, there have been over 420,000 confirmed COVID-19 cases reported across 190 countries and territories. Resulting from the rapidity in the spread of the virus and the rising rate of mortality associated with COVID-19, many governments around the world have imposed state or national lockdowns to restrict the movement of its people and enacted overseas travel bans or closed their borders in an attempt to slow down the spread of the virus.

The initial expectation on directly impacted sectors from COVID-19 was tourism, hospitality, travel and retail. However, as the spread of the virus has extended globally and pervasively, the impact to a broader range of sectors will be felt arising from global and domestic supply and demand shocks given social distancing, quarantines and lockdowns, which has been intensified by volatility in financial and currency markets. As a result, the risk of recession has risen as economies have been hit by falling global demand, supply chain disruptions and weaker domestic demand.

Exacerbating the situation for countries that are dependent on oil-related revenues is the sharp decline in crude oil price following the breakdown of the production quota agreement to support and stabilise crude oil price between the Organisation of Petroleum Exporting Countries and its allies.

Now, economies globally are expected to chart much lower growth rates than 2019, with some economies potentially seeing contraction in 2020. However, the challenge currently is to quantify the true impact of the COVID-19 pandemic on economic growth. As a reference, global economic growth for 2019 is estimated at +3.0%, ASEAN-6 growth was +4.3% while growth in Maybank Malaysia's home markets Malaysia, Singapore and Indonesia recorded +4.3%, +0.7% and +5.0% respectively.

To mitigate the impact of the COVID-19 pandemic, central banks globally, including the ASEAN central banks, have eased monetary policies aggressively in the first quarter of 2020 and are expected to continue doing so in an attempt to promote economic stimulus and to lower the cost of debt. Concurrently, ASEAN governments have also introduced fiscal measures to provide assistance and relief to individuals and businesses affected by COVID-19.

In Malaysia, the government announced a RM20 billion fiscal stimulus package aimed at easing cashflows of affected businesses (through deferment of monthly income tax instalment payments, sales tax and discounts on monthly electricity bills as well as financing facilities among other measures), to boost local consumption (reduction in employees' minimum contribution of 11% to 7% to the Employees Provident Fund effective April to December 2020) and promote investments by accelerating development projects and capital expenditure spend through public and private initiatives. This was followed by additional measures announced by the Malaysian government on 16 March and 23 March 2020, with expectations that a more comprehensive Economic Stimulus Package and People's Aid will be revealed soon.

In Singapore, the government announced a SGD6.4 billion package, of which SGD800 million is set aside to fight the COVID-19 virus outbreak and SGD5.6 billion targeted at stabilising and supporting workers and enterprises and providing support to consumers (such as cash payouts and grocery vouchers targeted at lower income groups).

In Indonesia, two stimulus packages with a combined value of IDR33.2 trillion was announced. The packages aim to increase social security funds for poor households for six months, provide state property financing programme for low-income groups, and reduce corporate tax by 30% for six months for 19 sectors, among other measures.

In line with the measures put in place by the Malaysian government to assist businesses and individuals affected by the COVID-19 pandemic, Bank Negara Malaysia (BNM) announced on 25 March 2020 that banks will offer an automatic deferment of all loan/financing repayments for six months to individuals and small and medium enterprises (SMEs). The offer is applicable to performing loans, denominated in Malaysian Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020. For credit card facilities, banks will offer to convert the outstanding balances into a 3-year term loan with reduced interest rates to help borrowers better manage their debt. Banks will also facilitate requests by corporations to defer or restructure their loans/financing repayments in an effort to support viable corporations to preserve jobs and resume economic activities when conditions improve.

Directors' Report

BUSINESS OUTLOOK (CONT'D.)

BNM also provided reassurance that financial intermediation activities will be supported by sufficient liquidity in the banking system. Some of the liquidity and capital easing measures introduced by BNM include allowing banks to drawdown on their capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to utilise the regulatory reserves that were set aside during periods of strong loan growth. Meanwhile, the implementation of the net stable funding ratio will proceed on 1 July 2020, although lowered to 80%.

In addition to the financial relief provided by the banks, Maybank's insurance arm Etiqa will provide hospitalisation coverage to its life insurance and family takaful policyholders who fall ill from COVID-19.

Amid a weaker external environment, Maybank Group will prioritise its capital and liquidity strength, maintain selective balance sheet expansion in tandem with the Group's risk appetite and remain focused on our ongoing cost discipline and proactive engagements with customers on asset quality management given the softer economic landscape. The Group will leverage on its diversified franchise to drive revenue growth, enhance customers' experience through digital innovations and continue up-skilling our workforce to improve productivity.

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 63 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 2020 to 26 March 2020.

AUDITORS

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

Auditors' remuneration are disclosed in Note 44 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 26 March 2020.

Datuk Mohaiyani binti Shamsudin

Datuk Abdul Farid bin Alias

Kuala Lumpur, Malaysia

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 26 to 272 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 2019 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 March 2020.

Datuk Mohaiyani binti Shamsudin

Datuk Abdul Farid bin Alias

Kuala Lumpur, Malaysia

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 26 to 272 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 Petaling Jaya in the State of
Selangor Darul Ehsan on 20 April 2020

Before me,

PESURUHJAYA SUMPAH
B 532
AMMAR BIN
MOHAMAD DAHLAN
1 OKTOBER 2018
HINGGA
31 DISEMBER 2020
MALAYSIA

No. 43, Kompleks Emporium
Makan Sek 52, Jalan Sultan
46200 Petaling Jaya, Selangor

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 2019 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 26 to 268.

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 2019, 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***
Impairment of (i) goodwill and (ii) investment in subsidiaries and interest in associates (i) Goodwill The Group's goodwill balance as at 31 December 2019 stood at RM5.7 billion. 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. (ii) Investment in subsidiaries and interest in associates As at 31 December 2019, the carrying amount of investment in subsidiaries (Bank only) stood at RM31.6 billion and interest in associates (Group and Bank) stood at RM2.5 billion and RM0.4 billion respectively. 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. These involve management judgement and are based on complex assumptions that are affected by expected future market and economic conditions. *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 18, 19 and 22 to the financial statements.*	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment. 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. 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. 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. 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.

Key audit matters (cont'd.)

Risk area and rationale	***Our response***
Expected credit losses of loans, advances, and financing and investments not carried at fair value through profit or loss As at 31 December 2019, the loans, advances and financing represent 62% and 49% 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 19% and 24% of the total assets of the Group and of the Bank respectively. MFRS 9 *Financial Instruments* ("MFRS 9") requires the Group and the Bank to account for loans, advances and financing, and investments' impairment loss with a forward-looking Expected Credit Loss ("ECL") approach. 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. *Refer to summary of significant accounting policies in Note 2.3(v)(d), 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 10, 11, 12, 46 and 47 to the financial statements.*	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. 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. 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. 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. 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. 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. We also assessed whether the financial statement disclosures are adequate and appropriately reflect the Group's and the Bank's exposures to credit risk. We involved our credit modelling specialists and IT specialists in the performance of these procedures where their specific expertise was required.

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.

Independent Auditors' Report
to the members of Malayan Banking Berhad
(Incorporated in Malaysia)

Responsibilities of the directors for the financial statements (cont'd.)

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.

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 66 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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
26 March 2020

Dato' Megat Iskandar Shah bin Mohamad Nor
No. 03083/07/2021 J
Chartered Accountant

INDEX TO THE FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Assets					
Cash and short-term funds	5	**46,469,074**	55,025,127	**19,040,534**	26,945,152
Deposits and placements with financial institutions	6	**14,093,218**	12,502,877	**28,287,338**	23,410,133
Financial assets purchased under resale agreements	7(i)	**13,639,082**	4,030,245	**11,297,036**	3,763,284
Financial assets designated upon initial recognition at fair value through profit or loss	8	**14,323,303**	14,763,788	**–**	–
Financial investments at fair value through profit or loss	9	**20,370,865**	15,205,150	**12,912,823**	8,914,167
Financial investments at fair value through other comprehensive income	10	**123,351,533**	120,913,888	**80,798,700**	89,582,837
Financial investments at amortised cost	11	**34,784,476**	27,069,261	**32,574,918**	22,857,070
Loans, advances and financing to financial institutions	12(i)	**1,128,618**	1,576,199	**19,400,239**	17,052,024
Loans, advances and financing to customers	12(ii)	**512,291,092**	505,507,620	**207,188,981**	213,314,768
Derivative assets	13	**10,335,629**	6,963,521	**10,002,003**	6,799,063
Reinsurance/retakaful assets and other insurance receivables	14	**4,232,089**	3,800,047	**–**	–
Other assets	15	**9,479,084**	9,873,340	**4,943,190**	5,267,285
Investment properties	16	**921,471**	895,769	**–**	–
Statutory deposits with central banks	17	**15,052,752**	16,264,849	**4,100,932**	5,041,560
Investment in subsidiaries	18	**–**	–	**31,559,247**	31,446,456
Interest in associates and joint ventures	19	**2,490,548**	2,300,299	**440,730**	472,016
Property, plant and equipment	20	**2,335,798**	2,495,825	**1,014,286**	1,041,432
Right-of-use assets	21	**1,548,208**	–	**438,254**	–
Intangible assets	22	**6,836,463**	6,718,327	**361,135**	360,865
Deferred tax assets	30	**729,712**	1,085,549	**–**	345,186
Total assets		**834,413,015**	806,991,681	**464,360,346**	456,613,298
Liabilities					
Customers' funding:					
– Deposits from customers	23	**544,530,912**	532,732,623	**242,757,617**	255,160,315
– Investment accounts of customers*	65(t)	**20,737,670**	23,565,061	**–**	–
Deposits and placements from financial institutions	24	**43,557,209**	43,850,577	**51,354,535**	52,940,747
Obligations on financial assets sold under repurchase agreements	7(ii)	**13,978,744**	13,797,993	**28,293,032**	21,266,302
Derivative liabilities	13	**11,182,307**	7,975,784	**10,588,278**	7,439,049
Financial liabilities at fair value through profit or loss	25	**6,530,753**	8,892,691	**6,530,753**	8,507,004
Bills and acceptances payable		**1,291,814**	1,508,658	**479,662**	612,967
Insurance/takaful contract liabilities and other insurance payables	26	**30,885,630**	26,853,102	**–**	–
Other liabilities	27	**21,569,527**	21,788,671	**7,952,408**	7,341,061
Recourse obligation on loans and financing sold to Cagamas	28	**1,526,225**	1,547,272	**1,526,225**	1,547,272
Provision for taxation and zakat	29	**187,061**	395,792	**–**	79,815
Deferred tax liabilities	30	**878,276**	497,966	**185,495**	–
Borrowings	31	**41,339,415**	31,600,197	**32,645,025**	23,441,160
Subordinated obligations	32	**9,321,125**	10,717,005	**9,156,816**	9,157,310
Capital securities	33	**2,827,123**	3,531,029	**2,827,123**	3,531,029
Total liabilities		**750,343,791**	729,254,421	**394,296,969**	391,024,031
Equity attributable to equity holders of the Bank					
Share capital	34	**48,280,355**	46,747,442	**48,280,355**	46,747,442
Retained profits	35	**27,162,899**	25,985,583	**15,223,022**	14,401,762
Reserves	36	**6,127,684**	2,597,102	**6,560,000**	4,440,063
		81,570,938	75,330,127	**70,063,377**	65,589,267
Non-controlling interests		**2,498,286**	2,407,133	**–**	–
		84,069,224	77,737,260	**70,063,377**	65,589,267
Total liabilities and shareholders' equity		**834,413,015**	806,991,681	**464,360,346**	456,613,298
Commitments and contingencies	54	**1,208,622,674**	872,955,128	**1,125,439,598**	780,160,779
Net assets per share attributable to equity holders of the Bank		**RM7.26**	RM6.82	**RM6.23**	RM5.94

* Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(vii).

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

INCOME STATEMENTS
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Operating revenue	37	**52,844,964**	47,319,853	**26,906,145**	26,680,896
Interest income	38	**24,108,254**	23,193,671	**16,099,189**	17,467,504
Interest expense	39	**(12,013,249)**	(11,120,765)	**(8,320,064)**	(8,663,559)
Net interest income		**12,095,005**	12,072,906	**7,779,125**	8,803,945
Income from Islamic Banking Scheme operations	65(b)	**5,979,577**	5,611,704	**–**	–
		18,074,582	17,684,610	**7,779,125**	8,803,945
Net earned insurance premiums	40	**6,760,618**	5,933,563	**–**	–
Dividends from subsidiaries and associates	41	**–**	–	**3,648,227**	2,393,819
Other operating income	42	**7,276,998**	4,951,022	**3,875,737**	4,098,618
Total operating income		**32,112,198**	28,569,195	**15,303,089**	15,296,382
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	43	**(7,371,318)**	(4,907,529)	**–**	–
Net operating income		**24,740,880**	23,661,666	**15,303,089**	15,296,382
Overhead expenses	44	**(11,561,939)**	(11,245,692)	**(5,020,585)**	(5,805,711)
Operating profit before impairment losses		**13,178,941**	12,415,974	**10,282,504**	9,490,671
Allowances for impairment losses on loans, advances, financing and other debts, net	46	**(2,287,490)**	(1,591,256)	**(1,875,343)**	(729,811)
Writeback of/(allowances for) impairment losses on financial investments, net	47	**20,400**	(47,685)	**11,997**	(18,474)
(Allowances for)/writeback of impairment losses on other financial assets, net	48	**(56,344)**	26,028	**(3,775)**	6,040
Operating profit		**10,855,507**	10,803,061	**8,415,383**	8,748,426
Share of profits in associates and joint ventures	19	**158,373**	98,285	**–**	–
Profit before taxation and zakat		**11,013,880**	10,901,346	**8,415,383**	8,748,426
Taxation and zakat	49	**(2,538,231)**	(2,545,410)	**(1,136,083)**	(1,440,615)
Profit for the financial year		**8,475,649**	8,355,936	**7,279,300**	7,307,811
Attributable to:					
Equity holders of the Bank		**8,198,074**	8,113,260	**7,279,300**	7,307,811
Non-controlling interests		**277,575**	242,676	**–**	–
		8,475,649	8,355,936	**7,279,300**	7,307,811
Earnings per share attributable to equity holders of the Bank					
Basic (sen)	52(a)	**73.5**	74.2		
Diluted (sen)	52(b)	**73.5**	74.2		
Net dividends per ordinary share held by equity holders of the Bank in respect of the financial year (sen)					
Paid – First interim	53			**25.00**	25.00
Paid – Final for the financial year ended 31 December 2017	53			**–**	32.00
Paid – Final for the financial year ended 31 December 2018	53			**32.00**	–
Proposed – Second interim	53(a)			**39.00**	–
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 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Profit for the financial year		**8,475,649**	8,355,936	**7,279,300**	7,307,811
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial gain	27(i)(b)	**4,905**	61,859	**–**	–
Income tax effect	30	**337**	(1,426)	**–**	–
Net gain/(loss) from change in fair value on equity instruments at fair value through other comprehensive income		**20,918**	43,449	**(8,304)**	34,198
		26,160	103,882	**(8,304)**	34,198
Items that may be reclassified subsequently to profit or loss:					
Net gain/(loss) on debt instruments at fair value through other comprehensive income		**2,546,409**	(21,050)	**1,999,837**	(58,961)
– Net gain/(loss) from change in fair value		**2,829,231**	(23,702)	**2,099,552**	(17,943)
– Changes in expected credit losses		**390,646**	10,864	**410,334**	(35,150)
– Income tax effect	30	**(673,468)**	(8,212)	**(510,049)**	(5,868)
Net gain/(loss) on foreign exchange translation		**537,081**	(267,630)	**(20,246)**	100,387
Net (loss)/gain on cash flow hedge	13	**(433)**	879	**–**	–
Net gain on net investment hedge	13	**1,556**	7,017	**–**	–
Net loss on fair value hedge	13	**(345)**	–	**(345)**	–
Net gain on capital reserve		**908**	–	**–**	–
Share of change in associates' reserve		**(239,822)**	(512,919)	**–**	–
		2,845,354	(793,703)	**1,979,246**	41,426
Other comprehensive income/(loss) for the financial year, net of tax		**2,871,514**	(689,821)	**1,970,942**	75,624
Total comprehensive income for the financial year		**11,347,163**	7,666,115	**9,250,242**	7,383,435
Other comprehensive income/(loss) for the financial year, attributable to:					
Equity holders of the Bank		**2,818,869**	(693,094)	**1,970,942**	75,624
Non-controlling interests		**52,645**	3,273	**–**	–
		2,871,514	(689,821)	**1,970,942**	75,624
Total comprehensive income for the financial year, attributable to:					
Equity holders of the Bank		**11,016,943**	7,420,166	**9,250,242**	7,383,435
Non-controlling interests		**330,220**	245,949	**–**	–
		11,347,163	7,666,115	**9,250,242**	7,383,435

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to equity holders of the Bank										
		Non-distributable									
Group	Share Capital (Note 34) RM'000	Statutory Reserve (Note 36(a)) RM'000	Regulatory Reserve (Note 36(b)) RM'000	Fair Value Through Other Comprehensive Income Reserve (Note 36) RM'000	Exchange Fluctuation Reserve (Note 36) RM'000	ESGP Reserve (Note 36) RM'000	Other Reserves (Note 36(c)) RM'000	*Retained Profits (Note 35) RM'000	Total Shareholders' Equity RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2019	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
Profit for the financial year	–	–	–	–	–	–	–	8,198,074	8,198,074	277,575	8,475,649
Other comprehensive income	–	–	–	2,526,450	286,316	–	6,103	–	2,818,869	52,645	2,871,514
Defined benefit plan actuarial gain	–	–	–	–	–	–	4,638	–	4,638	604	5,242
Share of associates' reserve	–	–	–	636	(240,458)	–	–	–	(239,822)	–	(239,822)
Net gain on foreign exchange translation	–	–	–	–	526,774	–	–	–	526,774	10,307	537,081
Net gain on financial investments at fair value through other comprehensive income	–	–	–	2,525,814	–	–	–	–	2,525,814	41,513	2,567,327
Net gain on net investment hedge	–	–	–	–	–	–	1,556	–	1,556	–	1,556
Net loss on cash flow hedge	–	–	–	–	–	–	(433)	–	(433)	–	(433)
Net loss on fair value hedge	–	–	–	–	–	–	(345)	–	(345)	–	(345)
Net gain on capital reserve	–	–	–	–	–	–	687	–	687	221	908
Total comprehensive income for the financial year	–	–	–	2,526,450	286,316	–	6,103	8,198,074	11,016,943	330,220	11,347,163
Net gain on disposal of financial investments at fair value through other comprehensive income	–	–	–	(10,344)	–	–	–	10,344	–	–	–
Share-based payment under Maybank Group Employees' Share Grant Plan ("ESGP") (Note 34(c))	–	–	–	–	–	37,195	–	–	37,195	–	37,195
Effects of changes in corporate structure within the Group	–	–	–	–	–	–	–	–	–	(128,395)	(128,395)
Transfer to statutory reserve (Note 36(a))	–	40,346	–	–	–	–	–	(40,346)	–	–	–
Transfer to regulatory reserve (Note 36(b))	–	–	644,516	–	–	–	–	(644,516)	–	–	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 34(b))	1,532,913	–	–	–	–	–	–	–	1,532,913	–	1,532,913
Dividends paid (Note 53)	–	–	–	–	–	–	–	(6,346,240)	(6,346,240)	(110,672)	(6,456,912)
Total transactions with shareholders/ other equity movements	1,532,913	40,346	644,516	(10,344)	–	37,195	–	(7,020,758)	(4,776,132)	(239,067)	(5,015,199)
At 31 December 2019	48,280,355	279,355	2,771,806	2,973,151	399,826	37,195	(333,649)	27,162,899	81,570,938	2,498,286	84,069,224

* Retained profits include distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPF") surplus of an insurance subsidiary. Refer to Note 35 for further details.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2019

Group	Share Capital (Note 34) RM'000	Shares Held-in-trust RM'000	Statutory Reserve (Note 36(a)) RM'000	Regulatory Reserve (Note 36(b)) RM'000	Fair Value Through Other Comprehensive Income Reserve (Note 36) RM'000	Exchange Fluctuation Reserve (Note 36) RM'000	ESS Reserve (Note 36) RM'000	Other Reserves (Note 36(c)) RM'000	*Retained Profits (Note 35) RM'000	Total Shareholders' Equity RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Attributable to equity holders of the Bank											
		Non-distributable										
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	–	–	–	(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	–	–	–	–	(13,553)	(745,242)	–	65,701	–	(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	–	–	–	–	22,106	–	–	–	–	22,106	293	22,399
Net gain on net investment hedge	–	–	–	–	–	–	–	7,017	–	7,017	–	7,017
Net gain on cash flow hedge	–	–	–	–	–	–	–	879	–	879	–	879
Total comprehensive (loss)/income for the financial year	–	–	–	–	(13,553)	(745,242)	–	65,701	8,113,260	7,420,166	245,949	7,666,115
Net gain on disposal of financial investments at fair value through other comprehensive income	–	–	–	–	(18,337)	–	–	–	18,337	–	–	–
Share-based payment under Employees' Share Scheme ("ESS")	–	–	–	–	–	–	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 36(a))	–	–	35,951	–	–	–	–	–	(35,951)	–	–	–
Transfer to regulatory reserve (Note 36(b))	–	–	–	140,283	–	–	–	–	(140,283)	–	–	–
Transfer from revaluation reserve	–	–	–	–	–	–	–	(284)	284	–	–	–
Utilisation of shares under Employees' Share Option Scheme ("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	1,532,436	–	–	–	–	–	(87,684)	–	–	1,444,752	–	1,444,752
Issue of shares pursuant to Restricted Share Unit ("RSU")	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")	918,685	–	–	–	–	–	–	–	–	918,685	–	918,685
Dividends paid (Note 53)	–	–	–	–	–	–	–	–	(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	(18,337)	–	(219,387)	(284)	(6,298,812)	(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 include distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPF") surplus of an insurance subsidiary. Refer to Note 35 for further details.

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

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2019

Bank	Share Capital (Note 34) RM'000	Statutory Reserve (Note 36(a)) RM'000	Regulatory Reserve (Note 36(b)) RM'000	Fair Value Through Other Comprehensive Income Reserve (Note 36) RM'000	Exchange Fluctuation Reserve (Note 36) RM'000	ESGP Reserve (Note 36) RM'000	Fair Value Hedge Reserve (Note 36(c)) RM'000	Distributable Retained Profits (Note 35) RM'000	Total Equity RM'000
	Attributable to equity holders of the Bank								
		Non-distributable							
At 1 January 2019	**46,747,442**	**53,032**	**1,778,997**	**279,332**	**2,328,702**	**–**	**–**	**14,401,762**	**65,589,267**
Profit for the financial year	–	–	–	–	–	–	–	7,279,300	7,279,300
Other comprehensive income/(loss)	–	–	–	1,991,533	(20,246)	–	(345)	–	1,970,942
Net loss on foreign exchange translation	–	–	–	–	(20,246)	–	–	–	(20,246)
Net gain on financial investments at fair value through other comprehensive income	–	–	–	1,991,533	–	–	–	–	1,991,533
Net loss on fair value hedge (Note 36(c))	–	–	–	–	–	–	(345)	–	(345)
Total comprehensive income/(loss) for the financial year	**–**	**–**	**–**	**1,991,533**	**(20,246)**	**–**	**(345)**	**7,279,300**	**9,250,242**
Net gain on disposal of financial investments at fair value through other comprehensive income	–	–	–	(10,594)	–	–	–	10,594	–
Share-based payment under Maybank Group Employees' Share Grant Plan ("ESGP") (Note 34(c))	–	–	–	–	–	37,195	–	–	37,195
Transfer to statutory reserve (Note 36(a))	–	6,470	–	–	–	–	–	(6,470)	–
Transfer to regulatory reserve (Note 36(b))	–	–	115,924	–	–	–	–	(115,924)	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 34(b))	1,532,913	–	–	–	–	–	–	–	1,532,913
Dividends paid (Note 53)	–	–	–	–	–	–	–	(6,346,240)	(6,346,240)
Total transactions with shareholders/ other equity movements	**1,532,913**	**6,470**	**115,924**	**(10,594)**	**–**	**37,195**	**–**	**(6,458,040)**	**(4,776,132)**
At 31 December 2019	**48,280,355**	**59,502**	**1,894,921**	**2,260,271**	**2,308,456**	**37,195**	**(345)**	**15,223,022**	**70,063,377**

Statement of Changes in Equity
For the financial year ended 31 December 2019

	Attributable to equity holders of the Bank								
		Non-distributable						Distributable	
Bank	**Share Capital (Note 34) RM'000**	**Shares Held-in-trust RM'000**	**Statutory Reserve (Note 36(a)) RM'000**	**Regulatory Reserve (Note 36(b)) RM'000**	**Fair Value Through Other Comprehensive Income Reserve (Note 36) RM'000**	**Exchange Fluctuation Reserve (Note 36) RM'000**	**ESS Reserve (Note 36) RM'000**	**Retained Profits (Note 35) RM'000**	**Total Equity 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	–	–	–	(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	–	–	–	–	(24,763)	100,387	–	–	75,624
Net gain on foreign exchange translation	–	–	–	–	–	100,387	–	–	100,387
Net loss on financial investments at fair value through other comprehensive income	–	–	–	–	(24,763)	–	–	–	(24,763)
Total comprehensive (loss)/income for the financial year	–	–	–	–	(24,763)	100,387	–	7,307,811	7,383,435
Net gain on disposal of financial investments at fair value through other comprehensive income	–	–	–	–	(2,594)	–	–	2,594	–
Share-based payment under Employees' Share Scheme ("ESS")	–	–	–	–	–	–	1,457	–	1,457
Transfer to statutory reserve (Note 36(a))	–	–	6,777	–	–	–	–	(6,777)	–
Transfer from regulatory reserve (Note 36(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	1,532,436	–	–	–	–	–	(87,684)	–	1,444,752
Issue of shares pursuant to Restricted Share Unit ("RSU")	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")	918,685	–	–	–	–	–	–	–	918,685
Dividends paid (Note 53)	–	–	–	–	–	–	–	(6,234,092)	(6,234,092)
Total transactions with shareholders/other equity movements	2,497,062	183,438	6,777	(159,411)	(2,594)	–	(219,387)	(5,980,609)	(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.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2019

	Group		Bank	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**11,013,880**	10,901,346	**8,415,383**	8,748,426
Adjustments for:				
Share of profits in associates and joint ventures (Note 19)	**(158,373)**	(98,285)	**–**	–
Depreciation of property, plant and equipment (Note 44)	**297,231**	400,991	**116,073**	160,150
Depreciation of right-of-use assets (Note 44)	**389,273**	–	**108,371**	–
Amortisation of computer software (Note 44)	**247,363**	220,814	**49,533**	76,737
Amortisation of customer relationship (Note 44)	**1,246**	10,072	**–**	–
Amortisation of agency force (Note 44)	**3,814**	5,185	**–**	–
Finance costs on lease liabilities (Note 44)	**66,353**	–	**16,186**	–
Gain on disposal of property, plant and equipment (Note 42)	**(6,213)**	(70,596)	**(2,203)**	(61,117)
Gain on sale and leaseback transaction (Note 42)	**(1,540)**	–	**(1,540)**	–
(Gain)/loss on disposal of foreclosed properties (Note 42)	**(18,001)**	8,702	**–**	–
Net loss on disposal/liquidation of subsidiaries (Note 42)	**158,531**	2,781	**113,470**	–
Net (gain)/loss on disposal/change in structure of deemed controlled structured entities (Note 42)	**(67,700)**	15,409	**(7,751)**	27,902
Net (gain)/loss on dilution/liquidation of interest in associates (Note 42)	**(1,163)**	(896)	**2,193**	–
Net (gain)/loss on disposal of financial assets at fair value through profit or loss (Note 42, Note 65(ab) & (ad))	**(546,907)**	403,651	**(259,162)**	(82,456)
Net (gain)/loss on disposal of financial investments at fair value through other comprehensive income (Note 42, Note 65(ab) & (ad))	**(1,212,410)**	7,461	**(1,056,482)**	(11,018)
Net gain on redemption of financial investments at amortised cost (Note 42)	**(48)**	(1,777)	**(48)**	(1,777)
Accretion of discounts, net (Note 38, Note 65(ab) & (ad))	**(174,969)**	(312,565)	**(383,582)**	(359,113)
Unrealised (gain)/loss on revaluation of financial assets at fair value through profit or loss and derivatives (Note 42, Note 65(ab) & (ad))	**(1,529,390)**	359,388	**(230,641)**	184,163
Unrealised loss/(gain) on revaluation of financial liabilities at fair value through profit or loss (Note 42, Note 65(ab) & (ad))	**528,906**	(703,731)	**529,607**	(709,918)
Unrealised loss/(gain) on revaluation of loans, advances and financing at fair value through profit or loss (Note 42)	**10,573**	(9,943)	**10,573**	(9,943)
Allowances for impairment losses on loans, advances and financing, net (Note 46)	**2,707,387**	1,979,785	**2,054,379**	951,485
Allowances for impairment losses on other debts (Note 46)	**10,223**	106	**12,636**	391
(Writeback of)/allowances for impairment losses on financial investments, net (Note 47)	**(20,400)**	47,685	**(11,997)**	18,474
Allowances for/(writeback of) impairment losses on other financial assets, net (Note 48)	**56,344**	(26,028)	**3,775**	(6,040)
Dividends from subsidiaries and associates (Note 41)	**–**	–	**(3,648,227)**	(2,393,819)
Dividends from financial investments portfolio (Note 42)	**(98,515)**	(113,514)	**(6,593)**	(5,792)
ESGP/ESS expenses (Note 44)	**43,290**	3,946	**25,762**	2,426
Property, plant and equipment written-off (Note 44)	**285**	2,345	**207**	2,269
Intangible assets written-off (Note 44)	**2,671**	1,131	**2,671**	–
Fair value adjustments on investment properties (Note 42)	**(22,781)**	(32,025)	**–**	–
Impairment of property, plant and equipment (Note 44)	**–**	(45)	**–**	–
Impairment losses of investment properties (Note 44)	**–**	108	**–**	–
Operating profit before working capital changes	**11,678,960**	13,001,501	**5,852,593**	6,531,430
Change in cash and short-term funds with original maturity of more than three months	**(2,479,267)**	(541,545)	**(34,181)**	(531,456)
Change in deposits and placements with financial institutions with original maturity of more than three months	**(351,951)**	3,460,516	**(15,691,548)**	3,627,036
Change in financial assets purchased under resale agreements	**(9,610,827)**	4,480,858	**(7,533,752)**	3,870,219
Change in financial investments portfolio	**(8,565,596)**	(23,225,633)	**(974,502)**	(6,169,931)
Change in loans, advances and financing	**(7,626,220)**	(26,701,312)	**1,685,927**	58,826,760
Change in other assets	**(183,334)**	530,151	**400,626**	(162,607)
Change in statutory deposits with central banks	**1,212,097**	(867,888)	**940,628**	2,705,139
Change in deposits from customers	**11,177,184**	31,334,580	**(12,188,146)**	(74,354,300)
Change in investment accounts of customers	**(2,827,391)**	(990,384)	**–**	–
Change in deposits and placements from financial institutions	**(293,368)**	1,252,446	**(1,586,212)**	15,295,613
Change in obligations on financial assets sold under repurchase agreements	**180,751**	8,430,906	**7,026,730**	16,076,986
Change in financial liabilities at fair value through profit or loss	**(1,620,239)**	(760,377)	**(1,235,253)**	(247,182)
Change in bills and acceptances payable	**(216,844)**	(385,388)	**(133,305)**	(772,017)
Change in other liabilities	**(1,171,807)**	2,486,486	**457,196**	(8,724,334)
Change in reinsurance/retakaful assets and other insurance receivables	**(463,419)**	126,618	**–**	–
Change in insurance/takaful contract liabilities and other insurance payables	**4,032,528**	1,736,425	**–**	–
Cash (used in)/generated from operating activities	**(7,128,743)**	13,367,960	**(23,013,199)**	15,971,356
Taxes and zakat paid	**(2,839,415)**	(2,763,057)	**(1,210,565)**	(1,408,184)
Net cash (used in)/generated from operating activities	**(9,968,158)**	10,604,903	**(24,223,764)**	14,563,172

Statements of Cash Flows
For the financial year ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Cash flows from investing activities				
Purchase of investment properties (Note 16)	**(2,797)**	(110,811)	**–**	–
Purchase of property, plant and equipment (Note 20)	**(283,652)**	(291,811)	**(90,389)**	(99,762)
Purchase of intangible assets (Note 22)	**(339,100)**	(382,044)	**(66,366)**	(120,476)
Net effect arising from:				
– transaction with non-controlling interests	**(60,695)**	24,415	**–**	–
– change in structure of deemed controlled structured entities	**–**	–	**21,820**	–
– liquidation of interest in associate	**6,899**	–	**6,899**	–
– acquisition of an associate	**(194,070)**	–	**–**	–
– increase in shares in existing subsidiary	**–**	–	**(193,863)**	–
Purchase of additional ordinary shares in existing subsidiaries	**–**	–	**(194,070)**	(9,556,615)
Purchase of shares in deemed controlled structured entities	**–**	–	**(62,010)**	(873)
Proceeds from disposal of property, plant and equipment	**19,694**	80,150	**5,922**	62,729
Proceeds from disposal of investment properties	**–**	520	**–**	–
Proceeds from disposal of deemed controlled structured entities	**–**	–	**–**	140,188
Transfer of property, plant and equipment to a subsidiary (Note 18(xviii))	**–**	–	**–**	60,063
Transfer of intangible assets to a subsidiary (Note 18(xviii))	**–**	–	**–**	249,803
Dividends received from:				
– financial investments portfolio (Note 42)	**98,515**	113,514	**6,593**	5,792
– associates (Note 41)	**–**	–	**689**	398
– subsidiaries (Note 41)	**–**	–	**3,647,538**	2,393,421
Net cash (used in)/generated from investing activities	**(755,206)**	(566,067)	**3,122,831**	(6,865,332)
Cash flows from financing activities				
Proceeds from issuance of shares	**1,532,913**	2,363,437	**1,532,913**	2,363,437
Drawdown/(repayment) of borrowings, net (Note 31)	**9,748,366**	387,671	**9,377,344**	(799,087)
Issuance of subordinated obligations (Note 32)	**3,700,000**	–	**3,700,000**	–
Issuance of capital securities (Note 33)	**2,800,000**	–	**2,800,000**	–
Redemption of subordinated obligations (Note 32)	**(5,095,222)**	(1,317,412)	**(3,700,000)**	(250,000)
Redemption of capital securities (Note 33)	**(3,500,000)**	(2,744,404)	**(3,500,000)**	(2,744,404)
Repayment of lease liabilities (Note 27(iv))	**(386,883)**	(18,248)	**(100,948)**	–
Redemption of financial liabilities at fair value through profit or loss (Note 25)	**(2,669,250)**	–	**(2,669,250)**	–
Drawdown of financial liabilities at fair value through profit or loss (Note 25)	**1,432,900**	620,775	**1,432,900**	620,775
Recourse obligation on loans and financing sold to Cagamas, net	**(21,047)**	3,771	**(21,047)**	3,771
Rights issuance exercised by non-controlling interests	**–**	3,514	**–**	–
Dividends paid	**(6,346,240)**	(6,234,092)	**(6,346,240)**	(6,234,092)
Dividends paid to non-controlling interests	**(110,672)**	(94,259)	**–**	–
Net cash generated from/(used in) financing activities	**1,084,865**	(7,029,247)	**2,505,672**	(7,039,600)
Net (decrease)/increase in cash and cash equivalents	**(9,638,499)**	3,009,589	**(18,595,256)**	658,240
Cash and cash equivalents at 1 January	**57,084,530**	53,933,844	**40,682,109**	39,306,384
Effects of foreign exchange rate changes	**(139,286)**	141,097	**(151,981)**	717,485
Cash and cash equivalents at 31 December	**47,306,745**	57,084,530	**21,934,867**	40,682,109
Cash and cash equivalents comprise:				
Cash and short-term funds	**46,485,233**	55,051,519	**19,053,083**	26,967,032
Deposits and placements with other financial institutions	**14,131,121**	12,511,402	**28,310,635**	23,418,198
	60,616,354	67,562,921	**47,363,718**	50,385,230
Less:				
Cash and short-term funds and deposits and placements with financial institutions, with original maturity of more than three months	**(13,309,609)**	(10,478,391)	**(25,428,851)**	(9,703,121)
Cash and cash equivalents at 31 December	**47,306,745**	57,084,530	**21,934,867**	40,682,109

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

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 March 2020.

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 64 and 65, 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 2019. 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.

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

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

If the Group loses control over a subsidiary, it (cont'd.):

- 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(xv). 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 18 and details of subsidiaries and deemed controlled structured entities are disclosed in Notes 66(a) and 66(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 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 gains significant influence or joint control until the date the Group ceases 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 19(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.

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(xv). 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 19(ii), 66(c) and 66(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(iii) Business combination and goodwill (cont'd.)

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 are not within the scope of MFRS 9 are 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 ("CGU") 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(xv).

Where goodwill has been allocated to a CGU and part of the operation within that CGU 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 CGU 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 CGU 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.

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 22.

(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.

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.

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.

(b) Initial recognition and subsequent measurement

<u>Business model</u>

The Group 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.

Notes to the Financial Statements
31 December 2019

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.)

Business model (cont'd.)

The Group and the Bank do not assess the business model 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 portfolio 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); and
- The expected frequency, value and timing of sales are also important aspects of the Group's and the Bank's assessment.

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.

Solely payments of principal and interest ("SPPI") test

Upon determination of business model, the Group and the Bank will 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. In making 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 SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Included in financial assets are the following:

- 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).

(1) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

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

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 measure debt instruments 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.

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 of 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")

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 criteria 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.

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.)

(3) Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

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 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'.

(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 Expected Credit Loss ("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;
- 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.

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

(d) Impairment of financial assets

The MFRS 9 impairment requirements are based on an ECL model. 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 16 *Leases*.

The measurement of ECL involves increased complexity and judgement that include:

(i) 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:

3-Stage approach	**Stage 1** Performing	**Stage 2** Under-performing	**Stage 3** 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

(ii) ECL measurement

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

(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 revolving financial instruments such as credit cards and overdrafts. The expected life for these revolving 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 or 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 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; and
- Central Banks' policy rates.

The Group and the Bank apply the following three alternatives 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; and

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 valuation policy for collateral assigned to its financial assets are dependent on its lending arrangements.

2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

(e) 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 or 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 EIR 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 EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

(f) Reclassification of financial assets

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.

(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 held for trading and financial liabilities designated upon initial recognition at FVTPL.

<u>Financial liabilities held for trading</u>

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 held for trading are recognised in the income statements as disclosed in other operating income.

<u>Financial liabilities designated at fair value</u>

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

The Group and the Bank have adopted Fair Value Option ("FVO") for certain financial liabilities. The Group and the Bank have designated certain financial liabilities namely, structured deposits and borrowings containing embedded derivatives at FVTPL upon inception. Details of the financial liabilities at FVTPL are disclosed in Note 25.

The changes in fair value are presented as follows:

(i) change in fair value due to own credit risk – presented in other comprehensive income which will not get recycled into profit or loss.

(ii) change in fair value due to market risk or other factors – presented in income statement.

(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.

Notes to the Financial Statements
31 December 2019

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 (cont'd.)

(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 57.

(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 criteria.

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. EIR 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.

(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.

(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.

The Group disclosed the details of hedge accounting in Note 13.

(ix) Embedded derivatives

Embedded derivatives in financial assets are not separated from a host financial asset and classify based on the business model and their contractual terms as outlined in Note 2.3(v)(b).

Derivatives embedded in financial liabilities and in non-financial host contracts are treated as separate derivatives and recorded at fair value if their economic characteristic and risk are not closely related at those of the host contract is not itself held for trading or designated at FVTPL. 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 statement.

(x) 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.

(xi) 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 5 to 997 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%

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(xi) Property, plant and equipment and depreciation (cont'd.)

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 20.

(xii) 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(xi) 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 16.

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 2019.

(xiii) 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'.

(xiv) 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.

(xv) 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 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(xv) Impairment of non-financial assets (cont'd.)

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 20);
- Right-of-use assets (Note 21); and
- Intangible assets (Note 22).

(xvi) 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 the income statements.

(xvii) 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.

(xviii) 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 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.

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(xviii) Foreign currencies (cont'd.)

(c) Foreign operations (cont'd.)

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.

(xix) 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 is 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 49.

(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:

(i) 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

(ii) 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.

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 assets 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 30.

(c) Zakat

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(xx) Leases

Policy applicable after 1 January 2019

The Group and the Bank had applied MFRS 16 *Leases*, in which the nature and effect of the changes as a result of adoption are described in Note 2.4. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117.

(a) Classification

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Group and the Bank combine lease and non-lease components, in cases where splitting the non-lease component is not possible.

(b) Recognition and initial measurement

(1) The Group and the Bank as a lessee

The Group and the Bank apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group and the Bank recognise leases liabilities to make lease payments and right-of-use asset representing the right of use of the underlying assets.

Right-of-use ("ROU") assets

The Group and the Bank recognise ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.3(xv).

Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentive receivables), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating a lease, if the lease term reflects the Group and the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

(2) Short-term leases and leases of low-value assets

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group and the Bank also apply the lease of low-value assets recognition exemption to leases of assets that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense when incurred.

Policy applicable before 1 January 2019

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.

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(xx) Leases (cont'd.)

Policy applicable before 1 January 2019 (cont'd.)

(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 lease, 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(xi).

(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.

(xxi) 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 premiums/retakaful contributions

Reinsurance premiums/retakaful contributions are recognised in the same financial year as the original policies/certificates to which the reinsurance/retakaful relates. Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding insurers/takaful operators. Inward facultative reinsurance premiums/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 costs of acquiring and renewing insurance contracts/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 that they give rise to income.

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(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 contracts/takaful certificates 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 contracts/takaful certificates 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) Unearned premium reserves ("UPR") and unearned contribution reserves ("UCR")

UPR/UCR represents the portion of net premiums/gross contributions of insurance contracts/takaful certificates written that relate to the unexpired periods of contracts/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 premiums/contributions 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 contracts/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 contracts/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 contracts/takaful certificates 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 EIR. 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.

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(h) Insurance contract/takaful certificate liabilities (cont'd.)

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.

(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.

(xxii) Fair value measurement

The Group and the Bank measure financial instruments such as financial investments at FVTPL, financial investments designated at FVTPL, financial investments at FVOCI, derivatives, non-financial assets such as investment properties and financial liabilities at FVTPL, 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 are 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 56(c).

While the fair value hierarchies of financial assets and financial liabilities that are not measured at fair value, the fair value are disclosed in Note 56(g).

(xxiii) 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 and loans, advances and financing 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 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 EIR 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 EIR, 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 EIR, but does not consider future credit losses.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxiv) 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 bancassurance.

(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 2019, the remaining performance obligations associated with future net fee income of the Group ranging from 1 year to 3 years and more than 3 years are RM331.1 million (2018: RM183.8 million) and RM256.3 million (2018: RM231.2 million) respectively.

(xxv) 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(xxv)(d), except that the remeasurements of the net defined benefit liability or asset are recognised immediately in the income statements.

(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.

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxv) Employee benefits (cont'd.)

(d) Defined benefit plans (cont'd.)

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 27(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 original estimates.

Details of share options granted under ESGP and CESGP are disclosed in Note 34(c).

(xxvi) 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.

(xxvii) 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.

(xxviii) 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.)

(xxviii) 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.

(xxix) 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.

(xxx) 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 62.

(xxxi) 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 2019, 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 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)	1 January 2019
MFRS 16 *Leases*	1 January 2019
MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) MFRS 3 *Business Combinations*	1 January 2019
(ii) MFRS 11 *Joint Arrangements*	1 January 2019
(iii) MFRS 112 *Income Taxes*	1 January 2019
(iv) MFRS 123 *Borrowing Costs*	1 January 2019
MFRS 119 *Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019

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. Retrospective application is required but restatement of comparative information not compulsory, with early application is permitted. These amendments had no significant impact on the Group's and the Bank's financial statements.

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

MFRS 16 *Leases*

Before the adoption of MFRS 16, the Group and the Bank classified each of its leases such as lease for branch premises, data centres and IT and office equipments at the inception date as either a finance lease or an operating lease in accordance with MFRS 117 *Leases*. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group or the Bank; otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at an amount equal to the lower of fair value of the assets and the present value of the minimum lease payment. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under other assets: prepayments and other liabilities: accruals, respectively.

MFRS 16 is effective for annual period beginning on or after 1 January 2019, with early application is permitted. MFRS 16 supersedes MFRS 117, 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*. MFRS 16 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. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group or the Bank is the lessor.

The Group and the Bank have analysed the impact of the first-time application of MFRS 16 including existing processes, systems and policies. The Group and the Bank have developed its approach for assessing the different types of leases including applying the recognition exemptions in the standard that allow the Group and the Bank not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets; and incorporating forward-looking assumptions in making certain decisions such as extension and termination options on lease contracts of which management have assessed on a case-by-case basis.

Leases previously classified as operating leases – The Group and the Bank as lessee

On 1 January 2019, the Group and the Bank have applied MFRS 16 using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restate prior year comparatives information which remain as previously reported under MFRS 117 and related interpretations. The Group and the Bank have elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there was no impact to the retained earnings brought forward as at 1 January 2019.

The Group and the Bank elected the following transition practical expedients on a lease-by-lease basis for measurement purposes at first-time application of the standard:

(1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;

(2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;

(3) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and

(4) The Group and the Bank used hindsight such as in determining the lease term where the contract contained options to extend or terminate the lease.

(i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Group and of the Bank:

Extract of Statements of Financial Position

Group	31 December 2018 RM'000	Reclassification RM'000	Modified retrospective approach RM'000	1 January 2019 RM'000
ASSETS				
Other assets[1]	9,873,340	–	(56,095)	9,817,245
Property, plant and equipment[2]	2,495,825	(275,363)	–	2,220,462
Right-of-use assets[3]	–	275,363	1,332,561	1,607,924
LIABILITIES				
Other liabilities[4]	21,788,671	–	1,276,466	23,065,137
Bank				
ASSETS				
Other assets[1]	5,267,285	–	(4,390)	5,262,895
Right-of-use assets[3]	–	–	460,839	460,839
LIABILITIES				
Other liabilities[5]	7,341,061	–	456,449	7,797,510

[1] Derecognition of prepayments related to previous operating leases.
[2] Previously recognised as finance leases under MFRS 117 *Leases* (Note 20).
[3] Recognition of right-of-use assets (Note 21).
[4] Recognition of additional lease liabilities (Note 27(iv)), provision for restoration costs and derecognition of accrued rental expenses.
[5] Recognition of additional lease liabilities (Note 27(iv)) and provision for restoration costs.

2. ACCOUNTING POLICIES (CONT'D.)

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

MFRS 16 *Leases* (cont'd.)

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

	31 December 2018	Impact of adopting MFRS 16	1 January 2019
Group			
CET1 Capital (RM'000)	56,300,466	**–**	**56,300,466**
Tier 1 Capital (RM'000)	59,871,648	**–**	**59,871,648**
Total Capital (RM'000)	71,263,950	**–**	**71,263,950**
Risk Weighted Assets (RM'000)	374,606,000	**1,248,752**	**375,854,752**
CET1 Capital Ratio	15.029%	**(0.050%)**	**14.979%**
Tier 1 Capital Ratio	15.983%	**(0.054%)**	**15.929%**
Total Capital Ratio	19.024%	**(0.063%)**	**18.961%**
Bank			
CET1 Capital (RM'000)	30,893,680	**–**	**30,893,680**
Tier 1 Capital (RM'000)	33,393,680	**–**	**33,393,680**
Total Capital (RM'000)	41,018,052	**–**	**41,018,052**
Risk Weighted Assets (RM'000)	224,559,240	**456,449**	**225,015,689**
CET1 Capital Ratio	13.757%	**(0.027%)**	**13.730%**
Tier 1 Capital Ratio	14.871%	**(0.030%)**	**14.841%**
Total Capital Ratio	18.266%	**(0.037%)**	**18.229%**

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*.

The amendments apply 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. The amendments do not have any impact on the Group's and the Bank's financial statements.

Annual Improvements to MFRSs 2015-2017 Cycle

(i) 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 apply for annual periods beginning on or after 1 January 2019, with earlier application permitted. The amendments do not have any impact to the financial statements of the Group and of the Bank.

(ii) 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 amendments do not have any impact to the financial statements of the Group and of the Bank.

Notes to the Financial Statements
31 December 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(iii) 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, according to 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 amendments do not have any impact to the financial statements of the Group and of the Bank.

(iv) 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 amendments do not have any impact to the financial statements of the Group and of the Bank.

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

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

IC Interpretation 23 provides clarifications on how an entity should reflect the accounting for income taxes in its financial statements when there is uncertainty over income tax treatment. An "uncertain tax treatment" can be any tax treatment adopted by an entity in its tax returns for which it is unclear whether the relevant tax authority will accept the tax treatment under tax law.

When there is uncertainty over income tax treatment, the IC Interpretation 23 specifically addresses the following:

- It requires an entity to determine whether each uncertain tax treatment is to be assessed separately or together with other uncertain tax treatments as a group (based on whichever approach better predicts the resolution of the uncertainty).
- Assumption that a taxation authority will examine the tax position as if it has a right to examine and have full knowledge of all relevant information when carrying out those examinations (no detection risk).
- If an entity concludes that it is probable (more likely than not) that the tax authority will accept the tax treatment as reported in its income tax filing, it will record its taxable profits, tax bases, tax losses, tax credits and tax rates in its financial statements consistently with that tax treatment adopted.
- If the conclusion of the entity is otherwise, it will reflect in its financial statements the effect of the tax uncertainty it expects using whichever method that will better predict the resolution of the tax uncertainty.
- Reassessment of the uncertain tax treatment is required in the event of change in facts and circumstances.

The Group and the Bank would continuously exercise reasonable judgement in identifying any potential uncertainty over the relevant tax treatments adopted in the income tax returns of the entities within the Group. Where necessary, consultation with external professional advisors or tax litigators would be sought to support the relevant tax position adopted. The adoption of this interpretation does not have any impact to the financial statements of the Group and of the Bank.

2.5 Significant changes in regulatory requirements

(i) Revised Financial Reporting, Financial Reporting for Islamic Banking Institution and Credit Risk Policy documents issued by BNM

On 27 September 2019, BNM issued the revised Financial Reporting, Financial Reporting for Islamic Banking Institutions and Credit Risk Policy documents which came into effect on 1 October 2019 and shall be applied prospectively. The revised Policy documents are applicable to financial institutions in Malaysia which covers licensed banks, licensed Islamic banks, licensed investment banks, licensed investment banks approved to carry on Islamic Banking, licensed insurers and financial holding companies. The revised Policy documents superseded Policy documents issued by BNM previously, namely Credit Risk dated 22 January 2018, Financial Reporting and Financial Reporting for Islamic Banking Institutions, both dated 2 February 2018.

The revised Policy documents were updated to clarify the classification of a credit facility as credit-impaired, especially on the treatment of rescheduled and restructured credit facilities.

The application of the revised Policy documents does not have any significant impact to the financial statements of the Group and of the Bank.

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 10, 11 and 47)

The Group and the Bank review their financial investments at FVOCI and financial investments at amortised cost 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:

(i) 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

(ii) Determination of ECL that reflect:

  (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

  (b) The time value of money; and

  (c) 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.

3.3 Fair value estimation of financial assets/investments at FVTPL (Notes 8 and 9), financial investments at FVOCI (Note 10), loans, advances and financing at FVOCI (Note 12), derivative financial instruments (Note 13) and financial liabilities at FVTPL (Note 25)

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 56 for further disclosures.

3.4 Impairment losses on loans, advances and financing (Notes 12, 27 and 46)

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 lifetime ECL 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.

3.5 Valuation of investment properties (Note 16)

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 18) and interest in associates and joint ventures (Note 19)

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.

Notes to the Financial Statements
31 December 2019

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

3.6 Impairment of investment in subsidiaries (Note 18) and interest in associates and joint ventures (Note 19) (cont'd.)

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 22(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 30) and income tax (Note 49)

The Group and the Bank are subject to income tax in many jurisdictions and significant judgement is required in estimating the provision for income tax. 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.

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 26)

(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(xxi).

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 27(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 27(i)(d).

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

3.11 Deemed controlled structured entities (Note 66(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.

3.12 Leases – renewal option (Note 21 and Note 27(iv))

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Bank have the option, under some of its leases to lease the assets for additional terms of three to five years. The Group and the Bank apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group and the Bank included the renewal period as part of the lease term for leases of premises and IT equipments due to the significance of these assets to its operations.

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
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
Amendments to MFRS 7, MFRS 9 and MFRS 139 – *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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. The Group and the Bank are in the process of assessing the implication for adopting the Revised Conceptual Framework for Financial Reporting. The adoption of the framework is not anticipated to have significant impact on the Group's and the Bank's financial statements.

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. These amendments are not expected to have any impact on the Group's and the Bank's financial statements.

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. These amendments are not expected to have any impact on the Group's and the Bank's financial statements.

Amendments to MFRS 7, MFRS 9 and MFRS 139 – *Interest Rate Benchmark Reform*

The amendments apply to all leasing relationship directly affected by interest rate benchmark reform. The amendments clarify that a hedging relationship is directly affected by interest rate benchmark reform only if the reform give rise to uncertainties on:

- the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
- the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instruments.

Notes to the Financial Statements
31 December 2019

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

Amendments to MFRS 7, MFRS 9 and MFRS 139 – *Interest Rate Benchmark Reform* (cont'd.)

Interest rate benchmark reform refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report "Reforming Major Interest Rate Benchmarks".

The Group and the Bank shall disclose:

- the significant interest rate benchmarks to which the Group's and the Bank's hedging relationship are exposed;
- the extent of the risk exposure the Group and the Bank manage that are directly affected by the interest rate benchmark reform;
- how the Group and the Bank are managing the process to transition to alternative benchmark rates;
- a description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and
- the nominal amount of the hedging instruments in those hedging relationships.

The amendments are to be applied retrospectively in annual periods beginning on or after 1 January 2020, earlier application is permitted. The Group and the Bank have established a project team to evaluate the potential impact of adopting this standard on the required effective date.

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.

The standard is 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) <u>Modified retrospective approach</u>

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) <u>Fair value approach</u>

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 MASB. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

5. CASH AND SHORT-TERM FUNDS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cash balances and deposits with financial institutions		**43,732,281**	53,162,515	**19,053,083**	26,967,032
Money at call		**2,752,952**	1,889,004	**–**	–
		46,485,233	55,051,519	**19,053,083**	26,967,032
Allowances for impairment loss	(i)	**(16,159)**	(26,392)	**(12,549)**	(21,880)
		46,469,074	55,025,127	**19,040,534**	26,945,152

The Group's monies held-in-trust for clients as at the reporting date are approximately RM2,806,602,000 (2018: RM5,131,606,000). 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:

As at 31 December 2019

Changes in the cash and short-term funds for the Group and the Bank that contributed to changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to the following:

– The Group's and the Bank's overall gross carrying amount for cash and short-term funds decreased as a result of derecognition of financial assets which correspondingly decreased the ECL allowances.

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2019	**26,392**	**–**	**–**	**26,392**
Net remeasurement of allowances	**(13,318)**	**–**	**–**	**(13,318)**
Exchange differences	**3,085**	**–**	**–**	**3,085**
At 31 December 2019	**16,159**	**–**	**–**	**16,159**
Bank				
At 1 January 2019	**21,880**	**–**	**–**	**21,880**
Net remeasurement of allowances	**(12,228)**	**–**	**–**	**(12,228)**
Exchange differences	**2,897**	**–**	**–**	**2,897**
At 31 December 2019	**12,549**	**–**	**–**	**12,549**

As at 31 December 2018

Changes in the cash and short-term funds for the Group and the Bank that contributed to changes in the loss allowances during the previous financial year ended 31 December 2018 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 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 financial assets which correspondingly decreased the ECL allowances.

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2018				
– effect of adopting MFRS 9	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

Notes to the Financial Statements
31 December 2019

5. 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 (cont'd.):

As at 31 December 2018 (cont'd.)

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
At 1 January 2018				
– effect of adopting MFRS 9	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 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Licensed banks		**3,999,093**	3,572,573	**18,604,708**	15,585,066
Bank Negara Malaysia		**1,901,951**	1,886,925	**1,901,951**	1,886,925
Other financial institutions	(i)	**8,230,077**	7,051,904	**7,803,976**	5,946,207
		14,131,121	12,511,402	**28,310,635**	23,418,198
Allowances for impairment loss	(ii)	**(37,903)**	(8,525)	**(23,297)**	(8,065)
		14,093,218	12,502,877	**28,287,338**	23,410,133

(i) Included in deposits and placements with other financial institutions is USD40.0 million (2018: USD30.0 million) or Ringgit Malaysia equivalent of RM163.8 million (2018: RM124.2 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:

As at 31 December 2019

Changes in the deposits and placements with financial institutions for the Group and the Bank that contributed to changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to the following:

– The overall increase in the Group's and the Bank's gross carrying amount for deposits and placements with financial institutions were mainly contributed by the increase in the deposits and placements with other financial institutions and licensed banks which correspondingly increased the overall ECL allowances.

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2019	**8,525**	**–**	**–**	**8,525**
Net remeasurement of allowances	**22,955**	**–**	**–**	**22,955**
New financial assets originated or purchased	**12,195**	**–**	**–**	**12,195**
Financial assets derecognised	**(2,195)**	**–**	**–**	**(2,195)**
Exchange differences	**(3,577)**	**–**	**–**	**(3,577)**
At 31 December 2019	**37,903**	**–**	**–**	**37,903**

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS (CONT'D.)

(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 (cont'd.):

As at 31 December 2019 (cont'd.)

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
At 1 January 2019	**8,065**	**–**	**–**	**8,065**
Net remeasurement of allowances	**20,596**	**–**	**–**	**20,596**
New financial assets originated or purchased	**189**	**–**	**–**	**189**
Financial assets derecognised	**(2,195)**	**–**	**–**	**(2,195)**
Exchange differences	**(3,358)**	**–**	**–**	**(3,358)**
At 31 December 2019	**23,297**	**–**	**–**	**23,297**

As at 31 December 2018

Changes in the deposits and placements with financial institutions for the Group and the Bank that contributed to changes in the loss allowances during the previous financial year ended 31 December 2018 were mainly due to the following:

– The overall decrease in the Group's gross carrying amount for deposits and placements with financial institutions was 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 and the Bank's gross carrying amount for deposits and placements with other financial institutions was mainly due to new deposits and placements made which correspondingly increased in the ECL allowances.

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2018				
– effect of adopting MFRS 9	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	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 2019

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:

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreign Government Treasury Bills		**687,110**	–	**302,787**	–
Foreign Government Securities		**11,975,292**	1,992,214	**10,964,675**	1,723,531
Foreign Government Bonds		**724,734**	2,041,615	**–**	2,041,615
Foreign Corporate Bonds and Sukuk		**227,170**	–	**–**	–
Malaysian Government Securities		**30,368**	–	**30,368**	–
		13,644,674	4,033,829	**11,297,830**	3,765,146
Allowances for impairment loss	(a)	**(5,592)**	(3,584)	**(794)**	(1,862)
		13,639,082	4,030,245	**11,297,036**	3,763,284

(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:

As at 31 December 2019

Changes in the financial assets purchased under resale agreements for the Group and the Bank that contributed to changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to the following:

- The overall increase in the Group's gross carrying amount for financial assets purchased under resale agreements was mainly contributed by new financial assets purchased originated which correspondingly increased in ECL allowances.
- The overall increase in the Bank's gross carrying amount for financial assets purchased under resale agreements was mainly contributed by new financial assets purchased originated with low credit risk which correspondingly decreased in ECL allowances.

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2019	**3,584**	**–**	**–**	**3,584**
Net remeasurement of allowances	**61**	**–**	**–**	**61**
New financial assets originated or purchased	**5,244**	**–**	**–**	**5,244**
Financial assets derecognised	**(3,513)**	**–**	**–**	**(3,513)**
Changes in risk parameters	**198**	**–**	**–**	**198**
Exchange differences	**18**	**–**	**–**	**18**
At 31 December 2019	**5,592**	**–**	**–**	**5,592**
Bank				
At 1 January 2019	**1,862**	**–**	**–**	**1,862**
Net remeasurement of allowances	**(1)**	**–**	**–**	**(1)**
New financial assets originated or purchased	**793**	**–**	**–**	**793**
Financial assets derecognised	**(1,864)**	**–**	**–**	**(1,864)**
Exchange differences	**4**	**–**	**–**	**4**
At 31 December 2019	**794**	**–**	**–**	**794**

7. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONT'D.)

(i) The financial assets purchased under resale agreements are as follows (cont'd.):

(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 (cont'd.):

As at 31 December 2018

Changes in the financial assets purchased under resale agreements for the Group and the Bank that contributed to changes in the loss allowances during the previous financial year ended 31 December 2018 were mainly due to the following:

– New financial assets originated contributed to the increase in the ECL allowances in Stage 1.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2018				
– effect of adopting MFRS 9	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	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

(ii) The obligations on financial assets sold under repurchase agreements are as follows:

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Financial investments at fair value through profit or loss	9	**1,437,958**	300,715	**1,352,212**	300,715
Financial investments at fair value through other comprehensive income	10(i)	**7,612,378**	11,616,306	**22,140,872**	19,084,615
Financial investments at amortised cost	11(iv)	**4,928,408**	1,880,972	**4,799,948**	1,880,972
		13,978,744	13,797,993	**28,293,032**	21,266,302

Notes to the Financial Statements
31 December 2019

8. FINANCIAL ASSETS DESIGNATED UPON INITIAL RECOGNITION AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		Bank	
At fair value	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Money market instruments:				
Malaysian Government Securities	**161,713**	167,484	**–**	–
Malaysian Government Investment Issues	**312,635**	402,086	**–**	–
	474,348	569,570	**–**	–
Quoted securities:				
In Malaysia:				
Shares, warrants and loan stocks	**109,715**	17,743	**–**	–
Unit trusts	**3,932**	24,932	**–**	–
Outside Malaysia:				
Shares, warrants and loan stocks	**–**	14,144	**–**	–
	113,647	56,819	**–**	–
Unquoted securities:				
In Malaysia:				
Corporate Bonds and Sukuk	**13,627,322**	14,022,712	**–**	–
Outside Malaysia:				
Corporate Bonds and Sukuk	**107,986**	114,687	**–**	–
	13,735,308	14,137,399	**–**	–
Total financial assets designated upon initial recognition at FVTPL	**14,323,303**	14,763,788	**–**	–

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

At fair value	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Money market instruments:				
Malaysian Government Securities	**771,484**	172,592	**750,077**	152,263
Malaysian Government Investment Issues	**614,546**	939,650	**216,467**	176,720
Cagamas Bonds	**–**	254,290	**–**	254,290
Negotiable instruments of deposits	**142,811**	176,621	**142,811**	176,621
Foreign Government Securities	**3,483,519**	1,793,844	**3,001,984**	1,738,814
Malaysian Government Treasury Bills	**–**	291,106	**–**	291,106
Bank Negara Malaysia Bills and Notes	**596,545**	75,896	**596,545**	75,896
Foreign Government Treasury Bills	**2,199,436**	13,965	**2,199,436**	13,965
	7,808,341	3,717,964	**6,907,320**	2,879,675
Quoted securities:				
In Malaysia:				
Shares, warrants, mutual funds and loan stocks	**4,187,256**	3,709,009	**78,146**	87,898
Unit trusts	**159,380**	69,185	**29,775**	69,185
Outside Malaysia:				
Shares, warrants, mutual funds and loan stocks	**565,518**	554,123	**233**	13,286
Unit trusts	**385,869**	186,413	**210,138**	43,839
Corporate Bonds and Sukuk	**1,136,926**	565,798	**–**	–
Government Bonds	**104,193**	54,915	**–**	–
Government Treasury Bills	**51,310**	74,487	**–**	–
	6,590,452	5,213,930	**318,292**	214,208
Unquoted securities:				
In Malaysia:				
Shares	**816,618**	770,229	**622,176**	600,549
Unit trusts	**268**	260,633	**–**	–
Corporate Bonds and Sukuk	**564,653**	1,413,472	**97,197**	1,778,334
Structured deposits	**175,602**	223,746	**–**	–
Outside Malaysia:				
Shares	**1,006**	667	**–**	–
Mutual funds	**2,279**	42,021	**–**	–
Corporate Bonds and Sukuk	**1,689,631**	2,869,421	**2,245,823**	2,971,641
Government Bonds	**2,722,015**	477,466	**2,722,015**	469,760
Structured deposits	**–**	215,601	**–**	–
	5,972,072	6,273,256	**5,687,211**	5,820,284
Total financial investments at FVTPL	**20,370,865**	15,205,150	**12,912,823**	8,914,167

Included in financial investments at fair value through profit or loss are financial assets sold under repurchase agreements as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Foreign Corporate Bonds and Sukuk	**200,836**	–	**115,090**	–
Foreign Government Securities	**1,237,122**	300,715	**1,237,122**	300,715
Total (Note 7(ii))	**1,437,958**	300,715	**1,352,212**	300,715

Notes to the Financial Statements
31 December 2019

10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group		Bank	
At fair value	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Money market instruments:				
Malaysian Government Securities	**11,006,987**	13,016,540	**10,794,195**	12,994,902
Malaysian Government Investment Issues	**24,211,583**	26,548,415	**11,653,233**	16,453,295
Negotiable instruments of deposits	**1,682,836**	101,710	**484,703**	699,011
Foreign Government Securities	**7,872,991**	9,025,462	**3,830,465**	7,046,826
Foreign Government Treasury Bills	**16,891,126**	15,413,937	**3,942,737**	5,089,308
Khazanah Bonds	**1,761,446**	2,475,788	**1,761,446**	2,322,544
Cagamas Bonds	**723,459**	889,251	**723,459**	889,251
Bankers' acceptances and Islamic accepted bills	**139,392**	–	**139,392**	–
	64,289,820	67,471,103	**33,329,630**	45,495,137
Quoted securities:				
In Malaysia:				
Shares, warrants and loan stocks	**7,869**	7,660	**18,435**	19,677
Outside Malaysia:				
Shares, warrants and loan stocks	**1,298**	2,748	**–**	–
Corporate Bonds and Sukuk	**1,286,663**	578,877	**–**	–
Government Bonds	**349,126**	329,892	**–**	–
	1,644,956	919,177	**18,435**	19,677
Unquoted securities:				
In Malaysia:				
Shares and loan stocks	**275,668**	335,393	**259,949**	280,744
Government Bonds	**109,143**	564,361	**65,769**	520,595
Corporate Bonds and Sukuk	**27,279,593**	24,976,822	**19,477,370**	18,096,677
Outside Malaysia:				
Shares	**3,735**	3,501	**–**	–
Government Bonds	**15,999,809**	11,065,217	**15,899,116**	10,567,929
Corporate Bonds and Sukuk	**13,748,809**	15,578,314	**11,748,431**	14,602,078
	57,416,757	52,523,608	**47,450,635**	44,068,023
Total financial investments at FVOCI	**123,351,533**	120,913,888	**80,798,700**	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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysian Government Securities	**2,054,444**	4,642,041	**2,054,444**	4,642,041
Malaysian Government Investment Issues	**3,045,775**	3,518,691	**3,045,775**	3,518,691
Foreign Corporate Bonds and Sukuk	**347,539**	1,219,835	**2,633,836**	4,239,982
Foreign Government Treasury Bills	**554,336**	–	**3,898,265**	1,309,906
Foreign Government Bonds	**257,662**	2,231,939	**257,662**	2,231,939
Foreign Government Securities	**1,352,622**	3,800	**10,250,890**	3,142,056
Total (Note 7(ii))	**7,612,378**	11,616,306	**22,140,872**	19,084,615

10. 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Within one year	**23,875,079**	23,856,337	**5,703,177**	10,716,942
One year to three years	**6,046,568**	3,620,658	**4,357,062**	2,779,402
Three years to five years	**8,182,439**	9,523,029	**4,737,364**	6,813,587
After five years	**26,185,734**	30,471,079	**18,532,027**	25,185,206
	64,289,820	67,471,103	**33,329,630**	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:

As at 31 December 2019

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 during the financial year ended 31 December 2019 were mainly due to the following:

– The derecognition of Stage 3 financial assets which correspondingly decreased the ECL allowances for the Group and the Bank.

– The write-off of Foreign Corporate Bonds and Sukuk with a gross carrying amount of RM22.0 million for the Group and RM14.7 million for the Bank resulted in the reduction of Stage 3 lifetime ECL by the same amount.

	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL RM'000	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Group				
At 1 January 2019	**28,066**	**1,579**	**183,330**	**212,975**
Transferred to Stage 1	**549**	**(549)**	**–**	**–**
Net remeasurement of allowances	**(2,319)**	**(77)**	**14,523**	**12,127**
New financial assets originated or purchased	**13,516**	**78**	**–**	**13,594**
Financial assets derecognised	**(13,248)**	**(702)**	**(57,344)**	**(71,294)**
Changes in models/risk parameters	**(2,439)**	**(330)**	**–**	**(2,769)**
Amount written-off	**–**	**–**	**(21,958)**	**(21,958)**
Exchange differences	**(1,055)**	**541**	**176**	**(338)**
At 31 December 2019	**23,070**	**540**	**118,727**	**142,337**
Bank				
At 1 January 2019	**21,652**	**1,828**	**125,518**	**148,998**
Transferred to Stage 1	**505**	**(505)**	**–**	**–**
Net remeasurement of allowances	**(490)**	**–**	**4,094**	**3,604**
New financial assets originated or purchased	**7,979**	**–**	**–**	**7,979**
Financial assets derecognised	**(11,642)**	**(593)**	**(33,084)**	**(45,319)**
Changes in models/risk parameters	**(4,043)**	**(330)**	**–**	**(4,373)**
Amount written-off	**–**	**–**	**(14,650)**	**(14,650)**
Exchange differences	**(489)**	**–**	**(1)**	**(490)**
At 31 December 2019	**13,472**	**400**	**81,877**	**95,749**

Notes to the Financial Statements
31 December 2019

10. 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.):

As at 31 December 2018

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 during the previous financial year ended 31 December 2018 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 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	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2018				
– effect of adopting MFRS 9	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
Bank				
At 1 January 2018				
– effect of adopting MFRS 9	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 RM22.0 million (2018: RM203.5 million) for the Group and RM14.7 million (2018: RM203.5 million) for the Bank.

10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D.)

(iv) Equity instrument at fair value through other comprehensive income ("FVOCI") are as follows:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Quoted Securities:				
In Malaysia	**7,869**	7,660	**18,435**	19,677
Outside Malaysia	**1,298**	2,748	**–**	–
	9,167	10,408	**18,435**	19,677
Unquoted Securities:				
In Malaysia	**275,668**	335,393	**259,949**	280,744
Outside Malaysia	**3,735**	3,501	**–**	–
	279,403	338,894	**259,949**	280,744
	288,570	349,302	**278,384**	300,421

The Group and the Bank have elected to recognise these equity investments at fair value through other comprehensive income as these investments are held as long term strategic investments that are not expected to be sold in the short term to medium term. Gains or losses on the derecognition of these equity investments are not transferred to profit or loss.

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 RM10.3 million (2018: RM18.3 million) and RM10.6 million (2018: RM2.6 million) respectively.

11. FINANCIAL INVESTMENTS AT AMORTISED COST

	Note	Group		Bank	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Money market instruments:					
Malaysian Government Securities		**6,594,595**	3,343,923	**6,594,491**	3,343,819
Malaysian Government Investment Issues		**6,695,792**	5,974,162	**4,852,735**	4,433,186
Foreign Government Securities		**1,199,287**	1,902,111	**–**	–
Khazanah Bonds		**135,277**	236,635	**135,277**	236,635
Cagamas Bonds		**50,259**	50,253	**50,259**	50,253
Foreign Certificates of Deposits		**–**	154,150	**–**	–
		14,675,210	11,661,234	**11,632,762**	8,063,893
Unquoted securities:					
In Malaysia:					
Corporate Bonds and Sukuk		**15,913,839**	12,203,579	**18,552,529**	12,353,936
Others		**–**	2,044	**–**	2,044
Outside Malaysia:					
Corporate Bonds and Sukuk		**2,745,710**	2,952,669	**2,478,746**	2,505,578
Government Bonds		**1,594,357**	366,633	**36,304**	30,909
		20,253,906	15,524,925	**21,067,579**	14,892,467
Accumulated impairment losses	(iii)	**(144,640)**	(116,898)	**(125,423)**	(99,290)
Total financial investments at amortised cost		**34,784,476**	27,069,261	**32,574,918**	22,857,070

Notes to the Financial Statements
31 December 2019

11. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D.)

(i) Indicative fair values of financial investments at amortised cost are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market instruments:				
Malaysian Government Securities	**6,871,544**	3,396,805	**6,871,436**	3,396,701
Malaysian Government Investment Issues	**7,224,386**	6,053,962	**5,206,477**	4,489,772
Foreign Government Securities	**1,216,191**	1,903,217	**–**	–
Khazanah Bonds	**139,294**	238,783	**139,294**	238,783
Cagamas Bonds	**51,776**	50,301	**51,776**	50,301
Foreign Certificates of Deposits	**–**	153,825	**–**	–
Unquoted securities:				
Corporate Bonds and Sukuk in Malaysia	**15,776,285**	12,190,792	**18,525,871**	12,348,342
Corporate Bonds and Sukuk outside Malaysia	**2,744,544**	2,913,872	**2,484,558**	2,448,019
Government Bonds outside Malaysia	**1,594,601**	366,552	**36,302**	30,909
Others	**–**	2,044	**–**	2,044

(ii) The maturity profile of money market instruments are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	**911,221**	1,596,532	**193,158**	245,043
One year to three years	**1,722,407**	1,512,543	**1,507,957**	1,191,900
Three years to five years	**535,243**	959,721	**378,227**	725,715
After five years	**11,506,339**	7,592,438	**9,553,420**	5,901,235
	14,675,210	11,661,234	**11,632,762**	8,063,893

(iii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows:

As at 31 December 2019

Changes in the financial investments at amortised cost for the Group and the Bank that contributed to changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to following:

- The increase in the gross carrying amount of Corporate Bonds and Sukuk for the Group and the Bank due to new financial assets purchased contributed to the increase in ECL allowances.
- The increase in the ECL for Stage 3 was due to deterioration in credit risk which correspondingly increase the net remeasurement of allowances for the Group and the Bank.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2019	**19,469**	**42,189**	**55,240**	**116,898**
Transferred to Stage 1	**13,475**	**(13,475)**	**–**	**–**
Net remeasurement of allowances	**(16,147)**	**27**	**36,378**	**20,258**
New financial assets originated or purchased	**20,691**	**–**	**–**	**20,691**
Financial assets derecognised	**(4,322)**	**(64)**	**–**	**(4,386)**
Changes in models/risk parameters	**(3,900)**	**(4,721)**	**–**	**(8,621)**
Exchange differences	**(205)**	**5**	**–**	**(200)**
At 31 December 2019	**29,061**	**23,961**	**91,618**	**144,640**
Bank				
At 1 January 2019	**11,316**	**32,734**	**55,240**	**99,290**
Transferred to Stage 1	**4,122**	**(4,122)**	**–**	**–**
Net remeasurement of allowances	**(3,986)**	**–**	**36,378**	**32,392**
New financial assets originated or purchased	**4,433**	**–**	**–**	**4,433**
Financial assets derecognised	**(2,480)**	**(64)**	**–**	**(2,544)**
Changes in models/risk parameters	**(3,448)**	**(4,721)**	**–**	**(8,169)**
Exchange differences	**21**	**–**	**–**	**21**
At 31 December 2019	**9,978**	**23,827**	**91,618**	**125,423**

11. 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 (cont'd.):

As at 31 December 2018

Changes in the financial investments at amortised cost for the Group and the Bank that contributed to changes in the loss allowances during the previous financial year ended 31 December 2018 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 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	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2018				
– as previously stated – MFRS 139				4,224
– effect of adopting MFRS 9				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				
– as previously stated – MFRS 139				3,776
– effect of adopting MFRS 9				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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian Government Securities	**2,351,141**	1,880,972	**2,351,141**	1,880,972
Malaysian Government Investment Issues	**873,403**	–	**873,403**	–
Foreign Corporate Bonds and Sukuk	**1,703,864**	–	**1,575,404**	–
Total (Note 7(ii))	**4,928,408**	1,880,972	**4,799,948**	1,880,972

Notes to the Financial Statements
31 December 2019

12. LOANS, ADVANCES AND FINANCING

		Group		Bank	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing to financial institutions	(i)	**1,128,618**	1,576,199	**19,400,239**	17,052,024
Loans, advances and financing to customers	(ii)	**512,291,092**	505,507,620	**207,188,981**	213,314,768
Net loans, advances and financing		**513,419,710**	507,083,819	**226,589,220**	230,366,792

(i) Loans, advances and financing to financial institutions^:

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Gross loans, advances and financing to financial institutions at amortised cost	**1,140,538**	1,586,487	**19,665,356**	17,329,554
Allowances for loans, advances and financing:				
– Stage 1 – 12-month ECL	**(11,920)**	(10,288)	**(18,657)**	(24,693)
– Stage 2 – Lifetime ECL not credit impaired	**–**	–	**(5,530)**	(50,130)
– Stage 3 – Lifetime ECL credit impaired	**–**	–	**(240,930)**	(202,707)
Net loans, advances and financing to financial institutions	**1,128,618**	1,576,199	**19,400,239**	17,052,024

^ 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 RM19,307.9 million net of expected credit losses (2018: RM17,223.2 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(A) Loans, advances and financing to customers at FVTPL	**401,703**	396,950	**401,703**	396,950
(B) Loans, advances and financing to customers at FVOCI	**11,821,285**	8,968,438	**11,380,901**	8,680,217
(C) Loans, advances and financing to customers at amortised cost	**601,389,303**	603,897,146	**202,771,305**	211,710,171
	613,612,291	613,262,534	**214,553,909**	220,787,338
Unearned interest and income	**(91,265,351)**	(97,515,284)	**(1,559,752)**	(1,946,903)
Gross loans, advances and financing to customers	**522,346,940**	515,747,250	**212,994,157**	218,840,435
Allowances for loans, advances and financing:				
– Stage 1 – 12-month ECL	**(1,423,097)**	(1,644,653)	**(507,155)**	(632,504)
– Stage 2 – Lifetime ECL not credit impaired	**(1,865,171)**	(2,518,274)	**(869,858)**	(1,174,896)
– Stage 3 – Lifetime ECL credit impaired	**(6,767,580)**	(6,076,703)	**(4,428,163)**	(3,718,267)
Net loans, advances and financing to customers	**512,291,092**	505,507,620	**207,188,981**	213,314,768
Net loans, advances and financing	**513,419,710**	507,083,819	**226,589,220**	230,366,792

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Loans, advances and financing to financial institutions and customers:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans/financing to financial institutions (Note 12(i))	**1,140,538**	1,586,487	**19,665,356**	17,329,554
Overdrafts/cashline	**21,524,681**	21,299,471	**8,068,447**	8,106,770
Term loans:				
– Housing loans/financing	**165,058,688**	159,088,775	**39,773,201**	36,356,772
– Syndicated loans/financing	**52,154,119**	46,222,426	**41,710,800**	41,244,555
– Hire purchase receivables*	**77,170,795**	75,934,569	**14,770,104**	16,408,151
– Lease receivables	**445,288**	242,882	**–**	–
– Other loans/financing	**206,219,952**	214,424,843	**63,244,663**	68,553,882
Credit card receivables	**9,703,036**	9,343,455	**6,338,893**	6,146,551
Bills receivables	**3,312,082**	3,789,648	**2,470,458**	3,110,604
Trust receipts	**4,527,077**	5,200,001	**3,477,743**	3,936,289
Claims on customers under acceptance credits	**11,086,391**	11,528,371	**5,294,619**	5,835,521
Revolving credits	**52,824,052**	56,468,421	**26,897,897**	28,623,423
Share margin financing	**5,919,340**	5,997,054	**1,981,958**	1,821,367
Staff loans	**3,516,628**	3,484,282	**523,526**	643,079
Loans to:				
– Directors of the Bank	**6,299**	3,007	**1,399**	302
– Directors of subsidiaries	**5,650**	4,439	**170**	72
Others	**138,213**	230,890	**31**	–
	614,752,829	614,849,021	**234,219,265**	238,116,892
Unearned interest and income	**(91,265,351)**	(97,515,284)	**(1,559,752)**	(1,946,903)
Gross loans, advances and financing	**523,487,478**	517,333,737	**232,659,513**	236,169,989
Allowances for loans, advances and financing:				
– Stage 1 – 12-month ECL	**(1,435,017)**	(1,654,941)	**(525,812)**	(657,197)
– Stage 2 – Lifetime ECL not credit impaired	**(1,865,171)**	(2,518,274)	**(875,388)**	(1,225,026)
– Stage 3 – Lifetime ECL credit impaired	**(6,767,580)**	(6,076,703)	**(4,669,093)**	(3,920,974)
Net loans, advances and financing	**513,419,710**	507,083,819	**226,589,220**	230,366,792

* The hire purchase receivables of a subsidiary of RM2,191,557,000 (2018: RM2,197,865,000) are pledged as collateral to a secured borrowing as disclosed in Note 31(a)(i).

(iv) Loans, advances and financing analysed by type of customers are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic banking institutions	**1,139,626**	6,908	**19,669,557**	17,220,465
Domestic non-banking financial institutions	**21,893,187**	26,193,612	**14,657,649**	18,552,066
Domestic business enterprises:				
– Small and medium enterprises	**54,841,634**	99,533,072	**24,496,469**	58,697,124
– Others	**133,017,413**	93,524,665	**73,796,567**	44,183,640
Government and statutory bodies	**14,381,320**	13,656,700	**128,131**	139,377
Individuals	**250,614,985**	237,263,494	**64,254,229**	61,001,130
Other domestic entities	**12,719,297**	9,795,754	**3,125,275**	1,836,429
Foreign entities	**34,880,016**	37,359,532	**32,531,636**	34,539,758
Gross loans, advances and financing	**523,487,478**	517,333,737	**232,659,513**	236,169,989

Notes to the Financial Statements
31 December 2019

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

(v) Loans, advances and financing analysed by geographical locations are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	**316,953,176**	301,734,794	**143,871,310**	141,519,718
Singapore	**125,228,021**	130,263,205	**56,076,155**	59,760,535
Indonesia	**37,688,031**	39,792,918	**–**	–
Labuan Offshore	**14,842,983**	17,829,128	**14,842,983**	17,829,128
Hong Kong SAR	**10,027,775**	8,824,183	**9,767,276**	8,583,851
United States of America	**1,291,202**	888,894	**1,290,625**	888,310
People's Republic of China	**4,055,036**	4,050,027	**4,055,036**	4,050,027
Vietnam	**1,218,454**	1,075,504	**908,484**	839,577
United Kingdom	**940,422**	1,627,168	**940,376**	1,627,123
Brunei	**583,433**	624,809	**583,433**	624,809
Cambodia	**2,826,629**	2,436,379	**–**	–
Philippines	**5,903,119**	6,143,148	**–**	–
Thailand	**1,605,362**	1,592,702	**–**	–
Laos	**82,097**	149,387	**82,097**	149,387
Myanmar	**241,738**	297,524	**241,738**	297,524
Others	**–**	3,967	**–**	–
Gross loans, advances and financing	**523,487,478**	517,333,737	**232,659,513**	236,169,989

(vi) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate:				
– Housing loans/financing	**17,282,242**	16,663,446	**404,442**	435,889
– Hire purchase receivables	**67,528,995**	65,297,909	**13,146,631**	14,531,517
– Other fixed rate loans/financing	**62,192,300**	64,927,250	**43,602,330**	42,800,462
	147,003,537	146,888,605	**57,153,403**	57,767,868
Variable rate:				
– Base lending/financing rate/base rate plus	**207,219,598**	198,416,862	**77,368,532**	82,756,689
– Cost plus	**61,639,026**	65,968,105	**46,888,315**	51,651,165
– Other variable rates	**107,625,317**	106,060,165	**51,249,263**	43,994,267
	376,483,941	370,445,132	**175,506,110**	178,402,121
Gross loans, advances and financing	**523,487,478**	517,333,737	**232,659,513**	236,169,989

(vii) Loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	**35,999,387**	35,527,786	**7,572,559**	8,286,409
Purchase of transport vehicles	**68,239,626**	66,604,915	**11,861,216**	13,483,796
Purchase of landed properties:				
– Residential	**122,875,200**	114,371,528	**38,615,665**	35,594,858
– Non-residential	**40,553,322**	39,220,906	**18,604,350**	18,948,128
Purchase of fixed assets (excluding landed properties)	**4,163,699**	4,818,811	**3,524,042**	4,308,283
Personal use	**10,889,877**	10,820,029	**4,453,122**	4,548,602
Credit card	**9,745,404**	9,534,058	**6,339,202**	6,287,421
Purchase of consumer durables	**9,893**	10,882	**9,667**	10,580
Constructions	**17,381,155**	16,078,361	**10,356,794**	10,481,392
Mergers and acquisitions	**1,676,999**	1,542,456	**1,650,184**	1,504,698
Working capital	**168,019,588**	170,484,232	**95,481,470**	93,428,944
Others	**43,933,328**	48,319,773	**34,191,242**	39,286,878
Gross loans, advances and financing	**523,487,478**	517,333,737	**232,659,513**	236,169,989

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

(viii) The maturity profile of loans, advances and financing are as follows:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Within one year	**128,277,526**	135,610,572	**69,137,959**	76,164,888
One year to three years	**62,079,218**	59,706,901	**46,877,075**	43,006,884
Three years to five years	**55,292,098**	59,767,404	**29,273,506**	34,936,137
After five years	**277,838,636**	262,248,860	**87,370,973**	82,062,080
Gross loans, advances and financing	**523,487,478**	517,333,737	**232,659,513**	236,169,989

(ix) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January				
– as previously stated	**12,486,421**	11,549,903	**8,054,989**	8,070,841
– effect of adopting MFRS 9	**–**	551,347	**–**	183,360
At 1 January, as restated	**12,486,421**	12,101,250	**8,054,989**	8,254,201
Impaired during the financial year	**5,994,345**	6,162,782	**3,386,932**	3,721,057
Reclassified as non-impaired	**(1,113,466)**	(797,493)	**(616,982)**	(434,523)
Amount recovered	**(2,090,434)**	(2,524,215)	**(1,529,147)**	(1,619,357)
Amount written-off	**(1,917,090)**	(2,553,154)	**(848,945)**	(1,671,973)
Transferred to subsidiary, net	**–**	–	**–**	(526,697)
Exchange differences	**498,160**	97,251	**378,348**	332,281
Gross impaired loans at 31 December	**13,857,936**	12,486,421	**8,825,195**	8,054,989
Less: Stage 3 – Lifetime ECL credit impaired	**(7,184,821)**	(6,229,987)	**(5,086,334)**	(4,074,258)
Net impaired loans at 31 December	**6,673,115**	6,256,434	**3,738,861**	3,980,731
Calculation of ratio of net impaired loans:				
Gross impaired loans at 31 December (excluding financing funded by Investment Account*)	**13,733,600**	12,423,002	**8,825,195**	8,054,989
Less: Stage 3 – Lifetime ECL credit impaired	**(7,184,821)**	(6,229,987)	**(5,086,334)**	(4,074,258)
Net impaired loans	**6,548,779**	6,193,015	**3,738,861**	3,980,731
Gross loans, advances and financing	**523,487,478**	517,333,737	**232,659,513**	236,169,989
Less: Funded by Investment Accounts*	**(20,737,670)**	(23,565,061)	**–**	–
Less: Allowances for impaired loans, advances and financing at FVOCI and at amortised cost	**(10,714,146)**	(10,435,012)	**(6,713,770)**	(5,983,091)
Net loans, advances and financing	**492,035,662**	483,333,664	**225,945,743**	230,186,898
Ratio of net impaired loans	**1.33%**	1.28%	**1.65%**	1.73%

* In the books of Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank.

(x) Impaired loans, advances and financing by economic purpose are as follows:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Purchase of securities	**171,743**	171,949	**112,956**	125,050
Purchase of transport vehicles	**435,278**	423,797	**95,373**	90,792
Purchase of landed properties:				
– Residential	**998,683**	963,061	**328,128**	320,823
– Non-residential	**555,679**	1,059,724	**235,716**	874,210
Purchase of fixed assets (excluding landed properties)	**1,766,064**	1,292,213	**1,708,703**	1,275,586
Personal use	**235,194**	208,488	**148,998**	135,469
Credit card	**73,700**	77,281	**33,377**	35,826
Purchase of consumer durables	**6,444**	6,068	**6,441**	6,060
Constructions	**1,789,711**	1,720,827	**1,486,400**	1,301,329
Working capital	**5,968,016**	4,660,840	**3,046,550**	2,246,575
Others	**1,857,424**	1,902,173	**1,622,553**	1,643,269
Gross impaired loans, advances and financing	**13,857,936**	12,486,421	**8,825,195**	8,054,989

Notes to the Financial Statements
31 December 2019

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xi) Impaired loans, advances and financing by geographical distribution are as follows:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysia	**6,242,161**	5,756,439	**3,713,462**	3,652,980
Singapore	**4,802,502**	4,425,988	**4,246,554**	3,842,394
Indonesia	**1,678,934**	1,472,115	**–**	–
Labuan Offshore	**201,848**	306,498	**201,848**	306,498
Hong Kong SAR	**69,016**	7,296	**60,782**	6,384
United States of America	**217,606**	583	**217,030**	–
People's Republic of China	**257,080**	56,929	**257,080**	56,929
Vietnam	**57,195**	58,073	**56,016**	57,336
Brunei	**70,067**	69,737	**70,067**	69,737
Cambodia	**59,753**	97,093	**–**	–
Philippines	**163,996**	135,879	**–**	–
Thailand	**35,422**	33,093	**–**	–
Laos	**2,356**	62,731	**2,356**	62,731
Others	**–**	3,967	**–**	–
Gross impaired loans, advances and financing	**13,857,936**	12,486,421	**8,825,195**	8,054,989

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for loans, advances and financing are as follows:

As at 31 December 2019

Changes in the gross carrying amount of loans, advances and financing carried at fair value through other comprehensive income and amortised cost for the Group and the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to the following:

– The high volume of syndicated loans/financing and housing loans/financing originated, increased the gross carrying amount by 13% and 4% respectively which correspondingly increased the ECL allowances.

– However, there was a reduction in revolving credits and other term loans/financing by 6% and 4% respectively which resulted in a decrease in ECL allowances.

– The write-off of loans/financing with a total carrying amount of RM1,917.1 million for the Group and RM848.9 million for the Bank resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.

At fair value through other comprehensive income

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Group				
At 1 January 2019	**27,160**	**4,650**	**153,284**	**185,094**
Net remeasurement of allowances	**(4,375)**	**194,243**	**263,339**	**453,207**
New financial assets originated or purchased	**17,637**	**3,130**	**–**	**20,767**
Financial assets derecognised	**(10,068)**	**(849)**	**–**	**(10,917)**
Changes in models/risk parameters	**(1,230)**	**(1,422)**	**–**	**(2,652)**
Exchange differences	**60**	**201**	**618**	**879**
At 31 December 2019	**29,184**	**199,953**	**417,241**	**646,378**
Bank				
At 1 January 2019	**25,761**	**849**	**153,284**	**179,894**
Net remeasurement of allowances	**(4,375)**	**194,243**	**263,339**	**453,207**
New financial assets originated or purchased	**17,637**	**3,130**	**–**	**20,767**
Financial assets derecognised	**(10,068)**	**(849)**	**–**	**(10,917)**
Changes in models/risk parameters	**(353)**	**–**	**–**	**(353)**
Exchange differences	**60**	**201**	**618**	**879**
At 31 December 2019	**28,662**	**197,574**	**417,241**	**643,477**

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for loans, advances and financing are as follows (cont'd.):

As at 31 December 2019 (cont'd.)

At amortised cost

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2019	1,654,941	2,518,274	6,076,703	10,249,918
Transferred to Stage 1	640,451	(568,533)	(71,918)	–
Transferred to Stage 2	(190,386)	522,673	(332,287)	–
Transferred to Stage 3	(13,606)	(196,682)	210,288	–
Net remeasurement of allowances	(619,476)	(113,180)	4,015,889	3,283,233
New financial assets originated or purchased	623,306	395,129	–	1,018,435
Financial assets derecognised	(460,591)	(452,640)	(976,661)	(1,889,892)
Changes in models/risk parameters	(319,628)	(334,471)	1,683	(652,416)
Amount due to RPSIA	–	–	(2,129)	(2,129)
Amount written-off	–	–	(1,917,089)	(1,917,089)
Exchange differences	120,006	94,601	(236,899)	(22,292)
At 31 December 2019	1,435,017	1,865,171	6,767,580	10,067,768
Bank				
At 1 January 2019	657,197	1,225,026	3,920,974	5,803,197
Transferred to Stage 1	325,172	(273,884)	(51,288)	–
Transferred to Stage 2	(140,785)	296,831	(156,046)	–
Transferred to Stage 3	(4,258)	(98,622)	102,880	–
Net remeasurement of allowances	(192,899)	(108,484)	2,426,750	2,125,367
New financial assets originated or purchased	284,253	191,883	–	476,136
Financial assets derecognised	(271,910)	(169,186)	(702,745)	(1,143,841)
Changes in models/risk parameters	(128,617)	(185,213)	–	(313,830)
Amount written-off	–	–	(848,945)	(848,945)
Exchange differences	(2,341)	(2,963)	(22,487)	(27,791)
At 31 December 2019	525,812	875,388	4,669,093	6,070,293

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for loans, advances and financing are as follows (cont'd.):

As at 31 December 2018

Changes in the gross carrying amount of loans, advances and financing carried at fair value through other comprehensive income and amortised cost for the Group and the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2018 were mainly due to the following:

– The high volume of new syndicated loans/financing, housing loans/financing, and hire purchase receivables originated, increased the gross carrying amount by 16%, 7% and 4% respectively which correspondingly increased the ECL allowances.

– The financial assets derecognised 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.

At fair value through other comprehensive income

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2018				
– effect of adopting MFRS 9	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	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

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xii) Analysis of changes in gross carrying amount and the corresponding allowances for loans, advances and financing are as follows (cont'd.):

As at 31 December 2018 (cont'd.)

At amortised cost

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2018				
– as previously stated – MFRS 139				8,260,724
– effect of adopting MFRS 9				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)
Changes in models/risk parameters	(124,517)	(67,123)	(724)	(192,364)
Amount due to RPSIA	–	–	50,553	50,553
Amount written-off	–	–	(2,553,152)	(2,553,152)
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				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)
Changes in models/risk parameters	(43,673)	(78,064)	–	(121,737)
Transferred to subsidiary	(80,972)	(135,982)	(245,789)	(462,743)
Amount written-off	–	–	(1,671,973)	(1,671,973)
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 RM1,917.1 million (2018: RM2,553.2 million) for the Group and RM848.9 million (2018: RM1,672.0 million) for the Bank.

Notes to the Financial Statements
31 December 2019

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the reporting date, and do not represent amounts at risk.

Derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

	Group			Bank		
	Principal	Fair Values		Principal	Fair Values	
2019	**Amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives						
Foreign exchange related contracts						
Currency forwards:						
– Less than one year	40,509,373	224,854	(454,372)	31,547,237	174,105	(352,547)
– One year to three years	1,174,117	38,192	(8,663)	1,150,063	38,192	(8,629)
– More than three years	2,996,670	26,232	(8,574)	2,097,628	26,232	(8,574)
	44,680,160	289,278	(471,609)	34,794,928	238,529	(369,750)
Currency swaps:						
– Less than one year	476,000,259	1,920,529	(2,508,702)	477,344,903	1,893,595	(2,490,262)
– One year to three years	74,050	634	(16,794)	198,581	634	(16,794)
	476,074,309	1,921,163	(2,525,496)	477,543,484	1,894,229	(2,507,056)
Currency spots:						
– Less than one year	3,074,983	6,789	(4,723)	3,262,450	5,903	(3,591)
Currency options:						
– Less than one year	7,486,564	32,281	(29,322)	7,572,136	30,006	(25,331)
– One year to three years	51,994	98	(1,534)	51,994	98	(1,534)
– More than three years	737,491	36,139	(92,408)	1,269,140	36,139	(65,636)
	8,276,049	68,518	(123,264)	8,893,270	66,243	(92,501)
Cross currency interest rate swaps:						
– Less than one year	7,604,961	153,304	(134,220)	7,020,435	136,052	(129,243)
– One year to three years	14,573,402	305,702	(329,482)	13,443,872	280,202	(313,939)
– More than three years	11,846,838	324,709	(305,569)	11,545,471	312,890	(304,125)
	34,025,201	783,715	(769,271)	32,009,778	729,144	(747,307)
Interest rate related contracts						
Interest rate swaps:						
– Less than one year	59,663,847	153,176	(83,901)	59,700,573	148,680	(79,536)
– One year to three years	149,222,782	934,892	(1,459,208)	149,583,978	905,694	(1,432,256)
– More than three years	174,665,541	4,238,207	(3,576,715)	174,818,915	4,164,128	(3,538,435)
	383,552,170	5,326,275	(5,119,824)	384,103,466	5,218,502	(5,050,227)
Interest rate futures:						
– Less than one year	17,475,211	1,172,233	(1,168,999)	16,737,500	1,171,806	(1,168,999)
– One year to three years	2,169,952	117	(13)	2,047,000	–	(13)
	19,645,163	1,172,350	(1,169,012)	18,784,500	1,171,806	(1,169,012)
Interest rate options:						
– Less than one year	1,062,594	47	(36)	1,062,594	47	(36)
– One year to three years	3,224,692	32,159	(18,402)	4,652,313	16,243	(2,358)
– More than three years	14,238,061	1,127,772	(1,333,780)	12,810,441	1,110,432	(1,316,301)
	18,525,347	1,159,978	(1,352,218)	18,525,348	1,126,722	(1,318,695)

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal	Fair Values		Principal	Fair Values	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
2019 (cont'd.)	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trading derivatives (cont'd.)						
Equity related contracts						
Equity options:						
– Less than one year	1,350,976	36,251	(233,065)	–	–	–
Equity swaps:						
– Less than one year	901,055	37,547	(92,031)	84,756	8,663	–
Commodity related contracts						
Commodity options:						
– Less than one year	1,218,245	36,920	(36,920)	1,218,245	36,920	(36,920)
– One year to three years	57,225	1,261	(1,261)	57,225	1,261	(1,261)
	1,275,470	38,181	(38,181)	1,275,470	38,181	(38,181)
Commodity swaps:						
– Less than one year	605,062	43,348	(42,257)	605,062	43,348	(42,257)
– One year to three years	1,202,946	40,258	(38,351)	1,202,946	40,258	(38,351)
	1,808,008	83,606	(80,608)	1,808,008	83,606	(80,608)
Credit related contracts						
Credit default swaps:						
– Less than one year	63,690	32	(901)	63,690	32	(901)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency interest rate swaps:						
– Less than one year	3,561,539	159,019	(8,117)	3,561,539	159,019	(8,117)
– One year to three years	3,468,512	28,801	(48,776)	3,468,512	28,801	(48,776)
– More than three years	1,886,744	48,033	(6,974)	1,886,744	48,033	(6,974)
	8,916,795	235,853	(63,867)	8,916,795	235,853	(63,867)
Interest rate related contracts						
Interest rate swaps:						
– Less than one year	237,113	–	(152)	–	–	–
– One year to three years	614,100	2,764	(1,374)	614,100	2,764	(1,374)
– More than three years	388,930	36,618	–	388,930	36,618	–
	1,240,143	39,382	(1,526)	1,003,030	39,382	(1,374)
Netting effects under MFRS 132 Amendments	–	(863,289)	863,289	–	(854,792)	854,792
Total	1,003,409,519	10,335,629	(11,182,307)	991,068,973	10,002,003	(10,588,278)

Notes to the Financial Statements
31 December 2019

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

2018	Group Principal Amount RM'000	Group Fair Values Assets RM'000	Group Fair Values Liabilities RM'000	Bank Principal Amount RM'000	Bank Fair Values Assets RM'000	Bank Fair Values Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts						
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)
Interest rate related contracts						
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)

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal	Fair Values		Principal	Fair Values	
2018 (cont'd.)	Amount RM'000	Assets RM'000	Liabilities RM'000	Amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Equity related contracts						
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)
Commodity related contracts						
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)
Credit related contracts						
Credit default swaps:						
– Less than one year	50,000	302	–	50,000	302	–
Hedging derivatives						
Foreign exchange related contracts						
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)
Interest rate related contracts						
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)

Notes to the Financial Statements
31 December 2019

13. 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 2019, the Group and the Bank recognised the following net gain/(loss):

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Gain/(loss) on the hedging instruments	**33,178**	(15,233)	**33,178**	(15,233)
(Loss)/gain on the hedged items attributable to the hedged risk	**(41,329)**	14,647	**(41,329)**	14,647

Net investment hedge

The Group has designated net investment hedge for borrowings amounting to USD0.05 billion (2018: USD0.05 billion) or Ringgit Malaysia equivalent of RM0.2 billion (2018: RM0.2 billion) which were used to fund investment in subsidiaries.

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 RM1,556,000 (net of tax) (2018: RM7,017,000) from the hedging relationship as disclosed in Note 36 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 next year.

The hedging relationship was effective for the total hedging period and as of the reporting date. As such, the unrealised loss of SGD142,000 (Ringgit Malaysia equivalent of RM433,000) for the financial year ended 31 December 2019 as compared to unrealised gain of SGD290,000 (Ringgit Malaysia equivalent of RM879,000) for the previous financial year ended 31 December 2018 from the hedging relationship as disclosed in Note 36 was recognised through other comprehensive income.

14. REINSURANCE/RETAKAFUL ASSETS AND OTHER INSURANCE RECEIVABLES

Group	**Note**	**2019 RM'000**	**2018 RM'000**
Reinsurance/retakaful assets (Note 26)	(i)	**3,550,665**	3,285,269
Other insurance receivables	(ii)	**681,424**	514,778
		4,232,089	3,800,047

(i) Reinsurance/retakaful assets

Group	**Note**	**2019 RM'000**	**2018 RM'000**
Reinsurers' share of:		**3,187,733**	2,983,564
Life insurance contract liabilities		**74,534**	49,111
General insurance contract liabilities		**3,113,199**	2,934,453
Retakaful operators' share of:		**374,767**	305,975
Family takaful certificate liabilities		**135,692**	73,802
General takaful certificate liabilities		**239,075**	232,173
Allowances for impairment losses	(iii)	**(11,835)**	(4,270)
		3,550,665	3,285,269

14. REINSURANCE/RETAKAFUL ASSETS AND OTHER INSURANCE RECEIVABLES (CONT'D.)

(ii) Other insurance receivables

Group	Note	2019 RM'000	2018 RM'000
Due premium including agents/brokers and co-insurers balances		**421,774**	262,391
Due from reinsurers and cedants/retakaful operators		**290,566**	268,559
		712,340	530,950
Allowances for impairment losses	(iii)	**(30,916)**	(16,172)
		681,424	514,778

(iii) Analysis of changes in gross carrying amount and the corresponding allowances impairment losses on reinsurance/retakaful assets and other insurance receivables are as follows:

As at 31 December 2019

Changes in the carrying amount of other insurance receivables for the Group that contributed to an increase in the loss allowances during the financial year ended 31 December 2019 were mainly due to higher reinsurers/retakaful assets and other insurance receivables.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	**20,442**	**–**	**–**	**20,442**
Net remeasurement of allowances	**31,377**	**–**	**–**	**31,377**
Exchange differences	**(9,068)**	**–**	**–**	**(9,068)**
At 31 December 2019	**42,751**	**–**	**–**	**42,751**

As at 31 December 2018

Changes in the carrying amount of other insurance receivables for the Group that contributed to a decrease in the loss allowances during the previous financial year ended 31 December 2018 were mainly due to recoveries from reinsurers/retakaful operators.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2018				
– as previously stated				16,748
– effect of adopting MFRS 9				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

15. OTHER ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Other debtors	(i)	**5,645,886**	6,456,864	**4,650,888**	5,052,326
Amount due from brokers and clients	57	**2,010,123**	1,679,116	**–**	–
Prepayments and deposits		**1,401,622**	1,343,267	**259,144**	196,746
Tax recoverable		**161,322**	136,131	**13,441**	–
Foreclosed properties		**291,989**	288,266	**29,412**	29,410
		9,510,942	9,903,644	**4,952,885**	5,278,482
Allowances for impairment losses	(ii)	**(31,858)**	(30,304)	**(9,695)**	(11,197)
		9,479,084	9,873,340	**4,943,190**	5,267,285

(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 RM619,173,000 (2018: RM621,313,000).

Notes to the Financial Statements
31 December 2019

15. OTHER ASSETS (CONT'D.)

(ii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on other assets are as follows:

As at 31 December 2019

Changes in the gross carrying amount of other assets that contributed to the changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to higher impaired receivables.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	6,289	92	23,923	30,304
Net remeasurement of allowances	1,087	(71)	2,324	3,340
Exchange differences	(106)	–	(1,680)	(1,786)
At 31 December 2019	7,270	21	24,567	31,858
Bank				
At 1 January 2019	–	–	11,197	11,197
Net remeasurement of allowances	–	–	(1,515)	(1,515)
Exchange differences	–	–	13	13
At 31 December 2019	–	–	9,695	9,695

As at 31 December 2018

Changes in the gross carrying amount of other assets that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2018 were mainly due to recoveries of other receivables.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2018				
– as previously stated				45,825
– effect of adopting MFRS 9				436
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)
At 31 December 2018	6,289	92	23,923	30,304
Bank				
At 1 January 2018				
– as previously stated				15,326
– effect of adopting MFRS 9				–
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

16. INVESTMENT PROPERTIES

Group	2019 RM'000	2018 RM'000
At fair value		
At 1 January	**895,769**	753,555
Additions	**2,797**	110,811
Fair value adjustments (Note 42)	**22,781**	32,025
Impairment losses (Note 44)	**–**	(108)
Disposal		
– Reversal of cost	**–**	(520)
Exchange differences	**124**	6
At 31 December	**921,471**	895,769

The following investment properties are held under lease terms:

Group	2019 RM'000	2018 RM'000
At fair value		
Leasehold land	**105,300**	104,100
Buildings	**323,950**	309,100
	429,250	413,200

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 56(b).

17. STATUTORY DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank Negara Malaysia	(i)	**7,230,680**	8,090,382	**2,988,538**	3,885,277
Other central banks	(ii)	**7,822,072**	8,174,467	**1,112,394**	1,156,283
		15,052,752	16,264,849	**4,100,932**	5,041,560
Allowance for loss impairment	(iii)	**–**	–	**–**	–
		15,052,752	16,264,849	**4,100,932**	5,041,560

(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:

	Stage 1	Stage 2	Stage 3	
Group **As at 31 December 2018**	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2018				
– effect of adopting MFRS 9	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	–	–	–	–

Notes to the Financial Statements
31 December 2019

18. INVESTMENT IN SUBSIDIARIES

Bank	2019 RM'000	2018 RM'000
Unquoted shares, at cost		
– In Malaysia	**33,188,771**	32,986,857
– Outside Malaysia	**1,328,136**	1,575,401
	34,516,907	34,562,258
Less: Accumulated impairment losses	**(2,957,660)**	(3,115,802)
	31,559,247	31,446,456

The following are major events of the Group and of the Bank during the financial year ended 31 December 2019:

(i) Capital injection into Maybank Alliances Sdn Bhd ("MA")

On 8 February 2019, the Bank injected additional capital of RM194.1 million to MA, a wholly-owned subsidiary of the Bank, to fund its investment in GPay Network (M) Sdn Bhd ("GPay"), an associate of the Bank.

Details of the investment in GPay are disclosed as significant event during the financial year ended 31 December 2019 in Note 63(i)(a).

(ii) Investment, reclassification and dilution of interest of deemed controlled structured entities by the Bank

During the financial year ended 31 December 2019, the Bank had invested, reclassified and experienced dilution of interest of the deemed controlled structured entities as follows:

(a) The Bank invested into Maybank Enhanced Income Fund, an equity fund managed by Maybank Asset Management Singapore Pte. Ltd. ("MAMS"), an 80% subsidiary of the Bank through Maybank Asset Management Group Berhad ("MAMG"), an 80% subsidiary of the Bank, for an equivalent amount of RM62.0 million as a deemed controlled structured entity.

(b) The Bank reclassified its investment in Maybank SmallCap Trust Fund, an equity fund managed by Maybank Asset Management Sdn. Bhd. ("MAM"), an 80% subsidiary of the Bank through MAMG, an 80% subsidiary of the Bank, from financial investments at FVTPL to investment in deemed controlled structured entity for an equivalent amount of RM106.3 million.

The above direct investments are treated as deemed controlled structured entities as disclosed in Note 66(b).

(c) The Bank's investment in Maybank Bluewaterz Total Return Bond Fund, a wholesale feeder (fixed income) fund managed by MAMS, an 80% subsidiary of the Bank through MAMG, an 80% subsidiary of the Bank, for an equivalent amount of RM120.4 million has been diluted and reclassified from deemed controlled structured entity to financial investments at FVTPL as disclosed in Note 9.

The Group and the Bank recorded gain on reclassification from deemed controlled structured entity to financial investments at FVTPL amounting to approximately RM61,419,000 and RM8,063,000 respectively as disclosed in Note 42.

(iii) Incorporation of Etiqa General Insurance (Cambodia) Plc

On 3 June 2019, Etiqa International Holdings Sdn. Bhd., a wholly-owned subsidiary of the Bank completed the subscription of 9,000,000 ordinary shares of Etiqa General Insurance (Cambodia) Plc for a consideration of USD 9.0 million (or equivalent amount of RM37.7 million).

(iv) Incorporation of Etiqa Life Insurance (Cambodia) Plc

On 26 July 2019, Etiqa International Holdings Sdn. Bhd., a wholly-owned subsidiary of the Bank completed the subscription of 9,000,000 ordinary shares of Etiqa Life Insurance (Cambodia) Plc for a consideration of USD 9.0 million (or equivalent amount of RM37.2 million).

(v) Capital injection into Etiqa Insurance Pte. Ltd.

On 18 September 2019 and 13 December 2019, Maybank Ageas Holdings Berhad, a 69.05% subsidiary of the Bank injected additional capital of SGD15.0 million (or equivalent amount of RM45.57 million) and SGD10.0 million (or equivalent amount of RM30.5 million) respectively to Etiqa Insurance Pte. Ltd., a 69.05% subsidiary of the Bank.

(vi) Conversion of subordinated debt into share capital of PT Asuransi Etiqa Internasional Indonesia ("EII")

During the financial year ended 31 December 2019, Etiqa International Holdings Shd. Bhd., a wholly-owned subsidiary of the Bank, subscribed 375,000,000 Class A ordinary shares amounting to IDR112.5 billion (or equivalent amount of RM33.3 million) issued by EII, an 80.0% subsidiary of the Bank, via conversion of subordinated debt to share capital.

18. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The following are major events of the Group and of the Bank during the financial year ended 31 December 2019 (cont'd.):

(vii) Disposal of PT Bank Maybank Syariah Indonesia ("PT Bank MSI")

On 15 May 2019, the Bank and PT Prosperindo had entered into a share sale and purchase agreement ("SPA") with PT NTI Global Indonesia ("PT NTI") and PT Berkah Anugerah Abadi ("PT Berkah"), for the disposal of PT Bank MSI for a total cash consideration of IDR580,000,000,000 (equivalent to approximately RM171.2 million).

The disposal was subject to the approval of Otoritas Jasa Keuangan ("OJK"), which has been obtained on 12 December 2019 and is disclosed as significant event during the financial year ended 31 December 2019 as disclosed in Note 63(i)(g).

The disposal had the following effects on the statement of financial position of the Group as at 31 December 2019:

	Note	Effects of disposal RM'000
Total assets		**218,150**
Total liabilities		**(41,031)**
Identifiable net assets disposed		**177,119**
Loss on disposal of subsidiaries	42	**(158,531)**
Transferred from shareholders' equity		
– Foreign currency translation		**152,645**
Cash receivable from disposal		**171,233**
Less: Cash and short-term funds of subsidiary disposed		**(2,907)**
Net cash receivable on disposal		**168,326**

The Group and the Bank recorded loss on disposal of subsidiaries amounting to approximately RM158,531,000 and RM113,470,000 respectively as disclosed in Note 42.

The following were major events of the Group and of the Bank during the previous financial year ended 31 December 2018:

(viii) Capital repayment from Etiqa Family Takaful Berhad

During the previous financial year ended 31 December 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.

(ix) Acquisition of Amanah Mutual Berhad

During the previous financial year ended 31 December 2018, MAM an 80% subsidiary of the Bank through 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	20	168
Intangible assets	22	1,332
		22,193
Liabilities		
Other liabilities		8,275
Deferred tax liabilities	30	192
Provision for taxation		3,335
		11,802
Net identifiable asset		10,391
Intangible asset arising after Purchase Price Allocation ("PPA") assessment	22	4,686
Deferred tax adjustments arising after PPA assessment	30	(1,125)
Goodwill on acquisition	22	2,168
Net cash outflow on acquisition		16,120

Notes to the Financial Statements
31 December 2019

18. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The following were major events of the Group and of the Bank during the previous financial year ended 31 December 2018 (cont'd.):

(x) Acquisition of Singapore Unit Trusts Limited

During the previous financial year ended 31 December 2018, MAMS an 80% subsidiary of the Bank through MAMG an 80% subsidiary of the Bank, completed the acquisition of 940,000 shares of Singapore Unit Trusts Limited. The total 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	20	250
		37,570
Liabilities		
Other liabilities		2,348
Net identifiable asset		35,222
Intangible asset arising after Purchase Price Allocation ("PPA") assessment	22	6,455
Deferred tax adjustments arising after PPA assessment	30	(1,097)
Bargain purchase on acquisition		(5,700)
Net cash outflow on acquisition		34,880

(xi) Subscription of rights issue of 57,354,000 new ordinary shares issued by Maybank Islamic Berhad ("MIB"), a wholly-owned subsidiary of the Bank

During the previous financial year ended 31 December 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.

During the previous financial year ended 31 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.

(xii) Disposal of Maybank Syariah Equity Fund

During the previous financial year ended 31 December 2018, the Bank sold 439,201,171 units representing 99.2% ownership in Maybank Syariah Equity Fund, an equity fund managed by PT Maybank Asset Management.

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 42.

(xiii) Capital injection into Maybank Offshore Corporate Services (Labuan) Sdn. Bhd. ("MOCS")

During the previous financial year ended 31 December 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.

(xiv) Capital injection into Etiqa General Insurance Berhad

During the previous financial year ended 31 December 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.

(xv) Incorporation of Maybank Singapore Limited

During the previous financial year ended 31 December 2018, Maybank incorporated a new wholly-owned subsidiary in Singapore, namely Maybank Singapore Limited ("MSL"). MSL is directly wholly-owned by an intermediate holding company, Cekap Mentari Berhad, which in turn is a directly wholly-owned subsidiary of the Bank.

During the previous financial year ended 31 December 2018, the Bank transferred its Community Financial Services business in Maybank Singapore Branch to MSL.

18. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The following were major events of the Group and of the Bank during the previous financial year ended 31 December 2018 (cont'd.):

(xv) Incorporation of Maybank Singapore Limited (cont'd.)

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	20	60,063
Intangible assets	22	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

(xvi) Capital injection into Etiqa Insurance Pte. Ltd.

During the previous financial year ended 31 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.

Notes to the Financial Statements
31 December 2019

18. 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 66(a).

The summarised financial information of EIH and MKEH are disclosed as follows:

	EIH		MKEH	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Summarised income statements:				
Interest income	1,360,441	1,187,103	363,869	392,983
Interest expense	(5,535)	(24,095)	(166,154)	(149,080)
Net interest income	1,354,906	1,163,008	197,715	243,903
Net earned insurance premiums	6,829,928	5,933,563	–	–
Other operating income	1,349,987	(353,021)	562,272	512,904
Total operating income	9,534,821	6,743,550	759,987	756,807
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(7,634,454)	(5,165,661)	–	–
Net operating income	1,900,367	1,577,889	759,987	756,807
Overhead expenses	(920,003)	(782,971)	(670,871)	(715,109)
Operating profit before impairment losses	980,364	794,918	89,116	41,698
(Allowances for)/writeback of impairment losses on loans, advances, financing and other debts, net	(3,357)	4,486	(7,148)	(8,117)
Writeback of/(allowances for) impairment losses on financial investments, net	1	(436)	(14)	1,094
(Allowances for)/writeback of impairment losses on other financial assets, net	(31,682)	5,732	(3,913)	2,535
Operating profit	945,326	804,700	78,041	37,210
Share of profits in associates	–	–	8,717	5,857
Profit before taxation and zakat	945,326	804,700	86,758	43,067
Taxation and zakat	(252,463)	(103,857)	(57,413)	(30,307)
Profit for the financial year	692,863	700,843	29,345	12,760
Attributable to:				
Equity holders of the Bank	474,715	488,623	23,319	5,673
Non-controlling interests	218,148	212,220	6,026	7,087
	692,863	700,843	29,345	12,760
Dividends paid to non-controlling interests of the Group	77,455	77,450	12,239	10,309
Summarised statements of financial position:				
Total assets	40,505,011	36,226,991	9,235,547	8,261,204
Total liabilities	(33,422,916)	(29,777,121)	(7,478,775)	(6,119,734)
Total equity	7,082,095	6,449,870	1,756,772	2,141,470
Attributable to:				
Equity holders of the Bank	4,708,747	4,296,461	1,656,346	2,042,633
Non-controlling interests	2,373,348	2,153,409	100,426	98,837
	7,082,095	6,449,870	1,756,772	2,141,470
Summarised cash flow statements:				
Operating activities	1,512,881	1,375,325	206,118	989,015
Investing activities	(91,359)	(237,509)	(30,010)	(59,992)
Financing activities	(632,898)	(954,633)	(322,486)	(812,474)
Net increase/(decrease) in cash and cash equivalents	788,624	183,183	(146,378)	116,549

Details of the subsidiaries of the Bank are disclosed in Note 66(a).

19. INTEREST IN ASSOCIATES AND JOINT VENTURES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equity interest				
Unquoted shares, at cost	**778,260**	453,341	**440,730**	472,016
Quoted shares, at cost	**2,864,864**	2,864,864	**–**	–
Exchange differences	**(1,686,617)**	(1,455,364)	**–**	–
	1,956,507	1,862,841	**440,730**	472,016
Share of post-acquisition reserves	**904,909**	808,326	**–**	–
	2,861,416	2,671,167	**440,730**	472,016
Less: Accumulated impairment losses	**(370,868)**	(370,868)	**–**	–
	2,490,548	2,300,299	**440,730**	472,016
Market value of quoted shares	**1,205,758**	1,275,589	**–**	–

(i) On 8 February 2019, the Bank via its wholly-owned subsidiary, Maybank Alliances Sdn Bhd ("MA"), subscribed the ordinary shares of GPay 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 Share Subscription Agreement.

The carrying amount of the investment in GPay of the Group for the financial year ended 31 December 2019 is RM343.8 million. Details of the investment are disclosed as significant event during the financial year ended 31 December 2019 in Note 63(i)(a).

(ii) The carrying amount of interest in joint ventures of the Group for the financial year ended 31 December 2019 has been reduced to zero (2018: RM824,000).

(iii) 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 2019	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	**3,886,108**	**1,158,494**	**31,406**	**5,076,008**
Interest expense	**(2,191,320)**	**(730,696)**	**(12,262)**	**(2,934,278)**
Net interest income	**1,694,788**	**427,798**	**19,144**	**2,141,730**
Other operating income	**471,755**	**196,185**	**127,816**	**795,756**
Net operating income	**2,166,543**	**623,983**	**146,960**	**2,937,486**
Overhead expenses	**(1,071,880)**	**(297,386)**	**(159,778)**	**(1,529,044)**
Operating profit/(loss) before impairment losses	**1,094,663**	**326,597**	**(12,818)**	**1,408,442**
Allowances for impairment losses on loans, advances and financing, net	**(67,133)**	**(100,435)**	**(751)**	**(168,319)**
Operating profit/(loss)	**1,027,530**	**226,162**	**(13,569)**	**1,240,123**
Share of profits in associates	**13,783**	**–**	**–**	**13,783**
Profit/(loss) before taxation	**1,041,313**	**226,162**	**(13,569)**	**1,253,906**
Taxation	**(371,212)**	**(34,182)**	**(3,010)**	**(408,404)**
Profit/(loss) for the financial year	**670,101**	**191,980**	**(16,579)**	**845,502**
Group's share of profits/(losses) for the financial year	**125,845**	**38,396**	**(5,868)**	**158,373**
Dividends paid by the associates during the financial year	**82,899**	**–**	**689**	**83,588**

Notes to the Financial Statements
31 December 2019

19. INTEREST IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(iii) 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 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

Summarised statements of financial position:

Group 2019	MCB Bank RM'000	An Binh Commercial Joint Stock Bank RM'000	Other individually immaterial associates and joint ventures RM'000	Total RM'000
Total assets	**44,242,978**	**16,684,104**	**736,371**	**61,663,453**
Total liabilities	**(40,304,707)**	**(15,301,099)**	**(498,352)**	**(56,104,158)**
Total equity	**3,938,271**	**1,383,005**	**238,019**	**5,559,295**
Proportion of Group's ownership	**739,607**	**276,601**	**68,368**	**1,084,576**
Goodwill	**912,080**	**199,080**	**294,812**	**1,405,972**
Carrying amount of the investment	**1,651,687**	**475,681**	**363,180**	**2,490,548**
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

(iv) Details of the associates and joint ventures of the Group and of the Bank are disclosed in Note 66(c) and Note 66(d) respectively.

(v) The details of goodwill included within the Group's carrying amount of interest in associates and joint ventures are as follows:

Group	2019 RM'000	2018 RM'000
At 1 January	**1,225,919**	1,470,081
Addition	**294,812**	-
Exchange differences	**(114,759)**	(244,162)
At 31 December	**1,405,972**	1,225,919

20. PROPERTY, PLANT AND EQUIPMENT

Group As at 31 December 2019	*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 2019							
– as previously stated	2,199,132	1,564,522	1,812,169	314,515	63,692	27,177	5,981,207
– effect of adopting MFRS 16 (Note 2.4 (i))	–	–	(471,125)	–	–	–	(471,125)
At 1 January 2019, as restated	2,199,132	1,564,522	1,341,044	314,515	63,692	27,177	5,510,082
Additions	11,561	75,115	152,761	4,753	10,732	28,730	283,652
Disposals	(10,024)	(20,060)	(78,148)	(1,255)	(10,872)	–	(120,359)
Disposal of a subsidiary	–	(2,923)	(2,382)	–	(511)	–	(5,816)
Write-offs (Note 44)	–	(20,991)	(42,643)	(4,202)	(488)	–	(68,324)
Transferred between categories	–	25,950	28	75	–	(26,053)	–
Transferred from intangible assets (Note 22)	–	–	131,421	–	–	–	131,421
Exchange differences	20,872	1,458	13,949	(2,380)	743	(1,004)	33,638
At 31 December 2019	2,221,541	1,623,071	1,516,030	311,506	63,296	28,850	5,764,294
Accumulated depreciation and impairment losses							
At 1 January 2019							
– as previously stated	700,099	1,271,504	1,237,543	229,453	46,783	–	3,485,382
– effect of adopting MFRS 16 (Note 2.4 (i))	–	–	(195,762)	–	–	–	(195,762)
At 1 January 2019, as restated	700,099	1,271,504	1,041,781	229,453	46,783	–	3,289,620
Depreciation charge for the financial year (Note 44)	42,891	110,804	115,783	19,962	7,791	–	297,231
Disposals	(6,123)	(15,284)	(77,709)	(1,184)	(8,118)	–	(108,418)
Disposal of a subsidiary	–	(2,923)	(2,382)	–	(511)	–	(5,816)
Write-offs (Note 44)	–	(20,825)	(42,629)	(4,187)	(398)	–	(68,039)
Transferred between categories	–	(27)	27	–	–	–	–
Transferred to intangible assets (Note 22)	–	–	(16)	–	–	–	(16)
Exchange differences	9,607	(201)	13,393	673	462	–	23,934
At 31 December 2019	746,474	1,343,048	1,048,248	244,717	46,009	–	3,428,496
Analysed as:							
Accumulated depreciation	738,970	1,343,044	1,048,248	244,717	46,009	–	3,420,988
Accumulated impairment losses	7,504	4	–	–	–	–	7,508
	746,474	1,343,048	1,048,248	244,717	46,009	–	3,428,496
Net carrying amount							
At 31 December 2019	1,475,067	280,023	467,782	66,789	17,287	28,850	2,335,798

Notes to the Financial Statements
31 December 2019

20. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

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 18(ix) & (x))	–	831	4,118	318	240	–	5,507
Write-offs (Note 44)	–	(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 22)	–	–	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 44)	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 18(ix) & (x))	–	743	3,889	315	142	–	5,089
Impairment losses (Note 44)	(45)	–	–	–	–	–	(45)
Write-offs (Note 44)	–	(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

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. These assets have been reclassified to right-of-use assets upon adoption of MFRS 16 as disclosed in Note 2.4(i).

20. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31 December 2019	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land: Less Than 50 Years RM'000	Buildings on Leasehold Land: 50 Years or More RM'000	Leasehold Land^: Less Than 50 Years RM'000	Leasehold Land^: 50 Years or More RM'000	Total RM'000
***Properties consist of:**							
Cost							
At 1 January 2019	**109,559**	**480,696**	**397,242**	**638,269**	**154,607**	**418,759**	**2,199,132**
Additions	**–**	**3,418**	**1,463**	**–**	**6,680**	**–**	**11,561**
Disposals	**(518)**	**(2,697)**	**(6,809)**	**–**	**–**	**–**	**(10,024)**
Transferred between categories	**–**	**–**	**–**	**–**	**2,626**	**(2,626)**	**–**
Exchange differences	**54**	**6,981**	**4,531**	**3,312**	**3,884**	**2,110**	**20,872**
At 31 December 2019	**109,095**	**488,398**	**396,427**	**641,581**	**167,797**	**418,243**	**2,221,541**
Accumulated depreciation and impairment losses							
At 1 January 2019	**54**	**239,835**	**193,746**	**184,177**	**8,154**	**74,133**	**700,099**
Depreciation charge for the financial year	**–**	**8,946**	**23,769**	**7,165**	**321**	**2,690**	**42,891**
Disposals	**–**	**(1,050)**	**(5,073)**	**–**	**–**	**–**	**(6,123)**
Transferred within categories	**–**	**–**	**–**	**–**	**197**	**(197)**	**–**
Exchange differences	**–**	**9,945**	**(2,481)**	**2,023**	**–**	**120**	**9,607**
At 31 December 2019	**54**	**257,676**	**209,961**	**193,365**	**8,672**	**76,746**	**746,474**
Analysed as:							
Accumulated depreciation	**–**	**251,697**	**209,092**	**192,939**	**8,672**	**76,570**	**738,970**
Accumulated impairment losses	**54**	**5,979**	**869**	**426**	**–**	**176**	**7,504**
	54	**257,676**	**209,961**	**193,365**	**8,672**	**76,746**	**746,474**
Net carrying amount							
At 31 December 2019	**109,041**	**230,722**	**186,466**	**448,216**	**159,125**	**341,497**	**1,475,067**
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
Disposals	–	(4,360)	(739)	–	–	–	(5,099)
Impairment losses	–	(58)	–	–	–	13	(45)
Transferred within categories	–	–	–	(4)	(9,867)	9,871	–
Exchange differences	–	8,574	(6,147)	228	12	90	2,757
As 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							
As at 31 December 2018	109,505	240,861	203,496	454,092	146,453	344,626	1,499,033

Notes to the Financial Statements
31 December 2019

20. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank As at 31 December 2019	*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 2019	**1,284,097**	**920,989**	**464,002**	**212,477**	**11,808**	**18,938**	**2,912,311**
Additions	**–**	**20,517**	**52,716**	**3,401**	**1,444**	**12,311**	**90,389**
Disposals	**(8,288)**	**(168)**	**(55,687)**	**(17)**	**(51)**	**–**	**(64,211)**
Write-offs (Note 44)	**–**	**(19,852)**	**(38,395)**	**(4,202)**	**(488)**	**–**	**(62,937)**
Transferred within categories	**–**	**15,551**	**–**	**–**	**–**	**(15,551)**	**–**
Transferred to intangible assets (Note 22)	**–**	**–**	**(17)**	**–**	**–**	**–**	**(17)**
Transferred to a subsidiary	**–**	**–**	**(716)**	**–**	**–**	**–**	**(716)**
Exchange differences	**1,537**	**(559)**	**(232)**	**(80)**	**(227)**	**–**	**439**
At 31 December 2019	**1,277,346**	**936,478**	**421,671**	**211,579**	**12,486**	**15,698**	**2,875,258**
Accumulated depreciation							
At 1 January 2019	**515,661**	**784,700**	**400,543**	**159,218**	**10,757**	**–**	**1,870,879**
Depreciation charge for the financial year (Note 44)	**21,747**	**60,418**	**19,157**	**14,121**	**630**	**–**	**116,073**
Disposals	**(6,123)**	**(165)**	**(55,683)**	**(10)**	**(51)**	**–**	**(62,032)**
Write-offs (Note 44)	**–**	**(19,751)**	**(38,394)**	**(4,187)**	**(398)**	**–**	**(62,730)**
Transferred to intangible assets (Note 22)	**–**	**–**	**(16)**	**–**	**–**	**–**	**(16)**
Transferred to a subsidiary	**–**	**–**	**(716)**	**–**	**–**	**–**	**(716)**
Exchange differences	**532**	**(447)**	**(341)**	**(71)**	**(159)**	**–**	**(486)**
At 31 December 2019	**531,817**	**824,755**	**324,550**	**169,071**	**10,779**	**–**	**1,860,972**
Net carrying amount							
At 31 December 2019	**745,529**	**111,723**	**97,121**	**42,508**	**1,707**	**15,698**	**1,014,286**
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 44)	–	(20,456)	(22,304)	(6,533)	(376)	–	(49,669)
Transferred within categories	12,904	4,539	–	–	–	(17,443)	–
Transferred from intangible assets (Note 22)	–	–	1,062	–	–	–	1,062
Transferred to a subsidiary (Note 18(xv))	–	(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 44)	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 44)	–	(18,205)	(22,300)	(6,520)	(375)	–	(47,400)
Transferred to a subsidiary (Note 18(xv))	–	(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

20. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank As at 31 December 2019	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Leasehold Land^ Less Than 50 Years RM'000	Leasehold Land^ 50 Years or More RM'000	Total RM'000
***Properties consist of:**							
Cost							
At 1 January 2019	**105,101**	**405,589**	**322,236**	**341,893**	**13,913**	**95,365**	**1,284,097**
Disposals	**(518)**	**(2,697)**	**(5,073)**	**–**	**–**	**–**	**(8,288)**
Transferred between categories	**–**	**–**	**–**	**–**	**2,626**	**(2,626)**	**–**
Exchange differences	**(367)**	**(547)**	**532**	**1,219**	**–**	**700**	**1,537**
At 31 December 2019	**104,216**	**402,345**	**317,695**	**343,112**	**16,539**	**93,439**	**1,277,346**
Accumulated depreciation							
At 1 January 2019	**–**	**214,957**	**152,988**	**119,099**	**6,819**	**21,798**	**515,661**
Depreciation charge for the financial year	**–**	**7,260**	**12,603**	**1,021**	**268**	**595**	**21,747**
Disposals	**–**	**(1,050)**	**(5,073)**	**–**	**–**	**–**	**(6,123)**
Transferred within categories	**–**	**–**	**–**	**–**	**197**	**(197)**	**–**
Exchange differences	**–**	**(467)**	**676**	**300**	**–**	**23**	**532**
At 31 December 2019	**–**	**220,700**	**161,194**	**120,420**	**7,284**	**22,219**	**531,817**
Net carrying amount							
At 31 December 2019	**104,216**	**181,645**	**156,501**	**222,692**	**9,255**	**71,220**	**745,529**
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

^ The leasehold land identified as ROU assets for the Group and the Bank as disclosed in Note 21.

21. RIGHT-OF-USE ASSETS

Group As at 31 December 2019	Premises RM'000	Office Equipments RM'000	Computers and Data Centre RM'000	Motor Vehicles RM'000	Total RM'000
Cost					
At 1 January 2019					
– effect of adopting MFRS 16 (Note 2.4(i))	1,219,915	3,603	378,724	5,682	1,607,924
At 1 January 2019, as restated	1,219,915	3,603	378,724	5,682	1,607,924
Additions	166,144	146	56,242	1,349	223,881
Modification	18,440	(2,582)	72,064	(3,984)	83,938
Exchange differences	18,496	(12)	156	(2)	18,638
At 31 December 2019	1,422,995	1,155	507,186	3,045	1,934,381
Accumulated depreciation					
At 1 January 2019	–	–	–	–	–
Depreciation charge for the financial year (Note 44)	257,961	619	129,499	1,194	389,273
Modification	(1,135)	(189)	(957)	(92)	(2,373)
Exchange differences	(709)	–	(18)	–	(727)
At 31 December 2019	256,117	430	128,524	1,102	386,173
Net carrying amount					
At 31 December 2019	1,166,878	725	378,662	1,943	1,548,208
Bank					
As at 31 December 2019					
Cost					
At 1 January 2019					
– effect of adopting MFRS 16 (Note 2.4(i))	459,999	447	215	178	460,839
At 1 January 2019, as restated	459,999	447	215	178	460,839
Additions	83,358	115	–	152	83,625
Modification	2,081	–	–	(114)	1,967
Exchange differences	(1,884)	(13)	(3)	(2)	(1,902)
At 31 December 2019	543,554	549	212	214	544,529
Accumulated depreciation					
At 1 January 2019	–	–	–	–	–
Depreciation charge for the financial year (Note 44)	107,897	235	113	126	108,371
Modification	(1,762)	–	–	(39)	(1,801)
Exchange differences	(294)	–	(1)	–	(295)
At 31 December 2019	105,841	235	112	87	106,275
Net carrying amount					
At 31 December 2019	437,713	314	100	127	438,254

Total net carrying amount of the ROU assets including leasehold land for the Group and the Bank as disclosed in Note 20 as at 31 December 2019 are RM2,048,830,000 and RM518,729,000 respectively.

22. INTANGIBLE ASSETS

Group As at 31 December 2019	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
Cost								
At 1 January 2019	7,168,703	305,089	82,742	162,144	11,141	2,262,433	464,833	10,457,085
Additions	–	–	–	–	–	100,262	238,838	339,100
Disposal of a subsidiary	–	–	–	–	–	(10,676)	–	(10,676)
Write-offs (Note 44)	–	–	–	–	–	(68)	(2,671)	(2,739)
Transferred within categories	–	–	–	–	–	288,318	(288,318)	–
Transferred from/(to) property, plant and equipment (Note 20)	–	–	–	–	–	17	(131,438)	(131,421)
Exchange differences	162,003	9,615	–	164	–	(183,715)	206	(11,727)
At 31 December 2019	7,330,706	314,704	82,742	162,308	11,141	2,456,571	281,450	10,639,622
Accumulated amortisation								
At 1 January 2019	–	305,089	75,039	160,690	–	1,576,708	–	2,117,526
Amortisation charge for the financial year (Note 44)	–	–	3,814	1,246	–	247,363	–	252,423
Disposal of a subsidiary	–	–	–	–	–	(10,676)	–	(10,676)
Write-offs (Note 44)	–	–	–	–	–	(68)	–	(68)
Transferred from property, plant and equipment (Note 20)	–	–	–	–	–	16	–	16
Exchange differences	–	9,615	5	165	–	(187,083)	–	(177,298)
At 31 December 2019	–	314,704	78,858	162,101	–	1,626,260	–	2,181,923
Accumulated impairment losses								
At 1 January 2019	1,621,232	–	–	–	–	–	–	1,621,232
Exchange differences	4	–	–	–	–	–	–	4
At 31 December 2019	1,621,236	–	–	–	–	–	–	1,621,236
Net carrying amount								
At 31 December 2019	5,709,470	–	3,884	207	11,141	830,311	281,450	6,836,463

Notes to the Financial Statements
31 December 2019

22. INTANGIBLE ASSETS (CONT'D.)

Group As at 31 December 2018	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
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 18(ix) & (x))	2,168	–	–	–	11,141	6,747	–	20,056
Write-offs (Note 44)	–	–	–	–	–	(7,015)	–	(7,015)
Transferred within categories	–	–	–	–	–	124,449	(124,449)	–
Transferred from/(to) property, plant and equipment (Note 20)	–	–	–	–	–	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 44)	–	–	5,185	10,072	–	220,814	–	236,071
Disposals	–	–	–	–	–	(18)	–	(18)
Acquisition of a subsidiary (Note 18(ix))	–	–	–	–	–	5,415	–	5,415
Write-offs (Note 44)	–	–	–	–	–	(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

22. INTANGIBLE ASSETS (CONT'D.)

Bank	Goodwill RM'000	Computer Software RM'000	Software-in-Development RM'000	Total RM'000
As at 31 December 2019				
Cost				
At 1 January 2019	**81,015**	**886,889**	**87,103**	**1,055,007**
Additions	**–**	**11,385**	**54,981**	**66,366**
Write-offs (Note 44)	**–**	**(68)**	**(2,671)**	**(2,739)**
Transferred to a subsidiary	**–**	**(28,908)**	**(12,286)**	**(41,194)**
Transferred within categories	**–**	**59,878**	**(59,878)**	**–**
Transferred from property, plant and equipment (Note 20)	**–**	**17**	**–**	**17**
Exchange differences	**–**	**(442)**	**(175)**	**(617)**
At 31 December 2019	**81,015**	**928,751**	**67,074**	**1,076,840**
Accumulated amortisation				
At 1 January 2019	**–**	**694,142**	**–**	**694,142**
Amortisation charge for the financial year (Note 44)	**–**	**49,533**	**–**	**49,533**
Write-offs (Note 44)	**–**	**(68)**	**–**	**(68)**
Transferred to a subsidiary	**–**	**(27,570)**	**–**	**(27,570)**
Transferred from property, plant and equipment (Note 20)	**–**	**16**	**–**	**16**
Exchange differences	**–**	**(348)**	**–**	**(348)**
At 31 December 2019	**–**	**715,705**	**–**	**715,705**
Net carrying amount				
At 31 December 2019	**81,015**	**213,046**	**67,074**	**361,135**
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 18 (xv))	–	(262,393)	(150,679)	(413,072)
Transferred within categories	–	103,969	(103,969)	–
Transferred to property, plant and equipment (Note 20)	–	–	(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 44)	–	76,737	–	76,737
Transferred to a subsidiary (Note 18 (xviii))	–	(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

Notes to the Financial Statements
31 December 2019

22. 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	2019 RM'000	2018 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 Etiqa Internasional Indonesia		**60,974**	60,974
Acquisition of Amanah Mutual Berhad	18(ix)	**2,168**	2,168
Exchange differences		**(642,908)**	(804,907)
		5,709,470	5,547,471

Bank	Note	2019 RM'000	2018 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 2019, 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 5.0% to 7.0% 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 7.39% per annum (2018: 7.44% 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 11.9% per annum (2018: 14.5% per annum); and

(iii) Terminal value whereby cash flow growth rate of 7.9% (2018: 6.6%).

For sensitivity analysis purposes, a 10 basis points change in the discount rate would increase or decrease the recoverable amount by RM787.0 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 RM743.0 million.

22. 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 (2018: 8.6% per annum); and

(iii) Terminal value whereby cash flow growth rate is 5.4% (2018: 5.4%), which is consistent with the average Gross Domestic Product rate of Malaysia, Singapore and Thailand, which are 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 8.7% or the discount rate increased to approximately 16.9%, 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 has been fully 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 Amanah Mutual Berhad and Singapore Unit Trusts Limited as intangible assets as they are 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 are 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.

23. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed deposits and negotiable instruments of deposits				
– One year or less	**328,019,102**	312,630,907	**122,285,418**	123,641,231
– More than one year	**8,242,826**	6,262,601	**2,159,609**	1,049,608
	336,261,928	318,893,508	**124,445,027**	124,690,839
Money market deposits	**20,769,412**	26,939,821	**20,769,412**	26,939,821
Savings deposits	**78,030,371**	72,552,819	**28,119,100**	27,308,716
Demand deposits	**109,469,201**	114,346,475	**69,424,078**	76,220,939
	544,530,912	532,732,623	**242,757,617**	255,160,315

The deposits are sourced from the following types of customers:

	Group		Bank	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Business enterprises	**230,436,071**	243,864,537	**136,645,520**	156,302,192
Individuals	**221,452,568**	208,707,696	**76,658,858**	75,316,213
Government and statutory bodies	**44,022,847**	35,291,078	**13,425,698**	8,806,390
Others	**48,619,426**	44,869,312	**16,027,541**	14,735,520
	544,530,912	532,732,623	**242,757,617**	255,160,315

23. DEPOSITS FROM CUSTOMERS (CONT'D.)

The maturity profile of fixed deposits and negotiable instruments of deposits are as follows:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Within six months	**265,335,800**	257,314,133	**102,260,693**	103,502,412
Six months to one year	**62,683,302**	55,316,774	**20,024,725**	20,138,819
One year to three years	**7,729,734**	5,821,123	**2,105,839**	984,301
Three years to five years	**513,092**	441,478	**53,770**	65,307
	336,261,928	318,893,508	**124,445,027**	124,690,839

24. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Licensed banks	**38,758,617**	39,504,617	**48,975,323**	51,341,923
Licensed finance companies	**142,861**	64,257	**142,861**	64,257
Licensed investment banks	**482,606**	98,277	**482,606**	98,277
Other financial institutions	**4,173,125**	4,183,426	**1,753,745**	1,436,290
	43,557,209	43,850,577	**51,354,535**	52,940,747

The maturity profile of deposits and placements from financial institutions are as follows:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
One year or less	**41,112,765**	41,092,831	**50,593,909**	52,405,495
More than one year	**2,444,444**	2,757,746	**760,626**	535,252
	43,557,209	43,850,577	**51,354,535**	52,940,747

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		Bank	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Structured deposits	**22,772**	1,640,430	**22,772**	1,254,743
Borrowings				
Unsecured				
Medium term notes				
– More than one year				
Denominated in:				
– USD	**6,447,653**	6,598,010	**6,447,653**	6,598,010
– RM	**60,328**	654,251	**60,328**	654,251
	6,507,981	7,252,261	**6,507,981**	7,252,261
	6,530,753	8,892,691	**6,530,753**	8,507,004

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 2019 were RM6,726,131,000 (2018: RM9,616,975,000 and RM9,231,989,000 respectively). The fair value changes of the financial liabilities at FVTPL that are attributable to the changes in own credit risk are not significant.

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONT'D.)

The movements in the borrowings are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
At 1 January	**7,252,261**	4,008,849	**7,252,261**	4,008,849
Issuance during the financial year[1]	**1,432,900**	620,775	**1,432,900**	620,775
Redemption during the financial year[1]	**(2,669,250)**	–	**(2,669,250)**	–
Non-cash changes:				
Fair value changes	**526,325**	(737,572)	**526,325**	(737,572)
Transfer[2]	**–**	3,000,594	**–**	3,000,594
Others	**17,366**	225,980	**17,366**	225,980
Exchange differences	**(51,621)**	133,635	**(51,621)**	133,635
At 31 December	**6,507,981**	7,252,261	**6,507,981**	7,252,261

[1] **Issuance/redemption of financial liabilities at FVTPL by the Bank**

The following are the issuance and redemption by the Bank under the USD15.0 billion Multicurrency Medium Term Note Programme during the financial year ended 31 December 2019.

Issuance/ Redemption	**Currency**	**Description**	**Aggregate Nominal Value (in million)**
Issuance	USD	Callable Zero Coupon Notes	350.0
Redemption	USD	Callable Zero Coupon Notes	500.0

The following is redemption by the Bank under the RM10.0 billion Senior Medium Term Note Programme during the financial year ended 31 December 2019.

Redemption	**Currency**	**Description**	**Aggregate Nominal Value (in million)**
Redemption	MYR	Callable Fixed Rate Notes	600.0

[2] During initial application of MFRS 9 on 1 January 2018, the Group and the Bank redesignated callable zero coupon notes amounting to USD660.0 million (equivalent to RM3,052.2 million) in nominal value from Borrowings to financial liabilities at FVTPL and recorded an unrealised gain amounting to RM51.6 million. Prior to the application of MFRS 9, these callable zero coupon notes were recognised as Borrowings as disclosed in Note 31.

26. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

Group	**Note**	**2019 RM'000**	**2018 RM'000**
Insurance/takaful contract liabilities	(i)	**30,218,443**	26,176,660
Other insurance payables	(ii)	**667,187**	676,442
		30,885,630	26,853,102

(i) Insurance/takaful contract liabilities

Group 2019	**Note**	**Gross contract liabilities RM'000**	**Reinsurance/ retakaful assets (Note 14) RM'000**	**Net contract liabilities RM'000**
Life insurance/family takaful	(a)	**24,258,416**	**(210,226)**	**24,048,190**
General insurance/general takaful	(b)	**5,960,027**	**(3,340,439)**	**2,619,588**
		30,218,443	**(3,550,665)**	**26,667,778**
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

Notes to the Financial Statements
31 December 2019

26. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd)

(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
2019			
Claims liabilities	**185,590**	**(42,570)**	**143,020**
Actuarial liabilities	**17,791,625**	**(167,656)**	**17,623,969**
Unallocated surplus	**4,155,943**	**–**	**4,155,943**
FVOCI reserve	**275,055**	**–**	**275,055**
Net asset value ("NAV") attributable to unitholders	**1,850,203**	**–**	**1,850,203**
	24,258,416	**(210,226)**	**24,048,190**
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

(B) Movements of life insurance/family takaful contract liabilities and reinsurance/retakaful assets

	Gross contract liabilities							
Group	Claims liabilities RM'000	Actuarial liabilities RM'000	Unallocated surplus RM'000	FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Total gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2019								
At 1 January 2019	228,328	15,186,267	3,813,477	27,900	1,523,805	20,779,777	(122,913)	20,656,864
Net earned insurance premiums	–	–	1,535,362	–	–	1,535,362	–	1,535,362
Other revenue	–	–	943,399	–	54	943,453	–	943,453
Experience/benefit variation	(16,806)	–	–	–	–	(16,806)	–	(16,806)
Benefits and claims	(20,738)	1,077,229	(972,715)	–	1,983	85,759	(36,349)	49,410
Other expenses	–	–	(389,554)	–	(6)	(389,560)	–	(389,560)
Adjustments due to changes in:								
– Discounting	–	73,474	(12,585)	–	–	60,889	(60,889)	–
– Assumptions	–	(204,291)	148,632	–	–	(55,659)	55,659	–
– Policy movements	(5,194)	1,625,682	(825,652)	–	293,001	1,087,837	(45,734)	1,042,103
Changes in FVOCI reserve	–	–	–	247,155	–	247,155	–	247,155
Taxation	–	–	(31,528)	–	–	(31,528)	–	(31,528)
Transfer to shareholders' fund	–	–	28,546	–	–	28,546	–	28,546
Surplus paid to participants	–	33,264	(53,664)	–	–	(20,400)	–	(20,400)
Net asset value attributable to unitholders	–	–	–	–	31,366	31,366	–	31,366
Transfer from participants fund	–	–	(27,775)	–	–	(27,775)	–	(27,775)
At 31 December 2019	185,590	17,791,625	4,155,943	275,055	1,850,203	24,258,416	(210,226)	24,048,190

26. 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 (cont'd.)

	Gross contract liabilities							
Group (cont'd.)	Claims liabilities RM'000	Actuarial liabilities RM'000	Unallocated surplus RM'000	FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Total gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities 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)
Surplus 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

(b) General insurance/general takaful

Group	Note	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
2019				
Claims liabilities	(A)	**4,281,164**	**(2,988,664)**	**1,292,500**
Premiums/contribution liabilities	(B)	**1,479,054**	**(352,493)**	**1,126,561**
Unallocated surplus of general takaful fund		**157,693**	**–**	**157,693**
FVOCI reserve		**42,116**	**718**	**42,834**
		5,960,027	**(3,340,439)**	**2,619,588**
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

Notes to the Financial Statements
31 December 2019

26. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(b) General insurance/general takaful (cont'd.)

(A) Claims liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2019			
At 1 January 2019	**3,889,742**	**(2,778,887)**	**1,110,855**
Claims incurred in the current accident year	**1,063,960**	**(82,537)**	**981,423**
Adjustment to claims incurred in prior accident year due to changes in assumptions	**188**	**(25)**	**163**
Other movements in claims incurred in prior accident year	**(80,087)**	**57,554**	**(22,533)**
Claims paid during the financial year	**(593,877)**	**(178,872)**	**(772,749)**
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	**(3,541)**	**667**	**(2,874)**
Exchange differences	**4,779**	**(6,564)**	**(1,785)**
At 31 December 2019	**4,281,164**	**(2,988,664)**	**1,292,500**
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 Provision of Risk Margin for Adverse Deviation ("PRAD")	(17,385)	4,256	(13,129)
Exchange differences	192	(55)	137
At 31 December 2018	3,889,742	(2,778,887)	1,110,855

(B) Premiums/contribution liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2019			
At 1 January 2019	**1,328,894**	**(383,469)**	**945,425**
Premiums/contributions written in the financial year	**3,119,733**	**(918,193)**	**2,201,540**
Premiums/contributions earned during the financial year	**(2,970,550)**	**950,334**	**(2,020,216)**
Exchange differences	**977**	**(1,165)**	**(188)**
At 31 December 2019	**1,479,054**	**(352,493)**	**1,126,561**
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

26. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(ii) Other insurance payables

Group	2019 RM'000	2018 RM'000
Due to agents and intermediaries	**174,645**	136,397
Due to reinsurers and cedants	**447,301**	492,310
Due to retakaful operators	**45,241**	47,735
	667,187	676,442

27. OTHER LIABILITIES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Amount due to brokers and clients	57	**4,231,486**	3,038,388	**–**	–
Deposits, other creditors and accruals		**8,642,439**	11,383,153	**6,601,312**	6,775,654
Defined benefit pension plans	(i)	**521,985**	474,018	**–**	–
Provisions for commitments and contingencies	(ii)	**27,880**	32,003	**27,880**	27,416
Allowances for impairment losses on loan commitments and financial guarantee contracts	(iii)	**678,232**	287,436	**618,048**	229,103
Lease liabilities	(iv)	**1,461,498**	272,311	**410,156**	–
Structured deposits		**6,006,007**	6,301,362	**295,012**	308,888
		21,569,527	21,788,671	**7,952,408**	7,341,061

(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.

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	2019 RM'000	2018 RM'000
Within the next 12 months	**32,270**	25,790
Between 1 and 5 years	**166,074**	134,788
Between 5 and 10 years	**439,765**	405,370
Beyond 10 years	**4,134,351**	3,689,764
Total expected payments	**4,772,460**	4,255,712

Notes to the Financial Statements
31 December 2019

27. OTHER LIABILITIES (CONT'D.)

(i) Defined benefit pension plans (cont'd.)

(b) Movements in net defined benefit liabilities

The following table shows a reconciliation of net defined benefit liabilities and its components:

Group As at 31 December 2019	Defined benefit obligations RM'000	Fair value of plan assets RM'000	Net defined benefit liabilities RM'000
At 1 January 2019	504,661	(30,643)	474,018
Included in income statements:			
Current service cost	56,099	–	56,099
Past service cost	5,093	–	5,093
Interest cost/(income)	38,807	(2,974)	35,833
Actuarial gain on other long-term employee benefits plans	(8,908)	–	(8,908)
	91,091	(2,974)	88,117
Included in statements of comprehensive income:			
Remeasurement (gain)/loss:			
– Actuarial (gain)/loss arising from:			
– Demographic assumptions	(1,328)	–	(1,328)
– Financial assumptions	23,361	–	23,361
– Experience adjustments	(28,114)	–	(28,114)
– Return on plan assets (excluding interest income)	–	1,176	1,176
	(6,081)	1,176	(4,905)
Others:			
Contributions paid by employers	–	(10,776)	(10,776)
Benefits paid	(45,541)	13,857	(31,684)
Disposal of a subsidiary	(4,993)	–	(4,993)
Exchange differences	14,349	(2,141)	12,208
	(36,185)	940	(35,245)
At 31 December 2019	553,486	(31,501)	521,985

27. 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 (cont'd.) As at 31 December 2018	Defined benefit obligations RM'000	Fair value of plan assets RM'000	Net defined benefit liabilities RM'000
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

(c) Plan assets

The major categories of plan assets included as part of the fair value of total plan assets are as follows:

Group	2019 RM'000	2018 RM'000
Cash and cash equivalents	**16,892**	7,243
Quoted investments in active markets:		
Equity securities:		
– Financial institutions	**7,950**	9,300
Bonds issued by foreign governments	**3,687**	8,257
Debt instruments	**1,394**	1,529
Unquoted investments:		
Debt instruments	**1,653**	1,530
Equity securities	**2,283**	4,820
Other receivables	**1,487**	3,885
Other payables	**(3,845)**	(5,921)
	31,501	30,643

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.

Notes to the Financial Statements
31 December 2019

27. 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	2019 %	2018 %
Discount rate		
– Indonesia	**7.73**	8.21
– Philippines	**4.87**	5.14
– Thailand	**1.62**	3.21
Future salary growth		
– Indonesia	**7.33**	7.50
– Philippines	**5.00**	5.33
– Thailand	**6.00**	6.00

Group	2019 Years	2018 Years
Indonesia:		
Life expectancy for individual retiring at age of 55 – 56:		
– Male	**15.55**	17.84
– Female	**16.88**	18.84
Philippines:		
Life expectancy for individual retiring at age of 60:		
– Male	**12.10**	10.50
– Female	**15.30**	10.50
Thailand:		
Life expectancy for individual retiring at age of 60:		
– Male	**11.80**	6.35
– Female	**19.30**	6.35

The average duration of the defined benefit plans obligations at the end of each reporting year are as follows:

Group	2019 Years	2018 Years
Duration of defined benefit plans obligations		
– Indonesia	**7.04**	9.29
– Philippines	**15.37**	18.09
– Thailand	**17.30**	13.60

27. OTHER LIABILITIES (CONT'D.)

(i) Defined benefit pension plans (cont'd.)

(d) Defined benefit obligations (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	Defined benefit obligations Decreased by 1% RM'000
2019		
Discount rate (1% movement)	**(40,135)**	**48,791**
Future salary growth (1% movement)	**48,348**	**(28,651)**
2018		
Discount rate (1% movement)	(29,000)	49,078
Future salary growth (1% movement)	48,779	(29,360)

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 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January	**32,003**	41,953	**27,416**	41,953
Addition	**464**	–	**464**	–
Provisions written back during the financial year	**(4,587)**	(9,950)	**–**	(14,537)
At 31 December	**27,880**	32,003	**27,880**	27,416

(iii) Movements in the allowances for impairment losses on loan commitments and financial guarantee contracts are as follows:

As at 31 December 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2019	**84,477**	**52,676**	**150,283**	**287,436**
Transferred to Stage 1	**2,620**	**(2,620)**	**–**	**–**
Transferred to Stage 2	**(4,613)**	**6,014**	**(1,401)**	**–**
Transferred to Stage 3	**(13)**	**(61)**	**74**	**–**
Net remeasurement of allowances	**13,488**	**55,709**	**333,589**	**402,786**
New financial assets originated or purchased	**23,893**	**12,047**	**–**	**35,940**
Financial assets derecognised	**(28,218)**	**(17,679)**	**(3,224)**	**(49,121)**
Changes in models/risk parameters	**(277)**	**974**	**–**	**697**
Exchange differences	**729**	**1,072**	**(1,307)**	**494**
At 31 December 2019	**92,086**	**108,132**	**478,014**	**678,232**
Bank				
At 1 January 2019	**40,038**	**43,868**	**145,197**	**229,103**
Transferred to Stage 1	**2,228**	**(2,228)**	**–**	**–**
Transferred to Stage 2	**(4,284)**	**4,284**	**–**	**–**
Transferred to Stage 3	**(14)**	**(54)**	**68**	**–**
Net remeasurement of allowances	**12,282**	**57,728**	**327,100**	**397,110**
New financial assets originated or purchased	**18,303**	**8,622**	**–**	**26,925**
Financial assets derecognised	**(19,571)**	**(12,646)**	**(2,950)**	**(35,167)**
Changes in models/risk parameters	**(242)**	**519**	**–**	**277**
Exchange differences	**(416)**	**(94)**	**310**	**(200)**
At 31 December 2019	**48,324**	**99,999**	**469,725**	**618,048**

Notes to the Financial Statements
31 December 2019

27. OTHER LIABILITIES (CONT'D.)

(iii) Movements in the allowances for impairment losses on loan commitments and financial guarantee contracts are as follows (cont'd):

As at 31 December 2018	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Group				
At 1 January 2018				
– effect of adopting MFRS 9	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)	115,653	106,527
New financial assets originated or purchased	29,707	23,756	–	53,463
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
Bank				
At 1 January 2018				
– effect of adopting MFRS 9	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)	116,695	93,466
New financial assets originated or purchased	23,059	19,868	–	42,927
Financial assets derecognised	(41,625)	(36,315)	(16,110)	(94,050)
Changes in models/risk parameters	24	–	–	24
Transfer to a 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

27. OTHER LIABILITIES (CONT'D.)

(iv) Lease liabilities

The movements in lease liabilities are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January				
– as previously stated	**272,311**	290,559	**–**	–
– effect of adopting MFRS 16 (Note 2.4(i))	**1,250,017**	–	**427,669**	–
At 1 January, as restated	**1,522,328**	290,559	**427,669**	–
New lease contracts	**179,768**	–	**70,217**	–
Modification	**79,932**	–	**(2,968)**	–
Interest expense	**66,353**	–	**16,186**	–
Lease obligation reduction/repayment	**(386,883)**	(18,248)	**(100,948)**	–
At 31 December	**1,461,498**	272,311	**410,156**	–

The undiscounted maturity analysis of lease liabilities as at 31 December 2019 are as follows:

	Group RM'000	Bank RM'000
Less than one year	**27,377**	**20,348**
Between one and five years	**739,481**	**163,190**
More than five years	**896,132**	**263,992**
	1,662,990	**447,530**

Finance lease liabilities of the Group under MFRS 117 as at 31 December 2018 were payable as follows:

Group	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
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

28. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January	**1,547,272**	1,543,501	**1,547,272**	1,543,501
Amount sold to Cagamas during the financial year	**1,543,501**	1,543,500	**1,543,501**	1,543,500
Repayment forwarded	**(1,543,500)**	(1,543,501)	**(1,543,500)**	(1,543,501)
Changes in fair value	**(21,048)**	3,772	**(21,048)**	3,772
At 31 December	**1,526,225**	1,547,272	**1,526,225**	1,547,272
Represented by:				
Sold directly to Cagamas	**1,543,501**	1,543,500	**1,543,501**	1,543,500

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.

Notes to the Financial Statements
31 December 2019

29. PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Taxation	**142,744**	352,997	**–**	79,815
Zakat	**44,317**	42,795	**–**	–
	187,061	395,792	**–**	79,815

30. DEFERRED TAX

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January				
– as previously stated	**(587,583)**	(127,239)	**(345,186)**	(315,013)
– effect of adopting MFRS 9	**–**	(94,831)	**–**	(5,886)
At 1 January, as restated	**(587,583)**	(222,070)	**(345,186)**	(320,899)
Acquisition of subsidiaries	**–**	2,414	**–**	–
Recognised in income statements:				
Tax expenses (Note 49)	**(67,263)**	(396,032)	**18,773**	(30,891)
Tax borne by insurance policyholders/takaful participants	**107,220**	10,331	**–**	–
Recognised in statements of other comprehensive income, net	**673,131**	9,638	**510,049**	5,868
Disposal of a subsidiary	**20,240**	–	**–**	–
Exchange differences	**2,819**	8,136	**1,859**	736
At 31 December	**148,564**	(587,583)	**185,495**	(345,186)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	**(729,712)**	(1,085,549)	**–**	(345,186)
Deferred tax liabilities	**878,276**	497,966	**185,495**	–
	148,564	(587,583)	**185,495**	(345,186)

Presented prior to offsetting as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	**(943,638)**	(1,065,386)	**(369,164)**	(394,406)
Deferred tax liabilities	**1,092,202**	477,803	**554,659**	49,220
	148,564	(587,583)	**185,495**	(345,186)

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.

30. DEFERRED TAX (CONT'D.)

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:

As at 31 December 2019	Impairment losses on loans, financial investments and other financial assets RM'000	FVOCI reserve and amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2019	**(159,586)**	**(22,138)**	**(558,570)**	**(325,092)**	**(1,065,386)**
Recognised in income statements:					
Tax expenses	**(111,245)**	**(160,916)**	**27,676**	**168,223**	**(76,262)**
Tax borne by insurance policyholders/takaful participants	**26**	**–**	**–**	**666**	**692**
Recognised in statements of other comprehensive income	**–**	**178,811**	**(337)**	**–**	**178,474**
Disposal of a subsidiary	**5,837**	**–**	**–**	**14,403**	**20,240**
Exchange differences	**(2,293)**	**1,153**	**1,422**	**(1,678)**	**(1,396)**
At 31 December 2019	**(267,261)**	**(3,090)**	**(529,809)**	**(143,478)**	**(943,638)**
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	(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:					
Tax expenses	(76,697)	(5,140)	(16,498)	(24,158)	(122,493)
Tax borne by insurance policyholders/takaful participants	–	–	–	(2,952)	(2,952)
Recognised in statements of other comprehensive income	–	13,624	1,426	–	15,050
Exchange differences	9,130	(829)	6,774	3,572	18,647
At 31 December 2018	(159,586)	(22,138)	(558,570)	(325,092)	(1,065,386)

Deferred tax liabilities of the Group:

As at 31 December 2019	Excess 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
At 1 January 2019	**111,140**	**37,269**	**–**	**241,555**	**87,839**	**477,803**
Recognised in income statements:						
Tax expenses	**20,798**	**160,751**	**–**	**(13,530)**	**(159,020)**	**8,999**
Tax borne by insurance policyholders/ takaful participants	**192**	**–**	**–**	**–**	**106,336**	**106,528**
Recognised in statements of other comprehensive income	**–**	**494,657**	**–**	**–**	**–**	**494,657**
Exchange differences	**(68)**	**4,228**	**–**	**–**	**55**	**4,215**
At 31 December 2019	**132,062**	**696,905**	**–**	**228,025**	**35,210**	**1,092,202**
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	–	(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 18(ix) & (x))	–	–	–	–	2,414	2,414
Recognised in income statements:						
Tax expenses	437	2,678	3,233	(273,929)	(5,958)	(273,539)
Tax borne by insurance policyholders/ takaful participants	1,742	–	–	–	11,541	13,283
Recognised in statements of other comprehensive income	–	(5,412)	–	–	–	(5,412)
Exchange differences	331	2,218	–	–	(13,060)	(10,511)
At 31 December 2018	111,140	37,269	–	241,555	87,839	477,803

30. 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:

	Impairment losses on loans, financial investments and other financial assets RM'000	FVOCI reserve RM'000	Provision for liabilities RM'000	Total RM'000
As at 31 December 2019				
At 1 January 2019	**(2,828)**	**(60,919)**	**(330,659)**	**(394,406)**
Recognised in income statements:				
Tax expenses	**(31,938)**	**–**	**28,571**	**(3,367)**
Recognised in statements of other comprehensive income	**–**	**26,750**	**–**	**26,750**
Exchange differences	**–**	**–**	**1,859**	**1,859**
At 31 December 2019	**(34,766)**	**(34,169)**	**(300,229)**	**(369,164)**
As at 31 December 2018				
At 1 January 2018				
– as previously stated	–	(38,404)	(329,533)	(367,937)
– effect of adopting MFRS 9	–	(25,292)	–	(25,292)
At 1 January 2018, as restated	–	(63,696)	(329,533)	(393,229)
Recognised in income statements:				
Tax expenses	(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)

Deferred tax liabilities of the Bank:

	Excess capital allowance RM'000	FVOCI reserve RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2019				
At 1 January 2019	**26,723**	**10,121**	**12,376**	**49,220**
Recognised in income statements:				
Tax expenses	**21,909**	**–**	**231**	**22,140**
Recognised in statements of other comprehensive income	**–**	**483,299**	**–**	**483,299**
At 31 December 2019	**48,632**	**493,420**	**12,607**	**554,659**
As at 31 December 2018				
At 1 January 2018				
– as previously stated	52,924	–	–	52,924
– effect of adopting MFRS 9	–	7,030	12,376	19,406
At 1 January 2018, as restated	52,924	7,030	12,376	72,330
Recognised in income statements:				
Tax expenses	(26,201)	–	–	(26,201)
Recognised in statements of other comprehensive income	–	3,091	–	3,091
At 31 December 2018	26,723	10,121	12,376	49,220

30. 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 have not been recognised in respect of the following items:

Group	2019 RM'000	2018 RM'000
Unutilised tax losses	**395,851**	334,055
Unabsorbed capital allowances	**33**	–
	395,884	334,055

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.

31. BORROWINGS

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured:	(a)				
(i) Borrowings					
– Less than one year					
Denominated in:					
– SGD		**237,799**	684	**–**	–
– IDR		**1,253,572**	1,123,402	**–**	–
– VND		**3,530**	12,493	**–**	–
		1,494,901	1,136,579	**–**	–
– More than one year					
Denominated in:					
– SGD		**–**	236,572	**–**	–
– IDR		**1,996,482**	1,628,153	**–**	–
		1,996,482	1,864,725	**–**	–
(ii) Medium Term Notes					
– More than one year					
Denominated in:					
– IDR		**–**	71,515	**–**	–
Total secured borrowings		**3,491,383**	3,072,819	**–**	–
Unsecured:	(b)				
(i) Borrowings					
– Less than one year					
Denominated in:					
– USD		**5,453,711**	3,159,728	**5,383,508**	2,346,972
– SGD		**1,427,935**	1,390,760	**–**	–
– THB		**1,324,965**	1,249,281	**–**	–
– HKD		**210,108**	77,913	**105,159**	–
– IDR		**867,424**	994,104	**–**	–
– VND		**50**	–	**–**	–
– INR		**–**	11,801	**–**	–
– JPY		**–**	1,733	**–**	–
– RM		**1,638,130**	411,361	**1,638,130**	411,361
		10,922,323	7,296,681	**7,126,797**	2,758,333
– More than one year					
Denominated in:					
– USD		**4,625,605**	4,862,217	**3,909,789**	4,862,217
– IDR		**690,235**	547,870	**–**	–
– JPY		**1,430**	–	**–**	–
		5,317,270	5,410,087	**3,909,789**	4,862,217

Notes to the Financial Statements
31 December 2019

31. BORROWINGS (CONT'D.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Unsecured:	(b)				
(ii) Medium Term Notes					
– Less than one year					
Denominated in:					
– USD		**806,826**	509,232	**806,826**	509,232
– HKD		**1,565,984**	641,654	**1,565,984**	641,654
– SGD		**686**	219	**686**	219
– JPY		**1,232,594**	1,879,013	**1,232,594**	1,879,013
– AUD		**–**	242,059	**–**	242,059
– CNH		**547,362**	606,377	**547,362**	606,377
– CHF		**39**	39	**39**	39
– CNY		**1,201,217**	7,292	**1,201,217**	7,292
– RM		**42,320**	100,967	**42,320**	100,967
		5,397,028	3,986,852	**5,397,028**	3,986,852
– More than one year					
Denominated in:					
– USD		**8,375,338**	4,389,228	**8,375,338**	4,389,228
– HKD		**2,543,543**	2,843,328	**2,543,543**	2,843,328
– JPY		**3,344,937**	2,503,979	**3,344,937**	2,503,979
– AUD		**390,326**	175,344	**390,326**	175,344
– CNH		**547,975**	899,073	**547,975**	899,073
– CHF		**422,386**	420,088	**422,386**	420,088
– CNY		**586,906**	602,718	**586,906**	602,718
		16,211,411	11,833,758	**16,211,411**	11,833,758
Total unsecured borrowings		**37,848,032**	28,527,378	**32,645,025**	23,441,160
Total borrowings		**41,339,415**	31,600,197	**32,645,025**	23,441,160

The movements in the borrowings are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January	**31,600,197**	34,505,618	**23,441,160**	27,106,442
Drawdown/(repayment), net	**9,748,366**	387,671	**9,377,344**	(799,087)
Non-cash changes:				
Transfers[1]	**–**	(3,052,163)	**–**	(3,052,163)
Others	**21,631**	115,295	**24,636**	48,139
Exchange differences	**(30,779)**	(356,224)	**(198,115)**	137,829
At 31 December	**41,339,415**	31,600,197	**32,645,025**	23,441,160

[1] During initial application of MFRS 9 on 1 January 2018, the Group and the Bank redesignated callable zero coupon notes amounting to USD660.0 million (equivalent to RM3,052.2 million) in nominal value to financial liabilities at fair value through profit or loss ("FVTPL") as disclosed in Note 25.

(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 100% 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;

(2) fixed deposits; and

(3) 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.

31. 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 2019:

(1) Issuance/redemption of medium term notes by the Bank

Issuance/Redemption	Currency	Description	Aggregate Nominal Value (in million)
Issuance	USD	Floating Rate Notes	1,101.0
Issuance	USD	Fixed Rate Notes	75.0
Issuance	HKD	Fixed Rate Notes	2,200.0
Issuance	CNY	Fixed Rate Notes	330.0
Issuance	JPY	Fixed Rate Notes (Samurai Bonds)	54,800.0
Issuance	CNY	Fixed Rate Notes (Panda Bonds)	2,000.0
Issuance	RM	Zero Coupon Notes	91.9
Issuance	AUD	Floating Rate Notes	50.0
Redemption	JPY	Fixed Rate Notes	50,000.0
Redemption	USD	Floating Rate Notes	70.0
Redemption	USD	Fixed Rate Notes	50.0
Redemption	AUD	Floating Rate Notes	56.0
Redemption	HKD	Fixed Rate Notes	1,014.0
Redemption	CNY	Fixed Rate Notes	980.0
Redemption	RM	Zero Coupon Notes	100.8

(2) Issuance of commercial papers by the Bank

The aggregate nominal value of the commercial papers issued by the Bank and outstanding as at 31 December 2019 are as follows:

Currency	Description	Aggregate Nominal Value (in million)
USD	Zero Coupon Notes	1,119.5
HKD	Fixed Rate Notes	200.0
RM	Zero Coupon Notes	1,612.0

(3) Issuance/redemption of bonds by PT Bank Maybank Indonesia Tbk and its subsidiaries

Issuance/Redemption	Currency	Description	Aggregate Nominal Value (in million)
Issuance	IDR	Fixed Rate Notes	4,315,500.0
Redemption	IDR	Fixed Rate Notes	3,588,500.0
Redemption	IDR	Sukuk Mudharabah	700,000.0

Notes to the Financial Statements
31 December 2019

31. 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 2019 (cont'd.):

(4) Issuance of Islamic commercial papers by Maybank Islamic Berhad

The aggregate nominal value of the Islamic commercial papers ("ICP") issued by Maybank Islamic Berhad and outstanding as at 31 December 2019 are as follows:

Currency	Description	Aggregate Nominal Value (in million)
RM	Zero Profit ICP	8,000.0

32. SUBORDINATED OBLIGATIONS

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
RM2,100.0 million subordinated notes due in 2024	(i)	**–**	2,112,226	**–**	2,112,226
RM1,600.0 million subordinated notes due in 2024	(ii)	**–**	1,633,293	**–**	1,633,293
RM2,200.0 million subordinated notes due in 2025	(iii)	**2,221,265**	2,221,855	**2,221,265**	2,221,855
RM1,100.0 million subordinated notes due in 2025	(iv)	**1,109,451**	1,109,253	**1,109,451**	1,109,253
USD500.0 million subordinated notes due in 2026	(v)	**2,059,101**	2,080,683	**2,059,101**	2,080,683
RM2,000.0 million subordinated notes due in 2029	(vi)	**2,035,907**	–	**2,035,907**	–
RM1,700.0 million subordinated notes due in 2031	(vii)	**1,731,092**	–	**1,731,092**	–
RM300.0 million subordinated sukuk due in 2024	(viii)	**–**	301,189	**–**	–
IDR1.0 trillion BMI subordinated bond due in 2019	(ix)	**–**	290,556	**–**	–
IDR1.5 trillion BMI subordinated bonds due in 2021	(x)	**66,552**	64,468	**–**	–
IDR800.0 billion BMI subordinated bonds due in 2023	(xi)	**97,757**	94,722	**–**	–
RM1,500.0 million subordinated sukuk due in 2024	(xii)	**–**	808,760	**–**	–
		9,321,125	10,717,005	**9,156,816**	9,157,310

The movements in the subordinated obligations are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	**10,717,005**	11,979,323	**9,157,310**	9,362,526
Issuance during the financial year	**3,700,000**	–	**3,700,000**	–
Redemption during the financial year	**(5,095,222)**	(1,317,412)	**(3,700,000)**	(250,000)
Non-cash changes:				
Others	**7,611**	(11,137)	**21,756**	(385)
Exchange differences	**(8,269)**	66,231	**(22,250)**	45,169
At 31 December	**9,321,125**	10,717,005	**9,156,816**	9,157,310

32. SUBORDINATED OBLIGATIONS (CONT'D.)

Note	Description	Issue date	First call date	Maturity date	Coupon/Profit rate (% p.a.)	Nominal value
	Malayan Banking Berhad					
	RM20.0 billion Subordinated Note Programme					
(i)	RM Subordinated notes[1]	10-May-12	10-May-19	10-May-24	4.25	RM2,100.0 million
(ii)	RM Subordinated notes[1]	29-Jan-14	29-Jan-19	29-Jan-24	4.90	RM1,600.0 million
(iii)	RM Subordinated notes[2, 4]	19-Oct-15	19-Oct-20	17-Oct-25	4.90	RM2,200.0 million
(iv)	RM Subordinated notes[2, 4]	27-Oct-15	27-Oct-20	27-Oct-25	4.90	RM1,100.0 million
	USD15.0 billion Multicurrency MTN Programme					
(v)	USD Subordinated notes[3, 4]	29-Apr-16	29-Oct-21	29-Oct-26	3.905	USD500.0 million
	RM10.0 billion Sukuk Programme					
(vi)	RM Subordinated Sukuk Murabahah[2, 4]	31-Jan-19	31-Jan-24	31-Jan-29	4.63	RM2,000.0 million
(vii)	RM Subordinated Sukuk Murabahah[2, 4]	31-Jan-19	30-Jan-26	31-Jan-31	4.71	RM1,700.0 million
	Etiqa Family Takaful Berhad					
(viii)	RM Subordinated Sukuk Musyarakah[1]	30-May-14	30-May-19	30-May-24	4.52	RM300.0 million
	PT Bank Maybank Indonesia Tbk					
(ix)	Shelf Subordinated Bonds I Bank BII Year 2012 – Tranche II[5]	31-Oct-12	–	31-Oct-19	9.25	IDR1,000.0 billion
(x)	Shelf Subordinated Bonds II Bank BII Year 2014 – Tranche I	8-Jul-14	–	8-Jul-21	11.35	IDR1,500.0 billion
(xi)	Shelf Subordinated Bonds II Bank Maybank Indonesia Year 2016 – Tranche II	10-Jun-16	–	10-Jun-23	9.625	IDR800.0 billion
	Maybank Islamic Berhad					
	RM10.0 billion Subordinated Sukuk Murabahah Programme					
(xii)	RM Subordinated Sukuk Murabahah[1]	7-Apr-14	5-Apr-19	5-Apr-24	4.75	RM1,500.0 million

[1] These subordinated notes/sukuk were fully redeemed on the respective first call dates.

[2] The Bank may, subject to the prior consent of BNM, redeem these subordinated notes/sukuk, in whole or in part on the first call date and on each interest/profit payment date thereafter.

[3] 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 decide 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.

[4] These subordinated notes/sukuk are Basel III-compliant.

[5] These subordinated notes 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.

Notes to the Financial Statements
31 December 2019

33. CAPITAL SECURITIES

Description	Issue date	First call date	Maturity date	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Malayan Banking Berhad							
RM10.0 billion Sukuk Programme							
RM1,240 million 4.08% AT1 Sukuk Mudharabah[1]	25-Sep-19	25-Sep-24	Perpetual	**1,249,825**	–	**1,249,825**	–
RM1,560 million 4.13% AT1 Sukuk Mudharabah[1]	25-Sep-19	25-Sep-26	Perpetual	**1,577,298**	–	**1,577,298**	–
RM10.0 billion Additional Tier 1 Capital Securities ("AT1CS") Programme							
RM3,500 million 5.30% AT1CS[2]	10-Sep-14	10-Sep-19	Perpetual	**–**	3,557,429	**–**	3,557,429
Less: Transaction costs				**–**	(26,400)	**–**	(26,400)
				2,827,123	3,531,029	**2,827,123**	3,531,029

[1] The Bank may, subject to the prior consent of BNM, redeem the AT1 Sukuk Mudharabah, in whole or in part, on the first call date and on every periodic distribution date thereafter. These AT1 Sukuk Mudharabah are Basel III-compliant.

[2] On 10 September 2019, the Bank had fully redeemed the entire outstanding amount of the AT1CS of RM3,500.0 million in nominal value.

The movements in capital securities are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January	**3,531,029**	6,284,180	**3,531,029**	6,284,180
Issuance during the financial year	**2,800,000**	–	**2,800,000**	–
Redemption during the financial year	**(3,500,000)**	(2,744,404)	**(3,500,000)**	(2,744,404)
Non-cash changes:				
Others	**(3,906)**	(8,747)	**(3,906)**	(8,747)
At 31 December	**2,827,123**	3,531,029	**2,827,123**	3,531,029

34. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST

Group and Bank	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid ordinary shares:				
At 1 January	**11,049,683**	10,782,745	**46,747,442**	44,250,380
Shares issued under the:				
– Dividend Reinvestment Plan ("DRP") issued on:				
– 7 June 2019	**191,679**	–	**1,532,913**	–
– 30 October 2018	**–**	104,487	**–**	918,685
– Maybank Group Employees' Share Scheme ("ESS"):				
– Employee Share Option Scheme ("ESOS")	**–**	158,063	**–**	1,532,436
– Restricted Share Unit ("RSU")	**–**	4,388	**–**	45,941
At 31 December	**11,241,362**	11,049,683	**48,280,355**	46,747,442

34. 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 2019, the Bank increased its share capital from RM46,747,441,623 to RM48,280,355,135 via issuance of 191,678,908 new ordinary shares amounting to RM1,532,913,512 arising from the DRP relating to electable portion of the final dividend of 17 sen per ordinary share in respect of the financial year ended 31 December 2018, as disclosed in Note 53(c)(i).

(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 ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and 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 scheme was awarded to the participating Maybank Group employees who fulfill the eligibility criteria.

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.

34. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP") (cont'd.)

(i) Details of ESGP Shares awarded

All the ESGP awarded by the Bank were allocated to eligible Senior Management of the Group and of the Bank. Details of shares awarded under the ESGP Shares are as follows:

Award date	Fair value RM	Number of ESGP Shares awarded '000	Vesting date
14.12.2018 – First Grant	7.0235	12,392	Based on 3-year cliff vesting from grant date and performance metrics
30.09.2019 – Second Grant	6.6510	13,118	

The following table illustrates the number of, and movements in, ESGP Shares during the financial year ended 31 December 2019:

Award date	Outstanding as at 1.1.2019 '000	Movements during the financial year Awarded '000	Movements during the financial year Forfeited '000	Outstanding as at 31.12.2019 '000
14.12.2018 – First Grant	**12,392**	**–**	**(681)**	**11,711**
30.09.2019 – Second Grant	**–**	**13,118**	**(174)**	**12,944**
	12,392	**13,118**	**(855)**	**24,655**

(ii) Fair value of ESGP Shares awarded

The fair value of ESGP Shares awarded was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the ESGP Shares were awarded. The fair value of ESGP Shares measured, closing share price at grant date and the assumptions were as follows:

	Award date 14.12.2018 First Grant	Award date 30.09.2019 Second Grant
Fair value of ESGP Shares (RM)	7.0235	6.6510
Closing share price at award date (RM)	9.37	8.51
Expected volatility (%)	14.0	13.4
Vesting period (years)	3	3
Risk free rate (%)	3.65	3.15
Expected dividend yield (%)	6.17	7.03

(iii) Details of CESGP awarded

All the CESGP awarded by the Bank were allocated to eligible Senior Management of the Group and the Bank. Details of the CESGP awarded are as follows:

Award date	Fair value RM	Number of CESGP shares awarded '000	Vesting date
14.12.2018 – First Grant	7.0235	3,324	Based on 3-year cliff vesting from grant date and CESGP vesting conditions
30.09.2019 – Second Grant	6.6510	4,226	

The following table illustrates the number of, and movements in, CESGP during the financial year ended 31 December 2019:

Award date	Outstanding as at 1.1.2019 '000	Movements during the financial year Awarded '000	Movements during the financial year Forfeited '000	Outstanding as at 31.12.2019 '000
14.12.2018 – First Grant	**3,324**	**–**	**(217)**	**3,107**
30.09.2019 – Second Grant	**–**	**4,226**	**(8)**	**4,218**
	3,324	**4,226**	**(225)**	**7,325**

34. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP") (cont'd.)

(iv) Fair value of CESGP awarded

The fair value of CESGP awarded was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the CESGP were awarded. The fair value of CESGP measured, closing share price at grant date and the assumptions were as follows:

	Award date	
	14.12.2018 First Grant	**30.09.2019 Second Grant**
Fair value of CESGP (RM)	7.0235	**6.6510**
Closing share price at award date (RM)	9.37	**8.51**
Expected volatility (%)	14	**13.4**
Vesting period (years)	3	**3**
Risk free rate (%)	3.65	**3.15**
Expected dividend yield (%)	6.17	**7.03**

(d) Shares held-in-trust

Shares held-in-trust records the issuance of the Maybank ordinary shares for vesting of ESGP Shares. Upon vesting of the ESGP Shares, an appointed trustee will subscribe to the new ordinary shares issued by Maybank and vest the shares to the eligible employees. Pending vesting of the shares to the eligible employees, the shares will be recorded as shares held-in-trust. In the previous financial years, shares held-in-trust were the shares issued under the ESOS Trust Funding Unit ("ETF") mechanism for the employees' share scheme.

35. 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 As at 31 December 2019	***Non-Distributable* Non-DPF Unallocated Surplus RM'000**	***Distributable* Retained Profits RM'000**	**Total Retained Profits RM'000**
At 1 January 2019	**637,141**	**25,348,442**	**25,985,583**
Profit for the financial year	**129,096**	**8,068,978**	**8,198,074**
Total comprehensive income for the financial year	**129,096**	**8,068,978**	**8,198,074**
Transfer from non-par surplus upon recommendation by the Appointed Actuary	**(230,066)**	**230,066**	**–**
Net gain on disposal of financial investments at fair value through other comprehensive income	**–**	**10,344**	**10,344**
Transfer to statutory reserve	**–**	**(40,346)**	**(40,346)**
Transfer to regulatory reserve	**–**	**(644,516)**	**(644,516)**
Dividends (Note 53)	**–**	**(6,346,240)**	**(6,346,240)**
Total transactions with shareholders/other equity movements	**(230,066)**	**(6,790,692)**	**(7,020,758)**
At 31 December 2019	**536,171**	**26,626,728**	**27,162,899**

35. 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 2018	*Non-Distributable* Non-DPF Unallocated Surplus RM'000	*Distributable* Retained Profits RM'000	Total Retained Profits RM'000
At 1 January 2018			
– as previously stated	1,221,933	24,046,810	25,268,743
– effect of adopting MFRS 9	–	(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	108,667	8,004,593	8,113,260
Total comprehensive income for the financial year	108,667	8,004,593	8,113,260
Transfer from non-par surplus upon recommendation by the Appointed Actuary	(693,459)	693,459	–
Net gain on disposal of financial investments at fair value through other comprehensive income	–	18,337	18,337
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")	–	(13,666)	(13,666)
Shares vested under RSU and Supplemental Restricted Share Unit ("SRSU")	–	(102)	(102)
Dividends (Note 53)	–	(6,234,092)	(6,234,092)
Total transactions with shareholders/other equity movements	(693,459)	(5,605,353)	(6,298,812)
At 31 December 2018	637,141	25,348,442	25,985,583

(b) The Bank's retained profits

The retained profits of the Bank as at 31 December 2019 and 31 December 2018 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.

36. RESERVES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Non-distributable:					
Statutory reserve	(a)	**279,355**	239,009	**59,502**	53,032
Regulatory reserve	(b)	**2,771,806**	2,127,290	**1,894,921**	1,778,997
Other reserves	(c)	**(333,649)**	(339,752)	**(345)**	–
FVOCI reserve	2.3(v)(b)(2)	**2,973,151**	457,045	**2,260,271**	279,332
Exchange fluctuation reserve	2.3(xviii)(c)	**399,826**	113,510	**2,308,456**	2,328,702
ESGP reserve	2.3(xxv)(e)	**37,195**	–	**37,195**	–
		6,127,684	2,597,102	**6,560,000**	4,440,063

(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 27 September 2019.

36. RESERVES (CONT'D.)

(c) Other reserves

Group As at 31 December 2019	Capital Reserve (Note 36(c)(i)) RM'000	Revaluation Reserve (Note 36(c)(ii)) RM'000	Defined Benefit Reserve RM'000	Hedge Reserve (Note 13) RM'000	Total Other Reserves RM'000
At 1 January 2019	**13,557**	**(2,712)**	**16,503**	**(367,100)**	**(339,752)**
Other comprehensive income	**687**	**–**	**4,638**	**778**	**6,103**
Defined benefit plan actuarial gain	**–**	**–**	**4,638**	**–**	**4,638**
Net gain on net investment hedge	**–**	**–**	**–**	**1,556**	**1,556**
Net loss on cash flow hedge	**–**	**–**	**–**	**(433)**	**(433)**
Net loss on fair value hedge	**–**	**–**	**–**	**(345)**	**(345)**
Net gain on capital reserve	**687**	**–**	**–**	**–**	**687**
Total comprehensive income for the financial year	**687**	**–**	**4,638**	**778**	**6,103**
At 31 December 2019	**14,244**	**(2,712)**	**21,141**	**(366,322)**	**(333,649)**

Group As at 31 December 2018	Capital Reserve (Note 36(c)(i)) RM'000	Revaluation Reserve (Note 36(c)(ii)) RM'000	Defined Benefit Reserve RM'000	Hedge Reserve (Note 13) 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)

(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.

Notes to the Financial Statements
31 December 2019

37. OPERATING REVENUE

The Group operating revenue comprises of 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.

The Bank operating revenue comprises of gross interest income, gross fee and gross commission income, investment income, gross dividends and other income derived from banking and finance operations.

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Interest income	38	**24,108,254**	23,193,671	**16,099,189**	17,467,504
Income derived from investment of depositors' funds	65(b)	**9,538,085**	8,831,808	**–**	–
Income derived from investment of investment account funds	65(b)	**1,051,729**	1,099,068	**–**	–
Income derived from investment of Islamic Banking Funds	65(b)	**500,831**	511,559	**–**	–
Net earned insurance premiums	40	**6,760,618**	5,933,563	**–**	–
Dividends from subsidiaries and associates	41	**–**	–	**3,648,227**	2,393,819
Other operating income	42	**7,276,998**	4,951,022	**3,875,737**	4,098,618
Excluding non-operating revenue which comprises the following items:					
– Interest expense on derivatives*		**3,452,571**	2,810,972	**3,240,919**	2,804,631
– Direct costs on brokerage and commission income		**180,978**	166,719	**–**	–
– (Gain)/loss on disposal/change in structure of deemed controlled structured entities	42	**(67,700)**	15,409	**(7,751)**	27,902
– Loss on disposal/liquidation of subsidiaries	42	**158,531**	2,781	**113,470**	–
– (Gain)/loss on liquidation/dilution of interest in associates	42	**(1,163)**	(896)	**2,193**	–
– Rental income	42	**(37,147)**	(45,467)	**(29,780)**	(36,913)
– Gain on disposal of property, plant and equipment	42	**(6,213)**	(70,596)	**(2,203)**	(61,117)
– Gain on sale and leaseback transaction	42	**(1,540)**	–	**(1,540)**	–
– Fair value adjustments on investment properties	42	**(22,781)**	(32,025)	**–**	–
– Other non-operating income	42	**(47,087)**	(47,735)	**(32,316)**	(13,548)
		10,885,447	7,750,184	**7,158,729**	6,819,573
		52,844,964	47,319,853	**26,906,145**	26,680,896

* Interest expense on derivatives forms part of the "realised gain on derivatives" as disclosed in Note 42.

38. INTEREST INCOME

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Loans, advances and financing	**17,476,614**	16,902,847	**10,618,598**	12,231,807
Money at call and deposits and placements with financial institutions	**779,954**	804,384	**1,064,615**	907,081
Financial assets purchased under resale agreements	**176,386**	169,991	**81,715**	112,556
Financial assets at FVTPL	**1,098,729**	1,081,791	**311,220**	262,529
Financial investments at FVOCI	**3,451,771**	3,208,682	**2,672,269**	2,771,555
Financial investments at amortised cost	**974,453**	762,608	**967,190**	822,863
	23,957,907	22,930,303	**15,715,607**	17,108,391
Accretion of discounts, net	**150,347**	263,368	**383,582**	359,113
	24,108,254	23,193,671	**16,099,189**	17,467,504

Included in interest income for the current financial year was interest on impaired assets amounting to approximately RM414,032,000 (2018: RM387,346,000) for the Group and RM290,158,000 (2018: RM273,634,000) for the Bank.

38. 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:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets modified during the financial year				
Amortised cost before modification	**1,833,846**	176,049	**702,932**	133,040
Modification gain	**15,777**	3,492	**10,425**	2,803
Amortised cost after modification	**1,849,623**	179,541	**713,357**	135,843
Financial assets modified since initial recognition				
Gross carrying amount at 31 December of financial assets for which loss allowance has changed to 12-month measurement during the financial year	**162,388**	104,666	**119,431**	21,646

39. INTEREST EXPENSE

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements from financial institutions	**1,121,914**	1,180,629	**1,323,778**	1,146,577
Deposits from customers	**8,083,741**	7,255,369	**4,868,513**	5,500,634
Loans sold to Cagamas	**64,750**	64,750	**64,750**	64,750
Obligations on financial assets sold under repurchase agreements	**204,758**	176,634	**326,121**	193,157
Borrowings	**1,347,241**	1,060,928	**783,486**	548,916
Subordinated notes	**536,374**	547,594	**440,834**	419,339
Subordinated bonds	**5,535**	24,091	**–**	–
Capital securities	**184,560**	342,493	**184,560**	342,490
Structured deposits	**146,992**	127,817	**10,638**	107,236
Financial liabilities at fair value through profit or loss	**317,384**	340,460	**317,384**	340,460
	12,013,249	11,120,765	**8,320,064**	8,663,559

40. NET EARNED INSURANCE PREMIUMS

Group	2019 RM'000	2018 RM'000
Gross earned premiums	**7,872,317**	7,067,209
Premiums ceded to reinsurers	**(1,111,699)**	(1,133,646)
	6,760,618	5,933,563

41. DIVIDENDS FROM SUBSIDIARIES AND ASSOCIATES

Bank	2019 RM'000	2018 RM'000
Gross dividend income from:		
Subsidiaries	**3,647,538**	2,393,421
Associates	**689**	398
	3,648,227	2,393,819

Notes to the Financial Statements
31 December 2019

42. OTHER OPERATING INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fee income:				
Commission	**1,391,600**	1,332,486	**950,740**	1,160,457
Service charges and fees	**1,386,797**	1,375,602	**902,687**	1,020,233
Underwriting fees	**57,085**	38,984	**21,720**	15,825
Brokerage income	**309,037**	397,870	**–**	–
Fees on loans, advances and financing	**225,703**	212,601	**127,162**	130,093
	3,370,222	3,357,543	**2,002,309**	2,326,608
Investment income:				
Net gain/(loss) on disposal of financial assets at FVTPL				
– Designated upon initial recognition	**157,351**	28,001	**–**	–
– Financial investments at FVTPL	**380,898**	(430,855)	**259,162**	82,456
Net gain/(loss) on disposal of financial investments at FVOCI	**1,138,298**	(13,331)	**1,056,482**	11,018
Net gain on redemption of financial investments at amortised cost	**48**	1,777	**48**	1,777
Net gain/(loss) on disposal/change in structure of deemed controlled structured entities	**67,700**	(15,409)	**7,751**	(27,902)
Net loss on disposal/liquidation of subsidiaries	**(158,531)**	(2,781)	**(113,470)**	–
Net gain/(loss) on liquidation/dilution of interest in associates	**1,163**	896	**(2,193)**	–
	1,586,927	(431,702)	**1,207,780**	67,349
Gross dividends income from:				
Financial investments at FVOCI				
– Quoted in Malaysia	**12,888**	22,400	**1,166**	1,166
– Unquoted in Malaysia	**1,378**	580	**1,171**	345
– Quoted outside Malaysia	**4,803**	19,695	**–**	–
– Unquoted outside Malaysia	**31**	–	**–**	–
	19,100	42,675	**2,337**	1,511
Financial assets at FVTPL				
– Quoted in Malaysia	**45,634**	57,199	**–**	25
– Quoted outside Malaysia	**25,844**	8,606	**–**	–
– Unquoted in Malaysia	**7,937**	5,034	**4,256**	4,256
	79,415	70,839	**4,256**	4,281
	98,515	113,514	**6,593**	5,792
Unrealised gain/(loss) on revaluation of:				
Financial assets designated upon initial recognition at FVTPL	**978,010**	82,035	**–**	–
Financial investments at FVTPL	**404,153**	(319,501)	**52,261**	25,664
Financial liabilities at FVTPL	**(529,607)**	709,918	**(529,607)**	709,918
Derivatives	**145,715**	(148,607)	**178,380**	(209,827)
Loans, advances and financing	**(10,573)**	9,943	**(10,573)**	9,943
	987,698	333,788	**(309,539)**	535,698
Other income:				
Foreign exchange gain, net	**732,581**	842,311	**650,042**	837,330
Realised gain on derivatives	**354,500**	369,087	**499,224**	210,205
Realised loss on financial liabilities at FVTPL	**(283,118)**	–	**(283,118)**	–
Rental income	**37,147**	45,467	**29,780**	36,913
Gain on disposal of property, plant and equipment	**6,213**	70,596	**2,203**	61,117
Gain on sale and leaseback transaction	**1,540**	–	**1,540**	–
Gain/(loss) on disposal of foreclosed properties	**18,001**	(8,702)	**–**	–
Fair value adjustments on investment properties (Note 16)	**22,781**	32,025	**–**	–
Other operating income	**296,904**	179,360	**36,607**	4,058
Other non-operating income	**47,087**	47,735	**32,316**	13,548
	1,233,636	1,577,879	**968,594**	1,163,171
Total other operating income	**7,276,998**	4,951,022	**3,875,737**	4,098,618

43. NET INSURANCE BENEFITS AND CLAIMS INCURRED, NET FEE AND COMMISSION EXPENSES, CHANGE IN EXPENSE LIABILITIES AND TAXATION OF LIFE AND TAKAFUL FUND

Group	2019 RM'000	2018 RM'000
Gross benefits and claims paid	**4,173,899**	3,584,747
Claims ceded to reinsurers	**(641,415)**	(485,839)
Gross change to contract liabilities	**3,727,700**	1,502,083
Change in contract liabilities ceded to reinsurers	**(335,004)**	(27,980)
Net insurance benefits and claims incurred	**6,925,180**	4,573,011
Net fee and commission expenses	**300,989**	239,820
Change in expense liabilities	**32,497**	89,073
Taxation of life and takaful fund	**112,652**	5,625
Net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**446,138**	334,518
	7,371,318	4,907,529

44. OVERHEAD EXPENSES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel expenses				
Salaries, allowances and bonuses	**5,008,059**	4,938,739	**2,592,327**	3,038,161
Social security cost	**44,627**	40,489	**22,487**	21,209
Pension costs – defined contribution plan	**596,328**	595,443	**388,039**	449,330
ESGP/ESS expenses[1]	**43,290**	3,946	**25,762**	2,426
Other staff related expenses	**932,733**	870,907	**549,059**	500,853
	6,625,037	6,449,524	**3,577,674**	4,011,979
Establishment costs				
Depreciation of property, plant and equipment (Note 20)	**297,231**	400,991	**116,073**	160,150
Depreciation of right-of-use assets (Note 21)	**389,273**	–	**108,371**	–
Amortisation of agency force (Note 22)	**3,814**	5,185	**–**	–
Amortisation of customer relationship (Note 22)	**1,246**	10,072	**–**	–
Amortisation of computer software (Note 22)	**247,363**	220,814	**49,533**	76,737
Rental of leasehold land and premises	**72,993**	347,060	**15,342**	137,926
Repairs and maintenance of property, plant and equipment	**174,570**	166,277	**89,586**	97,570
Information technology expenses	**604,387**	647,084	**833,131**	861,986
Finance cost on lease liabilities	**66,353**	–	**16,186**	–
Others	**48,502**	47,689	**3,127**	8,861
	1,905,732	1,845,172	**1,231,349**	1,343,230
Marketing expenses				
Advertisement and publicity	**197,835**	209,560	**83,784**	111,950
Others	**398,878**	333,238	**232,006**	223,306
	596,713	542,798	**315,790**	335,256

Notes to the Financial Statements
31 December 2019

44. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Administration and general expenses				
Fees and brokerage	**1,043,203**	1,011,899	**661,545**	684,400
Administrative expenses	**602,471**	575,519	**199,861**	248,355
General expenses	**769,669**	805,026	**272,403**	354,079
Others	**19,114**	15,754	**11,428**	10,756
	2,434,457	2,408,198	**1,145,237**	1,297,590
Overhead expenses allocated to subsidiaries	**–**	–	**(1,249,465)**	(1,182,344)
Total overhead expenses	**11,561,939**	11,245,692	**5,020,585**	5,805,711
Cost to income ratio[2]	**46.7%**	47.5%	**32.8%**	38.0%
Included in overhead expenses are:				
Directors' fees and remuneration (Note 45)	**19,815**	18,636	**15,756**	14,365
Rental of equipment	**69,359**	93,047	**5,735**	16,943
Direct operating expenses of investment properties	**5,617**	4,384	**–**	–
Auditors' remuneration:				
Statutory audit:	**20,571**	22,403	**9,815**	11,998
– Ernst & Young PLT	**9,088**	10,874	**6,044**	8,035
– Other member firms of Ernst & Young Global	**11,041**	11,047	**3,509**	3,705
– Other auditors[3]	**442**	482	**262**	258
Assurance and compliance related services:				
– Reporting accountants, review engagements and regulatory-related services	**6,720**	11,164	**4,278**	8,832
Non-audit services:				
– Other services	**3,562**	5,793	**1,691**	5,317
Employee benefit expenses (Note 27(i)(b))	**88,117**	83,219	**–**	–
Property, plant and equipment written-off (Note 20)	**285**	2,345	**207**	2,269
Intangible assets written-off (Note 22)	**2,671**	1,131	**2,671**	–
Impairment of investment properties (Note 16)	**–**	108	**–**	–
Impairment of property, plant and equipment (Note 20)	**–**	(45)	**–**	–
Expenses of short-term leases	**50,024**	–	**12,041**	–
Expenses of low value assets	**40,706**	–	**39,196**	–

[1] ESGP/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 RM37,195,000 and RM23,335,000 (2018: RM3,946,000 and RM2,426,000) 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 RM5,060,000 (2018: RM15,257,000). Income refers to 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 PLT and other members of Ernst & Young Global.

45. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Bank:				
Executive directors:				
Salary	**2,760**	2,640	**2,760**	2,640
Bonus	**2,587**	3,300	**2,587**	3,300
Pension cost – defined contribution plan	**993**	953	**993**	953
ESGP/ESS expenses	**869**	97	**869**	97
Other remuneration	**1,150**	291	**1,150**	291
Estimated monetary value of benefits-in-kind	**75**	39	**75**	39
	8,434	7,320	**8,434**	7,320
Non-executive directors:				
Fees	**8,313**	8,632	**4,877**	4,801
Other remuneration	**3,143**	2,723	**2,520**	2,283
Estimated monetary value of benefits-in-kind	**401**	154	**236**	144
	11,857	11,509	**7,633**	7,228
Sub-total for directors of the Bank	**20,291**	18,829	**16,067**	14,548
Indemnity given to or insurance effected for any directors	**1,108**	1,160	**1,032**	1,074
Total (including benefits-in-kind and indemnity given to or insurance effected for any directors) (Note 50(a)(iii))	**21,399**	19,989	**17,099**	15,622
Total (excluding benefits-in-kind and indemnity given to or insurance effected for any directors) (Note 44)	**19,815**	18,636	**15,756**	14,365

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.

The remuneration attributable to the Group President & Chief Executive Officer of the Bank including benefits-in-kind during the financial year amounted to RM8,434,000 (2018: RM7,320,000).

The total remuneration (including benefits-in-kind) of the directors of the Group and of the Bank are as follows:

	Group				Bank			
2019	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
Executive director:								
Datuk Abdul Farid bin Alias	**–**	**8,359**	**75**	**8,434**	**–**	**8,359**	**75**	**8,434**
Non-executive directors:								
Datuk Mohaiyani binti Shamsudin	**1,083**	**648**	**67**	**1,798**	**610**	**610**	**67**	**1,287**
Datuk R. Karunakaran	**1,246**	**284**	**69**	**1,599**	**490**	**152**	**45**	**687**
Mr Cheng Kee Check	**610**	**256**	**2**	**868**	**505**	**244**	**2**	**751**
Mr Edwin Gerungan	**1,040**	**268**	**169**	**1,477**	**460**	**218**	**43**	**721**
Dr Hasnita binti Dato' Hashim	**642**	**178**	**10**	**830**	**396**	**144**	**10**	**550**
Mr Anthony Brent Elam	**863**	**453**	**7**	**1,323**	**460**	**264**	**7**	**731**
Ms Che Zakiah binti Che Din	**725**	**283**	**1**	**1,009**	**460**	**212**	**1**	**673**
Ms Fauziah binti Hisham	**670**	**216**	**7**	**893**	**475**	**208**	**7**	**690**
Mr Shariffuddin bin Khalid	**633**	**235**	**13**	**881**	**432**	**196**	**13**	**641**
Dato' Idris bin Kechot[1]	**266**	**120**	**1**	**387**	**248**	**116**	**1**	**365**
Dato' Zulkiflee Abbas bin Abdul Hamid[2]	**268**	**104**	**8**	**380**	**154**	**84**	**1**	**239**
Mr Nor Hizam bin Hashim[3]	**267**	**98**	**47**	**412**	**187**	**72**	**39**	**298**
	8,313	**3,143**	**401**	**11,857**	**4,877**	**2,520**	**236**	**7,633**
Total directors' remuneration	**8,313**	**11,502**	**476**	**20,291**	**4,877**	**10,879**	**311**	**16,067**

* Includes bonus, pension cost, ESGP expenses, allowances, social allowances, long term cash award, leave passage and reimbursements.
[1] Appointed on 15 May 2019.
[2] Appointed on 15 August 2019.
[3] Retired on 12 June 2019.

Notes to the Financial Statements
31 December 2019

45. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Group and of the Bank are as follows (cont'd.):

2018	Group Fees RM'000	Group Salary and/ or other emoluments* RM'000	Group Benefits-in-kind RM'000	Group Total RM'000	Bank Fees RM'000	Bank Salary and/ or other emoluments* RM'000	Bank Benefits-in-kind RM'000	Bank Total RM'000
Executive director:								
Datuk Abdul Farid bin Alias	–	7,281	39	7,320	–	7,281	39	7,320
Non-executive directors:								
Datuk Mohaiyani binti Shamsudin	1,061	648	44	1,753	610	611	44	1,265
Dato' Johan bin Ariffin[1]	1,039	134	54	1,227	102	11	44	157
Datuk R. Karunakaran	1,371	218	9	1,598	507	132	9	648
Mr Cheng Kee Check	629	244	5	878	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	689	248	5	942	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]	214	–	–	214	32	–	–	32
	8,632	2,723	154	11,509	4,801	2,283	144	7,228
Total directors' remuneration	8,632	10,004	193	18,829	4,801	9,564	183	14,548

* Includes bonus, pension cost, ESS expenses, allowances, social allowances, leave passage and reimbursements.
[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.

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(Writeback of)/allowances for impairment losses on loans, advances and financing:				
– Stage 1 – 12-month ECL, net	**(765,539)**	(604,120)	**(295,560)**	(430,828)
– Stage 2 – Lifetime ECL not credit impaired, net	**(259,009)**	293,552	**(20,253)**	(117,183)
– Stage 3 – Lifetime ECL credit impaired, net	**3,634,615**	2,185,547	**2,311,494**	1,419,827
	2,610,067	1,874,979	**1,995,681**	871,816
Bad debts and financing:				
– Written-off	**97,320**	104,806	**58,698**	79,669
– Recovered	**(430,120)**	(388,635)	**(191,672)**	(222,065)
Net	**(332,800)**	(283,829)	**(132,974)**	(142,396)
Allowances for impairment losses on other debts	**10,223**	106	**12,636**	391
	2,287,490	1,591,256	**1,875,343**	729,811

47. (WRITEBACK OF)/ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financial investments at FVOCI				
– Stage 1 – 12-month ECL, net	**(4,490)**	(18,786)	**(8,196)**	(13,680)
– Stage 2 – Lifetime ECL not credit impaired, net	**(1,031)**	(17,745)	**(923)**	(17,282)
– Stage 3 – Lifetime ECL credit impaired, net	**(42,821)**	73,287	**(28,990)**	30,261
	(48,342)	36,756	**(38,109)**	(701)
Financial investments at amortised cost				
– Stage 1 – 12-month ECL, net	**(3,678)**	(20,613)	**(5,481)**	(16,620)
– Stage 2 – Lifetime ECL not credit impaired, net	**(4,758)**	(19,628)	**(4,785)**	(15,375)
– Stage 3 – Lifetime ECL credit impaired, net	**36,378**	51,170	**36,378**	51,170
	27,942	10,929	**26,112**	19,175
	(20,400)	47,685	**(11,997)**	18,474

48. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash and short-term funds				
– Stage 1 – 12-month ECL, net	**(13,318)**	(10,652)	**(12,228)**	(6,474)
	(13,318)	(10,652)	**(12,228)**	(6,474)
Deposit and placements with financial institutions				
– Stage 1 – 12-month ECL, net	**32,955**	3,312	**18,590**	3,139
	32,955	3,312	**18,590**	3,139
Financial assets purchased under resale agreements				
– Stage 1 – 12-month ECL, net	**1,990**	2,045	**(1,072)**	1,424
	1,990	2,045	**(1,072)**	1,424
Reinsurance/retakaful assets and other insurance receivables				
– Stage 1 – 12-month ECL, net	**31,377**	(5,985)	**–**	–
	31,377	(5,985)	**–**	–
Other assets				
– Stage 1 – 12-month ECL, net	**1,087**	(671)	**–**	–
– Stage 2 – Lifetime ECL not credit impaired, net	**(71)**	(38)	**–**	–
– Stage 3 – Lifetime ECL credit impaired, net	**2,324**	(7,673)	**(1,515)**	(4,129)
	3,340	(8,382)	**(1,515)**	(4,129)
Statutory deposit with central banks				
– Stage 1 – 12-month ECL, net	**–**	(6,366)	**–**	–
	–	(6,366)	**–**	–
	56,344	(26,028)	**3,775**	(6,040)

Notes to the Financial Statements
31 December 2019

49. TAXATION AND ZAKAT

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysian income tax	**2,223,370**	2,582,593	**1,107,255**	1,499,417
Foreign income tax	**464,067**	656,875	**95,541**	253,503
Less: Double taxation relief	**(85,811)**	(246,525)	**(85,811)**	(246,525)
	2,601,626	2,992,943	**1,116,985**	1,506,395
Under/(over) provision in respect of prior years:				
Malaysian income tax	**143,175**	(79,168)	**177,463**	(26,481)
Foreign income tax	**(178,728)**	(13,255)	**(177,138)**	(8,408)
	2,566,073	2,900,520	**1,117,310**	1,471,506
Deferred tax (Note 30):				
Relating to origination and reversal of temporary differences	**(67,263)**	(396,032)	**18,773**	(30,891)
Tax expense for the financial year	**2,498,810**	2,504,488	**1,136,083**	1,440,615
Zakat	**39,421**	40,922	**–**	–
	2,538,231	2,545,410	**1,136,083**	1,440,615

The Group's and the Bank's effective tax rate for the financial year ended 31 December 2019 was lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

Domestic income tax for the Bank is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated chargeable profit for the financial year.

Taxation for foreign subsidiaries in other jurisdictions is 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before taxation	**11,013,880**	10,901,346	**8,415,383**	8,748,426
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**2,643,331**	2,616,323	**2,019,692**	2,099,622
Different tax rates in other countries	**(69,329)**	10,387	**5,046**	12,525
Income not subject to tax	**(154,932)**	(324,549)	**(993,880)**	(691,002)
Expenses not deductible for tax purposes	**193,725**	381,880	**104,900**	54,359
(Over)/under provision in income tax expense in prior years	**(35,553)**	(92,423)	**325**	(34,889)
Share of profits in associates and joint ventures	**(78,432)**	(87,130)	**–**	–
Tax expense for the financial year	**2,498,810**	2,504,488	**1,136,083**	1,440,615

50. 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

		Bank	
	Note	**2019 RM'000**	**2018 RM'000**
Income:			
Interest on deposits		**1,604,342**	1,242,437
Dividend income	41	**3,647,538**	2,393,421
Other income		**283,005**	327,037
		5,534,885	3,962,895
Expenditure:			
Interest on deposits		**323,300**	75,926
Other expenses	(A)	**712,110**	642,550
		1,035,410	718,476
Others:			
ESGP/ESS expenses charged to subsidiaries		**13,860**	820
Overhead expenses allocated to subsidiaries	44	**1,249,465**	1,182,344
		1,263,325	1,183,164

(A) Other expenses analysed by type of intercompany charges and by geographical locations are as follows:

2019	**Malaysia RM'000**	**Singapore RM'000**	**Total RM'000**
Information technology expenses	**604,229**	**–**	**604,229**
Research fees	**7,020**	**18,990**	**26,010**
Insurance premiums	**36,492**	**87**	**36,579**
Others	**42,729**	**2,563**	**45,292**
	690,470	**21,640**	**712,110**
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

Transactions between the Bank and its subsidiaries are eliminated on consolidation at Group level.

Notes to the Financial Statements
31 December 2019

50. 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.):

(ii) Associates

	Bank	
	2019 RM'000	**2018 RM'000**
Income:		
Dividend income (Note 41)	**689**	398

There were no significant transactions with joint ventures for the financial year ended 31 December 2019.

(iii) Key management personnel

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Short-term employee benefits				
– Fees	**24,736**	15,981	**4,877**	4,801
– Salaries, allowances and bonuses	**61,242**	70,419	**9,017**	8,514
– Pension cost – defined contribution plan	**5,202**	3,822	**993**	953
– Other staff benefits	**7,349**	3,393	**311**	183
Share-based payment				
– ESGP/ESS expenses	**4,995**	388	**869**	97
Others				
– Indemnity given to or insurance effected for any directors (Note 45)	**1,108**	1,160	**1,032**	1,074
	104,632	95,163	**17,099**	15,622

Included in the total key management personnel compensation are:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors' remuneration including benefits-in-kind and indemnity given to or insurance effected for any directors (Note 45)	**21,399**	19,989	**17,099**	15,622

The movements in ESOS vested to key management personnel are as follows:

	Group		Bank	
	2019 '000	**2018 '000**	**2019 '000**	**2018 '000**
ESOS vested				
At 1 January	**–**	8,337	**–**	1,526
Adjustment*	**–**	(141)	**–**	–
Vested and exercisable	**–**	1,195	**–**	375
Exercised	**–**	(9,096)	**–**	(1,901)
Forfeited	**–**	(295)	**–**	–
At 31 December	**–**	–	**–**	–

* Adjustment relates to changes in key management personnel during the financial year.

50. 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 number of shares awarded for ESGP Shares and CESGP to key management personnel are as follows:

(a) ESGP Shares

	Group		Bank	
	2019 '000	**2018 '000**	**2019 '000**	**2018 '000**
At 1 January	**1,505**	–	**300**	–
Adjustment*	**(134)**	–	**–**	–
Awarded	**1,449**	1,505	**300**	300
At 31 December	**2,820**	1,505	**600**	300

(b) CESGP

	Group		Bank	
	2019 '000	**2018 '000**	**2019 '000**	**2018 '000**
At 1 January	**282**	–	**–**	–
Adjustment*	**56**	–	**–**	–
Awarded	**345**	282	**–**	–
At 31 December	**683**	282	**–**	–

* Adjustment relates to changes in key management personnel during the financial year.

(b) Significant related party balances

(i) Subsidiaries

	Bank	
	2019 RM'000	**2018 RM'000**
Amounts due from:		
Current accounts and deposits	**24,976,516**	16,745,192
Negotiable instruments of deposits	**–**	597,301
Loans, advances and financing	**19,475,825**	17,071,800
Interest and other receivable on deposits	**198,045**	280,086
Corporate bonds and sukuk	**6,216,846**	6,153,260
Derivative assets	**186,529**	473,837
	51,053,761	41,321,476
Amounts due to:		
Current accounts and deposits	**15,450,995**	15,879,309
Interest payable on deposits	**2,537**	11,618
Deposits and other creditors	**3,952,630**	4,366,806
Derivative liabilities	**193,905**	386,012
	19,600,067	20,643,745
Commitments and contingencies	**363,397**	140,300

Balances between the Bank and its subsidiaries are eliminated on consolidation at Group level.

Notes to the Financial Statements
31 December 2019

50. 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 (cont'd.)

(ii) Associates

	Bank	
	2019 RM'000	**2018 RM'000**
Amount due from:		
Current accounts and deposits	**4,537**	4,819

There were no significant balances with joint ventures as at 31 December 2019.

(iii) Key management personnel

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans, advances and financing	**80,210**	71,154	**8,056**	11,514
Deposits from customers	**105,346**	176,697	**24,333**	58,655

The balances relate to transactions with key management personnel of the Group.

(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 7.80% (2018: 7.53%) and indirect shareholding of 34.42% (2018: 33.53%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2019. 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Transactions during the financial year:				
Interest and finance income	**311,034**	359,042	**124,853**	223,815
Balances as at reporting dates:				
Loans, advances and financing	**7,626,623**	7,638,531	**3,675,115**	3,295,000

(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 2019, management estimates that the aggregate amount of the significant transactions with other government-related entities for the Group is at 0.7% (2018: 0.5%) and the Bank is at 0.02% (2018: 0.6%) of their total interest and finance income.

For the financial year ended 31 December 2019, management estimates that the aggregate amount of the significant balances due from other government-related entities for the Group and the Bank are 0.8% and 0.02% (2018: 0.6% and 0.04%) respectively of their total loans, advances and financing.

51. 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.

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	
	2019	**2018**	**2019**	**2018**
Outstanding credit exposures with connected parties (RM'000)	**15,154,533**	14,665,381	**25,616,177**	23,098,379
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**1.9%**	1.8%	**5.6%**	5.0%
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.

52. 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	
	2019	**2018**	**2019**	**2018**
Net profit for the financial year attributable to equity holders of the Bank (RM'000)	**8,198,074**	8,113,260	**7,279,300**	7,307,811
Weighted average number of ordinary shares in issue ('000)	**11,161,496**	10,933,614	**11,161,496**	10,933,614
Basic earnings per share (sen)	**73.5**	74.2	**65.2**	66.8

(b) Diluted EPS

The Group and the Bank has no dilution in its earnings per ordinary share in the current and the preceding financial year as there are no dilutive potential ordinary shares.

53. DIVIDENDS

Group and Bank	2019 RM'000	2018 RM'000	Net dividends per share 2019 sen	Net dividends per share 2018 sen
Final dividend of 32 sen single-tier dividend in respect of the financial year ended 31 December 2018 (Note 53(c)(i))	**3,535,899**	–	**32.00**	–
First single-tier interim dividend of 25 sen in respect of the financial year ended 31 December 2019 (Note 53(c)(ii))	**2,810,341**	–	**25.00**	–
Final dividend of 32 sen single-tier dividend in respect of the financial year ended 31 December 2017	**–**	3,501,845	**–**	32.00
First single-tier interim dividend of 25 sen in respect of the financial year ended 31 December 2018	**–**	2,736,299	**–**	25.00
	6,346,240	6,238,144	**57.00**	57.00
Less: Dividend on shares held-in-trust pursuant to ETF mechanism	**–**	(4,052)		
	6,346,240	6,234,092		

(a) Proposed second interim dividend

Subsequent to the financial year end, on 26 March 2020, the Board of Directors declared a single-tier second interim cash dividend in respect of the current financial year ended 31 December 2019 of 39 sen single-tier dividend per ordinary share amounting to a net dividend payable of RM4,384,131,136 (based on 11,241,361,887 ordinary shares issued as at 31 December 2019).

The financial statements for the current financial year ended 31 December 2019 do not reflect this proposed single-tier second interim cash dividend. Such dividend 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 2020.

(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 34(b).

(c) Dividends paid during the financial year

(i) The final dividend consists of cash portion of 15 sen single-tier dividend per ordinary share amounting to RM1,657,452,447 and an electable portion of 17 sen per ordinary share amounting to RM1,878,446,106 which elected to be reinvested in new Maybank shares in accordance with the DRP, in respect of the previous financial year ended 31 December 2018.

(ii) The single-tier interim dividend of 25 sen per ordinary share amounting to RM2,810,340,472 in respect of the current financial year ended 31 December 2019.

(d) Dividends paid by Maybank's subsidiaries to non-controlling interests

Dividends paid by Maybank's subsidiaries to non-controlling interests amounted to RM110,672,000 during the financial year ended 31 December 2019 (2018: RM94,259,000).

54. 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 2019	Full commitment RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	11,651,981	10,549,467	6,180,568
Certain transaction-related contingent items	17,933,219	8,010,772	4,956,866
Short-term self-liquidating trade-related contingencies	2,963,469	614,984	378,984
	32,548,669	19,175,223	11,516,418
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	120,543,741	12,568,585	5,201,397
– Maturity exceeding one year	43,154,904	43,431,330	19,424,913
	163,698,645	55,999,915	24,626,310
Miscellaneous commitments and contingencies	8,965,841	836,389	88,766
Total credit-related commitments and contingencies	205,213,155	76,011,527	36,231,494
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	538,237,679	5,300,386	897,466
– One year to less than five years	31,495,367	1,856,999	930,782
– Five years and above	5,314,451	749,621	314,812
	575,047,497	7,907,006	2,143,060
Interest rate related contracts:			
– Less than one year	78,438,765	263,545	76,054
– One year to less than five years	256,963,893	1,737,197	1,026,458
– Five years and above	87,560,165	1,861,518	1,238,571
	422,962,823	3,862,260	2,341,083
Equity and commodity related contracts:			
– Less than one year	4,075,338	257,581	150,897
– One year to less than five years	1,260,171	101,036	72,194
	5,335,509	358,617	223,091
Credit related contracts:			
– Less than one year	63,690	–	–
Total treasury-related commitments and contingencies	1,003,409,519	12,127,883	4,707,234
Total commitments and contingencies	1,208,622,674	88,139,410	40,938,728

* 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 2019

54. 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 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 contract			
– 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.

54. 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 2019	Full commitment RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	8,851,551	7,795,307	4,096,596
Certain transaction-related contingent items	14,052,638	6,099,774	3,644,076
Short-term self-liquidating trade-related contingencies	2,224,986	415,279	231,897
	25,129,175	14,310,360	7,972,569
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	74,635,545	5,851,189	2,420,816
– Maturity exceeding one year	30,025,147	26,990,403	13,104,508
	104,660,692	32,841,592	15,525,324
Miscellaneous commitments and contingencies	4,580,758	1,206,450	158,688
Total credit-related commitments and contingencies	134,370,625	48,358,402	23,656,581
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	530,308,700	5,198,743	798,031
– One year to less than five years	30,708,880	1,920,409	948,238
– Five years and above	4,403,125	584,069	223,548
	565,420,705	7,703,221	1,969,817
Interest rate related contracts:			
– Less than one year	77,500,667	37,384	9,174
– One year to less than five years	257,295,512	1,284,684	593,440
– Five years and above	87,620,165	1,859,086	1,236,139
	422,416,344	3,181,154	1,838,753
Equity and commodity related contracts:			
– Less than one year	1,908,063	178,382	111,125
– One year to less than five years	1,260,171	101,036	72,194
	3,168,234	279,418	183,319
Credit related contracts:			
– Less than one year	63,690	–	–
Total treasury-related commitments and contingencies	991,068,973	11,163,793	3,991,889
Total commitments and contingencies	1,125,439,598	59,522,195	27,648,470

* 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 2019

54. 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.

54. 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 2019, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM10,335.6 million (2018: RM6,963.5 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) 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 28, 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 2019.

(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 as at 31 December 2018 were as follows:

	Group RM'000	Bank RM'000
Within one year	65,173	20,528
Between one and five years	578,765	148,175
More than 5 years	291,618	56,544
	935,556	225,247

The operating lease commitments as at 31 December 2018 can be reconciled to the lease liabilities as at 1 January 2019, as follows:

	Group RM'000	Bank RM'000
Operating lease commitments as at 31 December 2018	935,556	225,247
Effect from discounting at incremental borrowing rate as at 1 January 2019	(173,633)	(26,338)
Discounted operating lease commitments as at 1 January 2019	761,923	198,909
Recognition exemption for short-term leases	(29,460)	(9,956)
Recognition exemption for leases of low value assets	(70,765)	(63,628)
Adjustment relating to variable lease payments	(1,090)	–
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	589,409	302,344
Effect of adopting MFRS 16 as of 1 January 2019 (Note 27(iv))	1,250,017	427,669
Lease liabilities from finance leases as of 31 December 2018 (Note 27(iv))	272,311	–
Lease liabilities as at 1 January 2019 (Note 27(iv))	1,522,328	427,669

The weighted-average incremental borrowing rates for lease liabilities initially recognised as of 1 January 2019 for the Group and the Bank were 4.15% and 3.79% per annum.

Notes to the Financial Statements
31 December 2019

54. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(d) Operating lease commitments (cont'd.)

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 5 years.

The future minimum lease payments under these non-cancellable operating leases are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Within one year	**27,801**	24,677
Between one and five years	**38,582**	21,997
	66,383	46,674

55. 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 ERC"), Group Non-Financial Risk Committee ("GNFRC"), Group Asset and Liability Management Committee ("Group ALCO") and Group Management Credit Committee ("GMCC"), 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

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 55(b)(i)).
- An explanation of the Group's internal grading system (Note 55(e)(5)).
- How the Group defines, calculates and monitors the probability of default, exposure at default and loss given default (Note 55(e)(1)).
- When the Group considers there has been a significant increase in credit risk of an exposure (Note 55(b)(ii)).
- The Group's policy of segmenting financial assets where ECL is assessed on a collective basis (Note 55(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 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.

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Impairment assessment (cont'd.)

(i) Definition of default and cure (cont'd.)

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 unlikeliness 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

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 55(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 55(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.

Notes to the Financial Statements
31 December 2019

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Analysis of inputs to the ECL model under multiple economic scenarios

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;* in which the macro-economic factors are regularly monitored as part of the normal credit risk management of the Group and the Bank, including the ongoing COVID-19 developments. 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 2019 and 31 December 2018. The figures for "Subsequent years" represent a long-term average and the same are applied each scenario.

31 December 2019

Key Variables	ECL Scenario	Assigned Probabilities	2019	2020	2021	2022	2023	Subsequent years
Real GDP (%)	Base case	60	4.8	4.9	4.9	4.9	4.9	4.9
	Upside	10	5.2	5.3	5.3	5.3	5.3	5.3
	Downside	30	4.0	4.1	4.2	4.1	4.1	4.1
Property Price Index (%)	Base case	60	2.5	2.5	2.5	2.5	2.5	2.5
	Upside	10	3.0	3.0	3.0	3.0	3.0	3.0
	Downside	30	1.5	1.5	1.5	1.5	1.5	1.5
Overnight Policy Rate (%)	Base case	60	3.3	3.3	3.3	3.3	3.3	3.3
	Upside	10	3.3	3.3	3.5	3.5	3.5	3.5
	Downside	30	3.0	3.0	3.0	3.0	3.0	3.0
Unemployment Rate (%)	Base case	60	3.4	3.4	3.3	3.3	3.3	3.3
	Upside	10	3.2	3.2	3.0	3.0	3.0	3.0
	Downside	30	3.5	3.5	3.4	3.4	3.4	3.4

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

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instruments by categories

Group 2019	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	–	–	–	46,469,074	46,469,074	–	46,469,074
Deposits and placements with financial institutions	–	–	–	14,093,218	14,093,218	–	14,093,218
Financial assets purchased under resale agreements	–	–	–	13,639,082	13,639,082	–	13,639,082
Financial investments portfolio	20,370,865	14,323,303	123,351,533	34,784,476	192,830,177	–	192,830,177
Loans, advances and financing to financial institutions	–	–	–	1,128,618	1,128,618	–	1,128,618
Loans, advances and financing to customers	401,703	–	11,821,285	500,068,104	512,291,092	–	512,291,092
Derivative assets	10,335,629	–	–	–	10,335,629	–	10,335,629
Reinsurance/retakaful assets and other insurance receivables	–	–	–	681,424	681,424	3,550,665	4,232,089
Other assets	–	–	–	7,342,251	7,342,251	2,136,833	9,479,084
Investment properties	–	–	–	–	–	921,471	921,471
Statutory deposits with central banks	–	–	–	15,052,752	15,052,752	–	15,052,752
Interest in associates and joint ventures	–	–	–	–	–	2,490,548	2,490,548
Property, plant and equipment	–	–	–	–	–	2,335,798	2,335,798
Right-of-use assets	–	–	–	–	–	1,548,208	1,548,208
Intangible assets	–	–	–	–	–	6,836,463	6,836,463
Deferred tax assets	–	–	–	–	–	729,712	729,712
Total assets	31,108,197	14,323,303	135,172,818	633,258,999	813,863,317	20,549,698	834,413,015

Group 2019	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	–	–	544,530,912	544,530,912	–	544,530,912
– Investment accounts of customers*	–	–	20,737,670	20,737,670	–	20,737,670
Deposits and placements from financial institutions	–	–	43,557,209	43,557,209	–	43,557,209
Obligations on financial assets sold under repurchase agreements	–	–	13,978,744	13,978,744	–	13,978,744
Derivative liabilities^	11,182,307	–	–	11,182,307	–	11,182,307
Financial liabilities at fair value through profit or loss	–	6,530,753	–	6,530,753	–	6,530,753
Bills and acceptances payable	–	–	1,291,814	1,291,814	–	1,291,814
Insurance/takaful contract liabilities and other insurance payables	–	–	667,187	667,187	30,218,443	30,885,630
Other liabilities	–	–	15,725,031	15,725,031	5,844,496	21,569,527
Recourse obligation on loans and financing sold to Cagamas	–	–	1,526,225	1,526,225	–	1,526,225
Provision for taxation and zakat	–	–	–	–	187,061	187,061
Deferred tax liabilities	–	–	–	–	878,276	878,276
Borrowings	–	–	41,339,415	41,339,415	–	41,339,415
Subordinated obligations	–	–	9,321,125	9,321,125	–	9,321,125
Capital securities	–	–	2,827,123	2,827,123	–	2,827,123
Total liabilities	11,182,307	6,530,753	695,502,455	713,215,515	37,128,276	750,343,791

* Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(vii).
^ Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to fair value hedge disclosed in Note 13.

Notes to the Financial Statements
31 December 2019

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instruments by categories (cont'd.)

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	15,205,150	14,763,788	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	22,565,621	14,763,788	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 65(k)(vii).
^ Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to fair value hedge disclosed in Note 13

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instruments by categories (cont'd.)

Bank 2019	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	–	–	–	19,040,534	19,040,534	–	19,040,534
Deposits and placements with financial institutions	–	–	–	28,287,338	28,287,338	–	28,287,338
Financial assets purchased under resale agreements	–	–	–	11,297,036	11,297,036	–	11,297,036
Financial investments portfolio	12,912,823	–	80,798,700	32,574,918	126,286,441	–	126,286,441
Loans, advances and financing to financial institutions	–	–	–	19,400,239	19,400,239	–	19,400,239
Loans, advances and financing to customers	401,703	–	11,380,901	195,406,377	207,188,981	–	207,188,981
Derivative assets	10,002,003	–	–	–	10,002,003	–	10,002,003
Other assets	–	–	–	4,596,923	4,596,923	346,267	4,943,190
Statutory deposits with central banks	–	–	–	4,100,932	4,100,932	–	4,100,932
Investment in subsidiaries	–	–	–	–	–	31,559,247	31,559,247
Interest in associates and joint ventures	–	–	–	–	–	440,730	440,730
Property, plant and equipment	–	–	–	–	–	1,014,286	1,014,286
Right-of-use assets	–	–	–	–	–	438,254	438,254
Intangible assets	–	–	–	–	–	361,135	361,135
Total assets	**23,316,529**	**–**	**92,179,601**	**314,704,297**	**430,200,427**	**34,159,919**	**464,360,346**

Bank 2019	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	–	–	242,757,617	242,757,617	–	242,757,617
Deposits and placements from financial institutions	–	–	51,354,535	51,354,535	–	51,354,535
Obligations on financial assets sold under repurchase agreements	–	–	28,293,032	28,293,032	–	28,293,032
Derivative liabilities^	10,588,278	–	–	10,588,278	–	10,588,278
Financial liabilities at fair value through profit or loss	–	6,530,753	–	6,530,753	–	6,530,753
Bills and acceptances payable	–	–	479,662	479,662	–	479,662
Other liabilities	–	–	5,466,133	5,466,133	2,486,275	7,952,408
Recourse obligation on loans and financing sold to Cagamas	–	–	1,526,225	1,526,225	–	1,526,225
Deferred tax liabilities	–	–	–	–	185,495	185,495
Borrowings	–	–	32,645,025	32,645,025	–	32,645,025
Subordinated obligations	–	–	9,156,816	9,156,816	–	9,156,816
Capital securities	–	–	2,827,123	2,827,123	–	2,827,123
Total liabilities	**10,588,278**	**6,530,753**	**374,506,168**	**391,625,199**	**2,671,770**	**394,296,969**

^ Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to fair value hedge disclosed in Note 13.

Notes to the Financial Statements
31 December 2019

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Financial instruments 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 13.

55. 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 ("NBFI");
- Counterparties;
- Collaterals; and
- Connected Parties

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").

Notes to the Financial Statements
31 December 2019

55. 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.

	Maximum exposure	
Group	**2019 RM'000**	**2018 RM'000**
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**46,469,074**	55,025,127
Deposits and placements with financial institutions	**14,093,218**	12,502,877
Financial assets purchased under resale agreements	**13,639,082**	4,030,245
Financial investments portfolio*	**186,861,494**	172,536,870
Loans, advances and financing to financial institutions	**1,128,618**	1,576,199
Loans, advances and financing to customers	**512,291,092**	505,507,620
Derivative assets	**10,335,629**	6,963,521
Reinsurance/retakaful assets and other insurance receivables	**681,424**	514,778
Other assets	**7,342,251**	7,825,402
Statutory deposits with central banks	**15,052,752**	16,264,849
	807,894,634	782,747,488
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**11,651,981**	11,317,594
Certain transaction-related contingent items	**17,933,219**	17,430,332
Short-term self-liquidating trade-related contingencies	**2,963,469**	5,086,749
Obligations under underwriting agreements	**–**	350,106
Irrevocable commitments to extend credit	**163,698,645**	150,064,062
Miscellaneous	**8,965,841**	11,702,032
	205,213,155	195,950,875
Total maximum credit risk exposure	**1,013,107,789**	978,698,363

* 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. The portfolio excludes quoted and unquoted shares.

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

2. Maximum exposure to credit risk (cont'd.)

Bank	Maximum exposure 2019 RM'000	2018 RM'000
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**19,040,534**	26,945,152
Deposits and placements with financial institutions	**28,287,338**	23,410,133
Financial assets purchased under resale agreements	**11,297,036**	3,763,284
Financial investments portfolio*	**125,307,502**	120,351,920
Loans, advances and financing to financial institutions	**19,400,239**	17,052,024
Loans, advances and financing to customers	**207,188,981**	213,314,768
Derivative assets	**10,002,003**	6,799,063
Other assets	**4,596,923**	4,985,214
Statutory deposits with central banks	**4,100,932**	5,041,560
	429,221,488	421,663,118
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**8,851,551**	8,923,891
Certain transaction-related contingent items	**14,052,638**	13,406,870
Short-term self-liquidating trade-related contingencies	**2,224,986**	4,382,002
Irrevocable commitments to extend credit	**104,660,692**	93,383,962
Miscellaneous	**4,580,758**	7,281,538
	134,370,625	127,378,263
Total maximum credit risk exposure	**563,592,113**	549,041,381

* 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. The portfolio excludes quoted and unquoted shares.

Credit exposure for on-balance sheet financial assets that are not subject to impairment:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Financial assets at fair value through profit or loss				
– Financial investments#	**14,800,467**	10,171,122	**12,212,268**	8,212,434
– Loans, advances and financing to customers	**401,703**	396,950	**401,703**	396,950
Financial assets designated at fair value through profit or loss				
– Financial investments#	**14,213,588**	14,731,901	**–**	–
	29,415,758	25,299,973	**12,613,971**	8,609,384

Financial investments exclude 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 2019 for the Group is at 71% (31 December 2018: 63%) and the Bank is at 64% (31 December 2018: 59%). The financial effect of collateral held for other financial assets is not significant.

55. 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	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
2019											
Malaysia	**28,967,504**	**1,355,528**	**30,299**	**132,859,996**	**312,253,877**	**5,293,628**	**564,772**	**4,895,033**	**7,230,680**	**493,451,317**	**119,212,258**
Singapore	**5,717,665**	**644,861**	**12,884,683**	**30,760,641**	**122,273,032**	**3,554,606**	**50,788**	**132,504**	**4,086,598**	**180,105,378**	**60,532,630**
Indonesia	**3,155,914**	**184,818**	**724,100**	**6,739,227**	**36,365,395**	**189,587**	**45,566**	**1,071,504**	**2,282,149**	**50,758,260**	**1,777,156**
Labuan Offshore	**3,108**	**–**	**–**	**–**	**14,588,734**	**–**	**–**	**1,358**	**–**	**14,593,200**	**136,214**
Hong Kong SAR	**1,504,596**	**1,294,524**	**–**	**4,841,529**	**9,933,298**	**497,927**	**–**	**179,044**	**–**	**18,250,918**	**6,463,392**
United States of America	**2,111,820**	**8,087,797**	**–**	**1,052,835**	**1,249,431**	**–**	**–**	**18,582**	**–**	**12,520,465**	**1,214,505**
People's Republic of China	**1,037,346**	**545,095**	**–**	**1,365,393**	**3,668,950**	**762,192**	**–**	**467**	**–**	**7,379,443**	**4,691,064**
Vietnam	**335,881**	**10,390**	**–**	**–**	**1,170,450**	**572**	**–**	**11,227**	**57,333**	**1,585,853**	**1,425,570**
United Kingdom	**449,939**	**–**	**–**	**311,517**	**936,435**	**15,631**	**–**	**202,774**	**–**	**1,916,296**	**1,829,010**
Philippines	**747,879**	**686,933**	**–**	**2,195,336**	**5,727,171**	**21,341**	**20,298**	**311,260**	**787,604**	**10,497,822**	**4,278,782**
Brunei	**170,907**	**–**	**–**	**36,304**	**551,002**	**–**	**–**	**3**	**–**	**758,216**	**442,115**
Cambodia	**1,161,061**	**445,062**	**–**	**–**	**2,768,331**	**8**	**–**	**36,146**	**596,264**	**5,006,872**	**694,046**
Thailand	**85,831**	**491**	**–**	**102,818**	**1,571,279**	**116**	**–**	**367,695**	**–**	**2,128,230**	**119,784**
Laos	**66,645**	**18,326**	**–**	**–**	**77,068**	**–**	**–**	**1,982**	**5,798**	**169,819**	**6,297**
India	**3,369**	**–**	**–**	**–**	**–**	**–**	**–**	**6,313**	**–**	**9,682**	**8,651**
Others	**949,609**	**819,393**	**–**	**6,595,898**	**285,257**	**21**	**–**	**106,359**	**6,326**	**8,762,863**	**2,381,681**
	46,469,074	**14,093,218**	**13,639,082**	**186,861,494**	**513,419,710**	**10,335,629**	**681,424**	**7,342,251**	**15,052,752**	**807,894,634**	**205,213,155**
2018											
Malaysia	30,065,880	782,597	–	124,399,317	295,628,735	2,563,843	430,739	5,940,952	8,090,381	467,902,444	117,944,508
Singapore	5,795,225	2,257,466	1,725,603	29,983,575	128,096,654	2,190,481	40,885	227,524	3,683,511	174,000,924	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	172,536,870	507,083,819	6,963,521	514,778	7,825,402	16,264,849	782,747,488	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.

55. 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	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
2019										
Malaysia	**7,194,356**	**16,835,638**	**30,299**	**96,824,733**	**141,162,549**	**5,320,910**	**4,513,701**	**2,988,538**	**274,870,724**	**78,710,077**
Singapore	**5,158,744**	**40,298**	**11,266,737**	**14,305,358**	**53,570,799**	**3,420,451**	**72,318**	**1,042,937**	**88,877,642**	**37,550,753**
Indonesia	**206,617**	**–**	**–**	**2,297,686**	**–**	**–**	**–**	**–**	**2,504,303**	**45,131**
Labuan Offshore	**3,106**	**–**	**–**	**–**	**14,588,734**	**–**	**523**	**–**	**14,592,363**	**136,214**
Hong Kong SAR	**1,464,401**	**1,294,494**	**–**	**4,344,450**	**9,682,202**	**497,927**	**17,962**	**–**	**17,301,436**	**6,375,836**
United States of America	**1,817,772**	**8,087,797**	**–**	**883,235**	**1,249,431**	**–**	**(6,541)**	**–**	**12,031,694**	**1,195,214**
People's Republic of China	**1,037,346**	**545,095**	**–**	**1,298,793**	**3,668,950**	**762,143**	**(46)**	**–**	**7,312,281**	**4,526,697**
Vietnam	**300,760**	**–**	**–**	**–**	**861,914**	**572**	**(9,456)**	**57,333**	**1,211,123**	**1,411,212**
United Kingdom	**436,742**	**–**	**–**	**311,517**	**936,389**	**–**	**6,457**	**–**	**1,691,105**	**1,815,470**
Philippines	**331,242**	**657,064**	**–**	**845,390**	**–**	**–**	**–**	**–**	**1,833,696**	**75,948**
Brunei	**170,907**	**–**	**–**	**36,304**	**551,002**	**–**	**3**	**–**	**758,216**	**380,494**
Cambodia	**6,935**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,935**	**182,958**
Thailand	**34,535**	**–**	**–**	**66,107**	**–**	**–**	**–**	**–**	**100,642**	**25,290**
Laos	**66,645**	**18,326**	**–**	**–**	**77,068**	**–**	**1,982**	**5,798**	**169,819**	**6,297**
India	**55**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55**	**–**
Others	**810,371**	**808,626**	**–**	**4,093,929**	**240,182**	**–**	**20**	**6,326**	**5,959,454**	**1,933,034**
	19,040,534	**28,287,338**	**11,297,036**	**125,307,502**	**226,589,220**	**10,002,003**	**4,596,923**	**4,100,932**	**429,221,488**	**134,370,625**
2018										
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.

Notes to the Financial Statements
31 December 2019

55. 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	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
2019											
Agriculture	–	–	–	1,225,445	10,189,304	17,006	–	–	–	11,431,755	1,078,873
Mining and quarrying	–	–	–	642,779	4,622,474	–	–	–	–	5,265,253	1,530,455
Manufacturing	–	–	–	30,844	30,629,516	181,639	–	–	–	30,841,999	7,922,035
Construction	–	–	–	4,444,828	35,171,704	10,441	–	–	–	39,626,973	14,383,475
Electricity, gas and water supply	–	–	–	11,593,034	10,438,427	141,226	–	–	–	22,172,687	705,045
Wholesale, retail trade, restaurants and hotels	–	–	–	2,926,532	49,015,508	88,307	–	19,945	–	52,050,292	30,139,033
Finance, insurance, real estate and business	46,469,074	14,093,218	13,639,082	104,622,191	107,148,497	9,652,056	637,431	6,185,889	15,052,752	317,500,190	97,833,400
Transport, storage and communication	–	–	–	7,486,185	13,307,875	51,868	–	–	–	20,845,928	1,728,392
Education, health and others	–	–	–	546,370	10,271,889	–	–	–	–	10,818,259	1,407,893
Household	–	–	–	11,148	239,517,713	–	–	379,877	–	239,908,738	40,791,836
Others	–	–	–	53,332,138	3,106,803	193,086	43,993	756,540	–	57,432,560	7,692,718
	46,469,074	14,093,218	13,639,082	186,861,494	513,419,710	10,335,629	681,424	7,342,251	15,052,752	807,894,634	205,213,155
2018											
Agriculture	–	–	–	786,193	9,857,633	211,869	–	–	–	10,855,695	1,357,122
Mining and quarrying	–	–	–	574,832	6,839,375	–	–	–	–	7,414,207	2,131,421
Manufacturing	–	–	–	3,226,868	31,524,170	95,069	–	–	–	34,846,107	10,436,548
Construction	–	–	–	3,776,699	28,854,437	24,904	–	–	–	32,656,040	17,869,516
Electricity, gas and water supply	–	–	–	6,297,054	9,938,866	25,282	–	39	–	16,261,241	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	93,313,204	118,514,589	5,419,221	514,778	6,679,879	16,264,849	312,264,410	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	9,983,771	2,083	–	1	–	10,540,171	492,869
Household	–	–	–	148,914	227,331,091	–	–	391,572	–	227,871,577	50,384,895
Others	359	–	–	53,264,878	3,397,802	1,038,540	–	746,541	–	58,448,120	8,900,149
	55,025,127	12,502,877	4,030,245	172,536,870	507,083,819	6,963,521	514,778	7,825,402	16,264,849	782,747,488	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.

55. 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	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
2019										
Agriculture	**–**	**–**	**–**	**328,675**	**2,842,332**	**16,863**	**–**	**–**	**3,187,870**	**1,078,873**
Mining and quarrying	**–**	**–**	**–**	**532,189**	**3,515,185**	**–**	**–**	**–**	**4,047,374**	**1,515,974**
Manufacturing	**–**	**–**	**–**	**30,844**	**14,660,571**	**163,578**	**–**	**–**	**14,854,993**	**6,922,466**
Construction	**–**	**–**	**–**	**3,335,665**	**14,881,630**	**10,436**	**–**	**–**	**18,227,731**	**12,883,780**
Electricity, gas and water supply	**–**	**–**	**–**	**2,132,869**	**6,182,240**	**116,043**	**–**	**–**	**8,431,152**	**670,596**
Wholesale, retail trade, restaurants and hotels	**–**	**–**	**–**	**633,738**	**25,025,606**	**87,727**	**–**	**–**	**25,747,071**	**26,129,665**
Finance, insurance, real estate and business	**19,040,534**	**28,287,338**	**11,297,036**	**82,552,439**	**84,996,864**	**9,368,408**	**4,596,923**	**4,100,932**	**244,240,474**	**51,625,673**
Transport, storage and communication	**–**	**–**	**–**	**4,561,822**	**4,978,004**	**49,818**	**–**	**–**	**9,589,644**	**1,270,796**
Education, health and others	**–**	**–**	**–**	**383,893**	**4,725,350**	**–**	**–**	**–**	**5,109,243**	**1,407,893**
Household	**–**	**–**	**–**	**-**	**64,562,675**	**–**	**–**	**–**	**64,562,675**	**25,687,481**
Others	**–**	**–**	**–**	**30,815,368**	**218,763**	**189,130**	**–**	**–**	**31,223,261**	**5,177,428**
	19,040,534	**28,287,338**	**11,297,036**	**125,307,502**	**226,589,220**	**10,002,003**	**4,596,923**	**4,100,932**	**429,221,488**	**134,370,625**
2018										
Agriculture	–	–	–	258,032	2,594,496	207,849	–	–	3,060,377	937,069
Mining and quarrying	–	–	–	528,229	4,785,852	–	–	–	5,314,081	1,776,130
Manufacturing	–	–	–	101,629	15,150,372	90,934	–	–	15,342,935	8,465,062
Construction	–	–	–	3,423,268	10,715,392	24,899	–	–	14,163,559	12,694,547
Electricity, gas and water supply	–	–	–	3,256,826	7,083,916	217	–	–	10,340,959	587,877
Wholesale, retail trade, restaurants and hotels	–	–	–	637,470	22,872,045	43,221	–	–	23,552,736	21,189,190
Finance, insurance, real estate and business	26,945,152	23,410,133	3,763,284	80,517,829	91,862,498	5,350,478	4,985,214	5,041,560	241,876,148	49,006,698
Transport, storage and communication	–	–	–	4,580,672	8,489,911	102,249	–	–	13,172,832	1,510,432
Education, health and others	–	–	–	524,653	3,099,425	–	–	–	3,624,078	361,702
Household	–	–	–	–	62,713,672	–	–	–	62,713,672	26,015,446
Others	–	–	–	26,523,312	999,213	979,216	–	–	28,501,741	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.

Notes to the Financial Statements
31 December 2019

55. 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 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	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 BBB+	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 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.

55. 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

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**92,909,967**	**364,371**	**–**	**93,274,338**
Low	**23,000,481**	**59,600**	**–**	**23,060,081**
Medium	**5,097,727**	**25,881**	**–**	**5,123,608**
High	**274,346**	**–**	**–**	**274,346**
Unrated	**1,154,279**	**–**	**–**	**1,154,279**
Impaired	**–**	**–**	**176,311**	**176,311**
Carrying amount – fair value	**122,436,800**	**449,852**	**176,311**	**123,062,963**
Expected credit loss	**(23,070)**	**(540)**	**(118,727)**	**(142,337)**
2018				
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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**59,016,679**	**133,761**	**–**	**59,150,440**
Low	**16,396,561**	**–**	**–**	**16,396,561**
Medium	**3,583,915**	**25,881**	**–**	**3,609,796**
High	**187,709**	**–**	**–**	**187,709**
Unrated	**1,011,911**	**–**	**–**	**1,011,911**
Impaired	**–**	**–**	**163,899**	**163,899**
Carrying amount – fair value	**80,196,775**	**159,642**	**163,899**	**80,520,316**
Expected credit loss	**(13,472)**	**(400)**	**(81,877)**	**(95,749)**
2018				
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)

Notes to the Financial Statements
31 December 2019

55. 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

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**18,836,829**	**24,416**	**–**	**18,861,245**
Low	**10,687,454**	**121,515**	**–**	**10,808,969**
Medium	**2,917,877**	**35,570**	**–**	**2,953,447**
High	**24,772**	**510,351**	**–**	**535,123**
Unrated	**1,590,951**	**–**	**–**	**1,590,951**
Impaired	**–**	**–**	**179,381**	**179,381**
	34,057,883	**691,852**	**179,381**	**34,929,116**
Less:				
Expected credit loss	**(29,061)**	**(23,961)**	**(91,618)**	**(144,640)**
Net carrying amount	**34,028,882**	**667,891**	**87,763**	**34,784,476**
2018				
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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**16,166,161**	**–**	**–**	**16,166,161**
Low	**15,511,137**	**121,515**	**–**	**15,632,652**
Medium	**151,454**	**35,570**	**–**	**187,024**
High	**24,772**	**510,351**	**–**	**535,123**
Impaired	**–**	**–**	**179,381**	**179,381**
	31,853,524	**667,436**	**179,381**	**32,700,341**
Less:				
Expected credit loss	**(9,978)**	**(23,827)**	**(91,618)**	**(125,423)**
Net carrying amount	**31,843,546**	**643,609**	**87,763**	**32,574,918**
2018				
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

55. 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

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Medium	**93,729**	**–**	**–**	**93,729**
Unrated	**1,046,809**	**–**	**–**	**1,046,809**
	1,140,538	**–**	**–**	**1,140,538**
Less:				
Expected credit loss	**(11,920)**	**–**	**–**	**(11,920)**
Net carrying amount	**1,128,618**	**–**	**–**	**1,128,618**
2018				
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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**2,294,766**	**–**	**–**	**2,294,766**
Low	**5,780,412**	**75,527**	**–**	**5,855,939**
Medium	**2,525,563**	**1,330,705**	**–**	**3,856,268**
Unrated	**7,075,713**	**1,342**	**–**	**7,077,055**
Impaired	**–**	**–**	**581,328**	**581,328**
	17,676,454	**1,407,574**	**581,328**	**19,665,356**
Less:				
Expected credit loss	**(18,657)**	**(5,530)**	**(240,930)**	**(265,117)**
Net carrying amount	**17,657,797**	**1,402,044**	**340,398**	**19,400,239**
2018				
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

Notes to the Financial Statements
31 December 2019

55. 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

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Low	**5,586,627**	**478,657**	**–**	**6,065,284**
Medium	**2,663,646**	**125,000**	**–**	**2,788,646**
High	**551,381**	**76,067**	**–**	**627,448**
Unrated	**113,187**	**1,438,721**	**–**	**1,551,908**
Impaired	**–**	**–**	**787,999**	**787,999**
Carrying amount – fair value	**8,914,841**	**2,118,445**	**787,999**	**11,821,285**
Expected credit loss	**(29,184)**	**(199,953)**	**(417,241)**	**(646,378)**
2018				
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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Low	**5,271,243**	**478,657**	**–**	**5,749,900**
Medium	**2,663,646**	**–**	**–**	**2,663,646**
High	**551,381**	**76,067**	**–**	**627,448**
Unrated	**113,187**	**1,438,721**	**–**	**1,551,908**
Impaired	**–**	**–**	**787,999**	**787,999**
Carrying amount – fair value	**8,599,457**	**1,993,445**	**787,999**	**11,380,901**
Expected credit loss	**(28,662)**	**(197,574)**	**(417,241)**	**(643,477)**
2018				
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)

55. 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

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**155,858,907**	**500,363**	**–**	**156,359,270**
Low	**161,253,566**	**11,118,182**	**–**	**172,371,748**
Medium	**82,064,909**	**23,303,718**	**–**	**105,368,627**
High	**5,819,942**	**12,217,682**	**–**	**18,037,624**
Unrated	**43,473,446**	**1,443,300**	**–**	**44,916,746**
Impaired	**–**	**–**	**13,069,937**	**13,069,937**
	448,470,770	**48,583,245**	**13,069,937**	**510,123,952**
Less:				
Expected credit loss	**(1,423,097)**	**(1,865,171)**	**(6,767,580)**	**(10,055,848)**
Net carrying amount	**447,047,673**	**46,718,074**	**6,302,357**	**500,068,104**
2018				
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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**39,319,233**	**101,728**	**–**	**39,420,961**
Low	**80,249,602**	**6,516,808**	**–**	**86,766,410**
Medium	**38,640,103**	**10,428,934**	**–**	**49,069,037**
High	**2,462,603**	**5,200,179**	**–**	**7,662,782**
Unrated	**10,115,944**	**720,551**	**–**	**10,836,495**
Impaired	**–**	**–**	**7,455,868**	**7,455,868**
	170,787,485	**22,968,200**	**7,455,868**	**201,211,553**
Less:				
Expected credit loss	**(507,155)**	**(869,858)**	**(4,428,163)**	**(5,805,176)**
Net carrying amount	**170,280,330**	**22,098,342**	**3,027,705**	**195,406,377**
2018				
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

Notes to the Financial Statements
31 December 2019

55. 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	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 banks RM'000
2019					
Stage 1					
Sovereign	**21,861,706**	**1,936,381**	**–**	**–**	**15,052,752**
Very Low	**9,407,308**	**8,661,663**	**11,756,544**	**53,701**	**–**
Low	**7,603,495**	**480,000**	**1,163,396**	**–**	**–**
Medium	**2,002,417**	**1,443,701**	**671,670**	**–**	**–**
High	**45,746**	**1,237,164**	**53,064**	**–**	**–**
Unrated	**5,564,561**	**372,212**	**–**	**658,639**	**–**
	46,485,233	**14,131,121**	**13,644,674**	**712,340**	**15,052,752**
Less:					
Expected credit loss	**(16,159)**	**(37,903)**	**(5,592)**	**(30,916)**	**–**
Net carrying amount	**46,469,074**	**14,093,218**	**13,639,082**	**681,424**	**15,052,752**
2018					
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	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 banks RM'000
2019				
Stage 1				
Sovereign	**2,650,000**	**1,936,381**	**–**	**4,100,932**
Very Low	**6,828,959**	**8,002,681**	**11,267,462**	**–**
Low	**4,503,855**	**15,724,472**	**30,368**	**–**
Medium	**826,463**	**1,443,617**	**–**	**–**
High	**10,430**	**831,048**	**–**	**–**
Unrated	**4,233,376**	**372,436**	**–**	**–**
	19,053,083	**28,310,635**	**11,297,830**	**4,100,932**
Less:				
Expected credit loss	**(12,549)**	**(23,297)**	**(794)**	**–**
Net carrying amount	**19,040,534**	**28,287,338**	**11,297,036**	**4,100,932**

None of the above financial assets is in Stage 2 or Stage 3 as at 31 December 2019 and 31 December 2018.

55. 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.).

Bank	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 banks RM'000
2018				
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 2019 and 31 December 2018.

Other assets

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**1,688,139**	**–**	**–**	**1,688,139**
Low	**2,227,246**	**–**	**–**	**2,227,246**
Medium	**2,500**	**–**	**–**	**2,500**
Unrated	**3,425,271**	**403**	**–**	**3,425,674**
Impaired	**–**	**–**	**30,550**	**30,550**
	7,343,156	**403**	**30,550**	**7,374,109**
Less:				
Expected credit loss	**(7,270)**	**(21)**	**(24,567)**	**(31,858)**
Net carrying amount	**7,335,886**	**382**	**5,983**	**7,342,251**
2018				
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

Notes to the Financial Statements
31 December 2019

55. 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 (cont'd.)

Bank	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**1,659,604**	**–**	**–**	**1,659,604**
Low	**2,226,651**	**–**	**–**	**2,226,651**
Medium	**2,500**	**–**	**–**	**2,500**
Unrated	**698,828**	**–**	**–**	**698,828**
Impaired	**–**	**–**	**19,035**	**19,035**
	4,587,583	**–**	**19,035**	**4,606,618**
Less:				
Expected credit loss	**–**	**–**	**(9,695)**	**(9,695)**
Net carrying amount	**4,587,583**	**–**	**9,340**	**4,596,923**
2018				
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

Loan commitments and financial guarantee contracts

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**2,651,960**	**888,162**	**–**	**3,540,122**
Low	**5,294,220**	**1,078,752**	**–**	**6,372,972**
Medium	**4,741,019**	**1,035,567**	**–**	**5,776,586**
High	**364,611**	**990,393**	**–**	**1,355,004**
Unrated	**812,309**	**86**	**–**	**812,395**
Impaired	**-**	**-**	**461,489**	**461,489**
Carrying amount	**13,864,119**	**3,992,960**	**461,489**	**18,318,568**
Expected credit loss	**(92,086)**	**(108,132)**	**(478,014)**	**(678,232)**

55. 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 (cont'd.)

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2018				
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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Very Low	**2,407,949**	**887,362**	**–**	**3,295,311**
Low	**4,911,198**	**1,013,972**	**–**	**5,925,170**
Medium	**2,481,023**	**698,707**	**–**	**3,179,730**
High	**255,031**	**971,951**	**–**	**1,226,982**
Unrated	**705,104**	**49**	**–**	**705,153**
Impaired	**–**	**–**	**461,342**	**461,342**
Carrying amount	**10,760,305**	**3,572,041**	**461,342**	**14,793,688**
Expected credit loss	**(48,324)**	**(99,999)**	**(469,725)**	**(618,048)**
2018				
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.

Notes to the Financial Statements
31 December 2019

55. 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 profit or loss ("FVTPL"):

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial investments				
At FVTPL				
Very Low	**5,596,014**	5,566,893	**595,508**	2,589,393
Low	**4,202,288**	7,527,035	**922,266**	3,455,997
Medium	**912,268**	3,430,551	**574,563**	139,927
High	**–**	155,221	**–**	1,727
Unrated	**18,303,485**	8,223,323	**10,119,931**	2,025,390
Total carrying amount	**29,014,055**	24,903,023	**12,212,268**	8,212,434
Loans, advances and financing				
At FVTPL				
Low	**401,703**	–	**401,703**	–
Medium	**–**	121,320	**–**	121,320
High	**–**	275,630	**–**	275,630
Total carrying amount	**401,703**	396,950	**401,703**	396,950

6. Credit quality of impaired financial assets

(i) Impaired financial assets analysed by geographic purpose are as follows:

Group 2019	**Loans, advances and financing RM'000**	**Financial investments portfolio* RM'000**	**Other assets RM'000**	**Total RM'000**
Malaysia	**6,242,161**	**343,280**	**19,065**	**6,604,506**
Singapore	**4,802,502**	**–**	**2,223**	**4,804,725**
Indonesia	**1,678,934**	**12,412**	**–**	**1,691,346**
Labuan Offshore	**201,848**	**–**	**–**	**201,848**
Hong Kong SAR	**69,016**	**–**	**2,072**	**71,088**
United States of America	**217,606**	**–**	**2**	**217,608**
People's Republic of China	**257,080**	**–**	**–**	**257,080**
Vietnam	**57,195**	**–**	**36**	**57,231**
United Kingdom	**–**	**–**	**105**	**105**
Brunei	**70,067**	**–**	**–**	**70,067**
Cambodia	**59,753**	**–**	**–**	**59,753**
Philippines	**163,996**	**–**	**778**	**164,774**
Thailand	**35,422**	**–**	**6,238**	**41,660**
Laos	**2,356**	**–**	**–**	**2,356**
Others	**–**	**–**	**31**	**31**
	13,857,936	**355,692**	**30,550**	**14,244,178**

* 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.

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

6. Credit quality of impaired financial assets (cont'd.)

(i) Impaired financial assets analysed by geographic purpose are as follows (cont'd.):

Group 2018	**Loans, advances and financing RM'000**	**Financial investments portfolio* 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.

Bank 2019	**Loans, advances and financing RM'000**	**Financial investments portfolio* RM'000**	**Other assets RM'000**	**Total RM'000**
Malaysia	**3,713,462**	**343,280**	**19,035**	**4,075,777**
Singapore	**4,246,554**	**–**	**–**	**4,246,554**
Labuan Offshore	**201,848**	**–**	**–**	**201,848**
Hong Kong SAR	**60,782**	**–**	**–**	**60,782**
United States of America	**217,030**	**–**	**–**	**217,030**
People's Republic of China	**257,080**	**–**	**–**	**257,080**
Vietnam	**56,016**	**–**	**–**	**56,016**
Brunei	**70,067**	**–**	**–**	**70,067**
Laos	**2,356**	**–**	**–**	**2,356**
	8,825,195	**343,280**	**19,035**	**9,187,510**
2018				
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.

Notes to the Financial Statements
31 December 2019

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

6. Credit quality of impaired financial assets (cont'd.)

(ii) Impaired financial assets analysed by industry sectors are as follows:

Group	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
2019				
Agriculture	**993,570**	**–**	**–**	**993,570**
Mining and quarrying	**306,259**	**–**	**–**	**306,259**
Manufacturing	**1,382,171**	**–**	**–**	**1,382,171**
Construction	**1,522,192**	**153,612**	**–**	**1,675,804**
Electricity, gas and water supply	**1,949,352**	**10,287**	**–**	**1,959,639**
Wholesale, retail trade, restaurants and hotels	**1,629,388**	**–**	**–**	**1,629,388**
Finance, insurance, real estate and business	**1,492,995**	**191,793**	**22,022**	**1,706,810**
Transport, storage and communication	**2,417,227**	**–**	**–**	**2,417,227**
Education, health and others	**333,200**	**–**	**9**	**333,209**
Household	**1,802,405**	**–**	**3,078**	**1,805,483**
Others	**29,177**	**–**	**5,441**	**34,618**
	13,857,936	**355,692**	**30,550**	**14,244,178**
2018				
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.

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

6. Credit quality of impaired financial assets (cont'd.)

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

Bank	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
2019				
Agriculture	**454,897**	**–**	**–**	**454,897**
Mining and quarrying	**24,831**	**–**	**–**	**24,831**
Manufacturing	**602,607**	**–**	**–**	**602,607**
Construction	**1,164,060**	**153,612**	**–**	**1,317,672**
Electricity, gas and water supply	**1,865,115**	**10,287**	**–**	**1,875,402**
Wholesale, retail trade, restaurants and hotels	**904,674**	**–**	**–**	**904,674**
Finance, insurance, real estate and business	**1,167,094**	**179,381**	**19,035**	**1,365,510**
Transport, storage and communication	**1,774,905**	**–**	**–**	**1,774,905**
Education, health and others	**250,042**	**–**	**–**	**250,042**
Household	**614,921**	**–**	**–**	**614,921**
Others	**2,049**	**–**	**–**	**2,049**
	8,825,195	**343,280**	**19,035**	**9,187,510**
2018				
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.

Notes to the Financial Statements
31 December 2019

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Credit risk management (cont'd.)

7. 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Residential properties	**137,778**	116,082	**–**	–
Others	**154,211**	172,184	**29,412**	29,410
	291,989	288,266	**29,412**	29,410

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 fluctuations of market rates or prices such as interest rates/profit rates, foreign exchange rates, commodity prices and equity prices.

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 99.2% confidence level using a 1-day holding period. The VaR model is back tested regularly to evaluate its performance and accuracy. 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. 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

55. 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 2019 and 31 December 2018. 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 2019	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	38,671,631	–	–	–	–	7,797,443	–	46,469,074	2.53
Deposits and placements with financial institutions	–	6,375,662	6,837,638	66,501	–	813,417	–	14,093,218	2.76
Financial assets purchased under resale agreements	13,639,082	–	–	–	–	–	–	13,639,082	1.97
Financial assets designated upon initial recognition at fair value through profit or loss	–	–	–	–	–	–	14,323,303	14,323,303	2.40
Financial investments at fair value through profit or loss	–	–	–	–	–	–	20,370,865	20,370,865	2.81
Financial investments at fair value through other comprehensive income	26,568,445	8,066,345	11,772,818	29,424,868	43,607,347	3,911,710	–	123,351,533	3.27
Financial investments at amortised cost	595,862	1,262,434	1,113,716	15,664,044	16,010,245	138,175	–	34,784,476	4.50
Loans, advances and financing									
– Non-impaired	333,182,530	38,408,448	40,669,417	51,080,343	46,706,045	–	–	510,046,783	5.35
– Impaired*	6,673,115	–	–	–	–	–	–	6,673,115	–
– 12-month ECL and Lifetime ECL not credit impaired	–	–	–	–	–	(3,300,188)	–	(3,300,188)	–
Derivative assets	–	–	–	–	–	–	10,335,629	10,335,629	–
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	4,232,089	–	4,232,089	–
Other assets	–	–	–	–	–	9,479,084	–	9,479,084	–
Investment properties	–	–	–	–	–	921,471	–	921,471	–
Other non-interest sensitive balances	–	–	–	–	–	28,993,481	–	28,993,481	–
Total assets	419,330,665	54,112,889	60,393,589	96,235,756	106,323,637	52,986,682	45,029,797	834,413,015	
Liabilities and shareholders' equity									
Customers' funding:									
– Deposits from customers	200,736,924	91,594,215	142,483,788	63,869,734	45,846,251	–	–	544,530,912	2.18
– Investment accounts of customers^	3,779,986	1,542,473	5,589,442	4,260,753	5,565,016	–	–	20,737,670	2.51
Deposits and placements from financial institutions	15,476,766	9,137,687	16,230,530	1,454,525	227,434	1,030,267	–	43,557,209	2.21
Obligations on financial assets sold under repurchase agreements	5,185,486	4,537,457	2,680,397	1,575,404	–	–	–	13,978,744	2.43
Derivative liabilities	–	–	–	–	–	–	11,182,307	11,182,307	–
Financial liabilities at fair value through profit or loss	–	123	22,750	325,940	6,181,940	–	–	6,530,753	4.58
Bills and acceptances payable	491,072	2,240	866	–	77	797,559	–	1,291,814	1.58
Insurance/takaful contract liabilities and other insurance payables	–	–	–	–	–	30,885,630	–	30,885,630	–
Other liabilities	279,821	189,803	786,225	4,701,043	49,114	15,563,521	–	21,569,527	1.36
Recourse obligation on loans and financing sold to Cagamas	–	–	1,526,225	–	–	–	–	1,526,225	4.20
Borrowings	5,317,155	4,660,699	9,331,464	20,865,450	1,164,647	–	–	41,339,415	2.78
Subordinated obligations	109,816	–	–	151,395	9,059,914	–	–	9,321,125	4.63
Capital securities	27,123	–	–	–	2,800,000	–	–	2,827,123	4.07
Other non-interest sensitive balances	–	–	–	–	–	1,065,337	–	1,065,337	–
Total liabilities	231,404,149	111,664,697	178,651,687	97,204,244	70,894,393	49,342,314	11,182,307	750,343,791	
Shareholders' equity	–	–	–	–	–	81,570,938	–	81,570,938	–
Non-controlling interests	–	–	–	–	–	2,498,286	–	2,498,286	–
	–	–	–	–	–	84,069,224	–	84,069,224	
Total liabilities and shareholders' equity	231,404,149	111,664,697	178,651,687	97,204,244	70,894,393	133,411,538	11,182,307	834,413,015	
On-balance sheet interest sensitivity gap	187,926,516	(57,551,808)	(118,258,098)	(968,488)	35,429,244	(80,424,856)	33,847,490		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(15,354,182)	(29,720,180)	13,024,934	31,956,554	92,874	–	–		
Total interest sensitivity gap	172,572,334	(87,271,988)	(105,233,164)	30,988,066	35,522,118	(80,424,856)	33,847,490		
Cumulative interest rate sensitivity gap	172,572,334	85,300,346	(19,932,818)	11,005,248	46,577,366	(33,847,490)	–		

* 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 65(k)(vii).

Notes to the Financial Statements
31 December 2019

55. 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 2019 and 31 December 2018. 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 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	–	–	–	–	–	–	14,763,788	14,763,788	2.61
Financial investments at fair value through profit or loss	–	–	–	–	–	–	15,205,150	15,205,150	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	764,126	28,376	100,067	5,357,037	51,755	15,487,310	–	21,788,671	2.08
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	233,182,839	121,030,943	163,767,595	99,327,831	58,382,491	45,586,938	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	233,182,839	121,030,943	163,767,595	99,327,831	58,382,491	123,324,198	7,975,784	806,991,681	
On-balance sheet interest sensitivity gap	148,641,014	(63,685,551)	(97,642,152)	2,730,838	50,384,234	(69,385,058)	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	144,835,583	(70,373,762)	(95,243,542)	9,882,996	51,327,108	(69,385,058)	28,956,675		
Cumulative interest rate sensitivity gap	144,835,583	74,461,821	(20,781,721)	(10,898,725)	40,428,383	(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 65(k)(vii).

55. 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 2019 and 31 December 2018. 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 2019	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	13,740,844	–	–	–	–	5,299,690	–	19,040,534	1.68
Deposits and placements with financial institutions	–	15,025,068	10,463,415	2,157,480	221,690	419,685	–	28,287,338	2.85
Financial assets purchased under resale agreements	11,297,036	–	–	–	–	–	–	11,297,036	1.75
Financial investments at fair value through profit or loss	–	–	–	–	–	–	12,912,823	12,912,823	2.47
Financial investments at fair value through other comprehensive income	2,454,620	7,289,657	8,085,682	21,575,798	37,516,217	3,876,726	–	80,798,700	3.39
Financial investments at amortised cost	24,998	2,214,680	6,070,696	12,131,461	11,995,184	137,899	–	32,574,918	4.17
Loans, advances and financing									
– Non-impaired	152,578,739	20,417,826	8,929,816	27,117,982	15,207,196	–	–	224,251,559	4.79
– Impaired*	3,738,861	–	–	–	–	–	–	3,738,861	–
– 12-month ECL and Lifetime ECL not credit impaired	–	–	–	–	–	(1,401,200)	–	(1,401,200)	–
Derivative assets	–	–	–	–	–	–	10,002,003	10,002,003	–
Other assets	–	–	–	–	–	4,943,190	–	4,943,190	–
Other non-interest sensitive balances	–	–	–	–	–	37,914,584	–	37,914,584	–
Total assets	**183,835,098**	**44,947,231**	**33,549,609**	**62,982,721**	**64,940,287**	**51,190,574**	**22,914,826**	**464,360,346**	
Liabilities and shareholders' equity									
Deposits from customers	90,593,456	38,585,711	52,251,357	35,229,285	26,097,808	–	–	242,757,617	1.79
Deposits and placements from financial institutions	27,384,971	8,167,534	14,681,718	385,265	200,000	535,047	–	51,354,535	2.20
Obligations on financial assets sold under repurchase agreements	19,584,811	4,537,457	2,595,360	1,575,404	–	–	–	28,293,032	1.89
Derivative liabilities	–	–	–	–	–	–	10,588,278	10,588,278	–
Financial liabilities at fair value through profit or loss	–	123	22,750	325,940	6,181,940	–	–	6,530,753	4.58
Bills and acceptances payable	3,079	2,240	866	–	–	473,477	–	479,662	4.26
Other liabilities	199,664	57,916	34,329	3,103	–	7,657,396	–	7,952,408	1.65
Recourse obligation on loans and financing sold to Cagamas	–	–	1,526,225	–	–	–	–	1,526,225	4.20
Borrowings	974,993	3,321,314	8,423,567	18,790,026	1,135,125	–	–	32,645,025	2.04
Subordinated obligations	109,816	–	–	–	9,047,000	–	–	9,156,816	4.53
Capital securities	27,123	–	–	–	2,800,000	–	–	2,827,123	4.07
Other non-interest sensitive balances	–	–	–	–	–	185,495	–	185,495	–
Total liabilities	**138,877,913**	**54,672,295**	**79,536,172**	**56,309,023**	**45,461,873**	**8,851,415**	**10,588,278**	**394,296,969**	
Shareholders' equity	–	–	–	–	–	70,063,377	–	70,063,377	–
Total liabilities and shareholders' equity	**138,877,913**	**54,672,295**	**79,536,172**	**56,309,023**	**45,461,873**	**78,914,792**	**10,588,278**	**464,360,346**	
On-balance sheet interest sensitivity gap	44,957,185	(9,725,064)	(45,986,563)	6,673,698	19,478,414	(27,724,218)	12,326,548		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(14,700,319)	(29,401,206)	13,031,097	31,187,554	(117,126)	–	–		
Total interest sensitivity gap	**30,256,866**	**(39,126,270)**	**(32,955,466)**	**37,861,252**	**19,361,288**	**(27,724,218)**	**12,326,548**		
Cumulative interest rate sensitivity gap	**30,256,866**	**(8,869,404)**	**(41,824,870)**	**(3,963,618)**	**15,397,670**	**(12,326,548)**	**–**		

* This is arrived after deducting the Lifetime ECL credit impaired from gross impaired loans.

Notes to the Financial Statements
31 December 2019

55. 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 2019 and 31 December 2018. 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	47,976,448	(26,427,554)	(40,474,918)	6,079,164	27,742,759	(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	44,419,554	(32,160,765)	(38,072,855)	12,234,331	28,475,634	(23,170,080)	8,274,181		
Cumulative interest rate sensitivity gap	44,419,554	12,258,789	(25,814,066)	(13,579,735)	14,895,899	(8,274,181)	–		

* This is arrived after deducting the Lifetime ECL credit impaired from gross impaired loans.

55. 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 2019 and 31 December 2018. 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 2019	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	21,703,237	–	–	–	–	29,314	–	21,732,551	2.82
Financial investments at fair value through profit or loss	–	–	–	–	–	–	383,194	383,194	3.19
Financial investments at fair value through other comprehensive income	1,198,172	–	2,304,793	5,376,080	6,413,475	–	–	15,292,520	3.92
Financial investments at amortised cost	–	–	251,404	5,530,038	3,890,234	–	–	9,671,676	5.18
Financing and advances									
– Non-impaired	138,219,586	4,804,276	1,995,019	13,205,039	31,259,862	–	–	189,483,782	5.16
– Impaired*	1,266,797	–	–	–	–	–	–	1,266,797	–
– 12-month ECL and Lifetime ECL not credit impaired	–	–	–	–	–	(987,605)	–	(987,605)	–
Derivative assets	–	–	–	–	–	–	200,414	200,414	–
Other assets	–	–	–	–	–	4,574,547	–	4,574,547	–
Other non-yield/profit sensitive balances	–	–	–	–	–	4,256,461	–	4,256,461	–
Total assets	162,387,792	4,804,276	4,551,216	24,111,157	41,563,571	7,872,717	583,608	245,874,337	
Liabilities and Islamic banking capital funds									
Customers' funding:									
– Deposits from customers	55,296,995	34,871,824	42,658,754	11,835,855	16,375,709	–	–	161,039,137	2.71
– Investment accounts of customers^	3,779,986	1,542,473	5,589,442	4,260,753	5,565,016	–	–	20,737,670	2.51
Deposits and placements from financial institutions	5,492,626	11,113,999	5,045,166	11,793,492	4,948,589	433,684	–	38,827,556	3.15
Derivative liabilities	–	–	–	–	–	–	221,674	221,674	–
Bills and acceptances payable	–	–	–	–	–	137,893	–	137,893	–
Other liabilities	1,737	–	–	–	–	589,318	–	591,055	0.98
Term funding	–	2,186,776	7,705,217	–	–	–	–	9,891,993	3.72
Subordinated sukuk	–	–	–	2,028,311	–	–	–	2,028,311	4.58
Capital securities	–	–	–	1,002,170	–	–	–	1,002,170	4.95
Other non-yield/profit sensitive balances	–	–	–	–	–	120,372	–	120,372	–
Total liabilities	64,571,344	49,715,072	60,998,579	30,920,581	26,889,314	1,218,267	221,674	234,597,831	
Islamic banking capital funds	–	–	–	–	–	11,276,506	–	11,276,506	–
Total liabilities and Islamic banking capital funds	64,571,344	49,715,072	60,998,579	30,920,581	26,889,314	12,557,773	221,674	245,874,337	
On-balance sheet yield/profit rate sensitivity gap	97,816,448	(44,910,796)	(56,447,363)	(6,809,424)	14,674,257	(4,685,056)	361,934		
Off-balance sheet yield/profit rate sensitivity gap	(662)	(317)	–	769	210	–	–		
Total profit rate sensitivity gap	97,815,786	(44,911,113)	(56,447,363)	(6,808,655)	14,674,467	(4,685,056)	361,934		
Cumulative yield/profit rate sensitivity gap	97,815,786	52,904,673	(3,542,690)	(10,351,345)	4,323,122	(361,934)	–		

* 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 65(k)(vii).

55. 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 2019 and 31 December 2018. 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 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 balances	–	–	–	–	–	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		
Off-balance sheet yield/profit rate sensitivity gap	(15)	(955)	–	760	210	–	–		
Total profit rate sensitivity gap	76,251,933	(34,784,235)	(46,506,961)	(5,910,578)	16,265,343	(6,322,618)	1,007,116		
Cumulative yield/profit rate sensitivity gap	76,251,933	41,467,698	(5,039,263)	(10,949,841)	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 65(k)(vii).

55. 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.

		Group		Bank	
	Tax rate	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2019					
Impact to profit before tax		**856,299**	**(856,299)**	**(41,544)**	**41,544**
Impact to profit after tax	**24%**	**650,787**	**(650,787)**	**(31,573)**	**31,573**
2018					
Impact to profit before tax		721,898	(721,898)	94,202	(94,202)
Impact to profit after tax	24%	548,642	(548,642)	71,594	(71,594)

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").

	Group		Bank	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2019				
Impact to revaluation reserve for FVOCI	**(5,684,102)**	**5,684,102**	**(4,362,096)**	**4,362,096**
2018				
Impact to revaluation reserve for FVOCI	(5,392,109)	5,392,109	(4,397,692)	4,397,692

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.

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

The tables below analyse the net foreign exchange positions of the Group and of the Bank as at 31 December 2019 and 31 December 2018, 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 2019	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	29,055,977	5,540,244	426,314	94,042	6,650,770	1,367,945	292,156	3,041,626	46,469,074
Deposits and placements with financial institutions	647,876	864,184	85	940	11,883,204	84	–	696,845	14,093,218
Financial assets purchased under resale agreements	30,299	12,884,682	–	–	150,231	573,870	–	–	13,639,082
Financial assets designated upon initial recognition at fair value through profit or loss	14,164,512	222	–	12,396	97,316	–	–	48,857	14,323,303
Financial investments at fair value through profit or loss	5,543,188	5,427,845	18	116,210	2,266,739	3,092,880	107,151	3,816,834	20,370,865
Financial investments at fair value through other comprehensive income	66,907,912	28,103,607	193,911	1,687,243	13,885,567	3,322,838	806,379	8,444,076	123,351,533
Financial investments at amortised cost	29,246,618	–	–	–	3,066,701	439,656	–	2,031,501	34,784,476
Loans, advances and financing to financial institutions	–	–	–	–	92,292	1,036,326	–	–	1,128,618
Loans, advances and financing to customers	301,826,046	111,175,231	6,193,841	4,757,247	42,019,060	30,855,148	708,532	14,755,987	512,291,092
Derivative assets*	17,789,460	2,304,655	2,233,299	3,294,021	(22,111,710)	24,071	1,551,891	5,249,942	10,335,629
Reinsurance/retakaful assets and other insurance receivables	3,953,180	133,435	–	–	–	124,638	–	20,836	4,232,089
Other assets*	3,162,676	929,301	209,534	197,813	2,647,317	1,427,948	24,593	879,902	9,479,084
Investment properties	915,340	–	–	–	1,050	–	–	5,081	921,471
Statutory deposits with central banks	7,230,680	4,086,598	–	–	1,221,346	1,655,372	–	858,756	15,052,752
Interest in associates and joint ventures	311,162	–	–	–	439,463	–	–	1,739,923	2,490,548
Property, plant and equipment	1,101,846	767,731	24,886	17,316	43,567	320,363	–	60,089	2,335,798
Right-of-use assets	628,498	224,271	14,208	77,372	123,438	348,358	–	132,063	1,548,208
Intangible assets	781,771	1,823,995	–	80,061	7,282	3,306,958	–	836,396	6,836,463
Deferred tax assets*	282,063	3,622	–	–	29,452	280,985	–	133,590	729,712
Total assets	483,579,104	174,269,623	9,296,096	10,334,661	62,513,085	48,177,440	3,490,702	42,752,304	834,413,015
Liabilities									
Customers' funding:									
– Deposits from customers	306,952,911	127,302,255	5,032,734	7,490,290	54,023,844	25,592,971	2,194,019	15,941,888	544,530,912
– Investment accounts of customers^	20,737,670	–	–	–	–	–	–	–	20,737,670
Deposits and placements from financial institutions	11,937,299	2,440,986	272,351	2,590,310	22,883,989	652,135	1,042,588	1,737,551	43,557,209
Obligations on financial assets sold under repurchase agreements	5,100,219	3,162,019	–	–	4,799,948	214,206	257,662	444,690	13,978,744
Derivative liabilities*	45,322,418	6,834,561	2,923,442	(1,378,211)	(43,326,328)	1,356,465	170,319	(720,359)	11,182,307
Financial liabilities at fair value through profit or loss	83,100	–	–	–	6,447,653	–	–	–	6,530,753
Bills and acceptances payable	561,186	232,548	193	510	367,140	109,145	7,197	13,895	1,291,814
Insurance/takaful contract liabilities and other insurance payables	27,165,825	3,490,895	–	6	2,898	118,680	–	107,326	30,885,630
Other liabilities*	6,241,674	8,086,215	216,979	383,709	1,419,668	1,786,698	196,825	3,237,759	21,569,527
Recourse obligation on loans and financing sold to Cagamas	1,526,225	–	–	–	–	–	–	–	1,526,225
Provision for taxation and zakat	(63,217)	131,840	2,669	25,335	41,004	23,135	–	26,295	187,061
Deferred tax liabilities	790,566	75,887	65	–	–	–	–	11,758	878,276
Borrowings	1,655,582	1,665,852	–	4,315,983	19,323,857	4,768,603	–	9,609,538	41,339,415
Subordinated obligations	7,096,049	–	–	–	2,060,767	164,309	–	–	9,321,125
Capital securities	2,827,123	–	–	–	–	–	–	–	2,827,123
Total liabilities	437,934,630	153,423,058	8,448,433	13,427,932	68,044,440	34,786,347	3,868,610	30,410,341	750,343,791
On-balance sheet open position	45,644,474	20,846,565	847,663	(3,093,271)	(5,531,355)	13,391,093	(377,908)	12,341,963	84,069,224
Less: Derivative assets	(17,789,460)	(2,304,655)	(2,233,299)	(3,294,021)	22,111,710	(24,071)	(1,551,891)	(5,249,942)	(10,335,629)
Add: Derivative liabilities	45,322,418	6,834,561	2,923,442	(1,378,211)	(43,326,328)	1,356,465	170,319	(720,359)	11,182,307
Add: Net forward position	(21,437,198)	(10,240,179)	(1,256,187)	9,158,727	31,329,984	(3,803,732)	1,812,463	(110,349)	5,453,529
Net open position	51,740,234	15,136,292	281,619	1,393,224	4,584,011	10,919,755	52,983	6,261,313	90,369,431
Net structural currency exposures	–	15,858,523	25,257	1,340,698	4,772,411	9,934,260	–	4,921,119	36,852,268

* 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.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(vii).

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

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	14,597,175	2,821	–	5,080	115,095	1,026	–	42,591	14,763,788
Financial investments at fair value through profit or loss	6,952,440	2,868,284	2,789	371,776	2,055,431	975,677	–	1,978,753	15,205,150
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*	8,722,363	7,600,035	221,338	213,384	2,067,551	1,361,770	(52,352)	1,654,582	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	413,520,756	133,283,889	3,720,709	10,427,763	97,595,672	34,931,380	3,997,487	31,776,765	729,254,421
On-balance sheet open position	40,658,776	27,258,337	246,876	(3,461,133)	(7,157,274)	11,410,477	(1,048,293)	9,829,494	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	45,102,413	13,723,051	(214,975)	2,150,153	6,119,395	10,153,639	(962,452)	6,120,646	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

* 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.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(vii).

Notes to the Financial Statements
31 December 2019

55. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Bank 2019	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	6,898,835	5,108,425	415,918	116,099	3,696,372	81,784	247,023	2,476,078	19,040,534
Deposits and placements with financial institutions	12,947,880	313,890	534,606	940	13,695,093	–	–	794,929	28,287,338
Financial assets purchased under resale agreements	30,299	11,266,737	–	–	–	–	–	–	11,297,036
Financial investments at fair value through profit or loss	1,793,837	3,698,157	–	–	1,158,274	2,927,869	9,138	3,325,548	12,912,823
Financial investments at fair value through other comprehensive income	45,092,660	11,495,234	193,911	1,687,243	13,144,679	396,201	760,866	8,027,906	80,798,700
Financial investments at amortised cost	30,060,143	–	–	–	2,478,471	–	–	36,304	32,574,918
Loans, advances and financing to financial institutions	17,467,952	–	515,543	–	1,416,744	–	–	–	19,400,239
Loans, advances and financing to customers	116,069,052	45,661,756	4,913,647	4,368,615	29,904,272	–	182,563	6,089,076	207,188,981
Derivative assets*	21,051,078	2,211,103	1,371,754	3,295,554	(24,530,219)	(80,674)	1,556,765	5,126,642	10,002,003
Other assets*	2,093,322	150,248	203,240	(8,352)	2,393,192	171,214	10,891	(70,565)	4,943,190
Statutory deposits with central banks	2,988,538	1,042,937	–	–	30,824	–	–	38,633	4,100,932
Investment in subsidiaries	8,634,729	15,988,022	–	–	444,114	3,517,532	–	2,974,850	31,559,247
Interest in associates and joint ventures	4,568	–	–	–	434,348	–	–	1,814	440,730
Property, plant and equipment	724,510	247,624	23,739	6,300	7,096	–	–	5,017	1,014,286
Right-of-use assets	301,326	47,251	10,549	26,722	30,699	–	–	21,707	438,254
Intangible assets	351,065	–	–	1,424	2,711	–	–	5,935	361,135
Deferred tax assets*	(55,728)	–	–	–	–	–	–	55,728	–
Total assets	266,454,066	97,231,384	8,182,907	9,494,545	44,306,670	7,013,926	2,767,246	28,909,602	464,360,346
Liabilities									
Deposits from customers	156,306,794	35,042,495	3,868,173	7,431,565	31,449,867	–	1,314,093	7,344,630	242,757,617
Deposits and placements from financial institutions	7,956,659	12,970,910	360,152	2,604,703	23,429,595	258	1,177,101	2,855,157	51,354,535
Obligations on financial assets sold under repurchase agreements	5,100,220	14,931,991	–	–	6,515,479	–	257,662	1,487,680	28,293,032
Derivative liabilities*	42,493,990	6,728,944	3,012,119	(1,381,613)	(41,223,745)	1,247,946	171,257	(460,620)	10,588,278
Financial liabilities at fair value through profit or loss	83,100	–	–	–	6,447,653	–	–	–	6,530,753
Bills and acceptances payable	422,936	51,452	193	510	1,669	106	285	2,511	479,662
Other liabilities*	4,281,743	1,432,619	312,757	49,233	2,101,679	15,243	65,839	(306,705)	7,952,408
Deferred tax liabilities	164,334	21,161	–	–	–	–	–	–	185,495
Recourse obligation on loans and financing sold to Cagamas	1,526,225	–	–	–	–	–	–	–	1,526,225
Provision for taxation and zakat	(68,679)	1,757	2,559	25,238	17,014	–	–	22,111	–
Borrowings	1,655,581	–	–	4,211,041	18,498,843	–	–	8,279,560	32,645,025
Subordinated obligations	7,096,049	–	–	–	2,060,767	–	–	–	9,156,816
Capital securities	2,827,123	–	–	–	–	–	–	–	2,827,123
Total liabilities	229,846,075	71,181,329	7,555,953	12,940,677	49,298,821	1,263,553	2,986,237	19,224,324	394,296,969
On-balance sheet open position	36,607,991	26,050,055	626,954	(3,446,132)	(4,992,151)	5,750,373	(218,991)	9,685,278	70,063,377
Less: Derivative assets	(21,051,078)	(2,211,103)	(1,371,754)	(3,295,554)	24,530,219	80,674	(1,556,765)	(5,126,642)	(10,002,003)
Add: Derivative liabilities	42,493,990	6,728,944	3,012,119	(1,381,613)	(41,223,745)	1,247,946	171,257	(460,620)	10,588,278
Add: Net forward position	(21,437,198)	(9,576,179)	(2,100,934)	9,174,998	26,202,805	(3,460,469)	1,663,595	(822,317)	(355,699)
Net open position	36,613,705	20,991,717	166,385	1,051,699	4,517,128	3,618,524	59,096	3,275,699	70,293,953
Net structural currency exposures	–	21,284,433	25,257	1,171,293	4,176,109	3,517,532	–	3,855,387	34,030,011

* 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.

55. 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*	4,240,878	617,864	265,900	24,586	2,073,482	694	(8,505)	126,162	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	213,490,799	56,770,720	2,407,332	10,084,912	82,200,682	743,358	3,713,579	21,612,649	391,024,031
On-balance sheet open position	32,372,673	33,457,059	159,763	(3,848,366)	(7,049,523)	4,654,727	(1,117,499)	6,960,433	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	32,367,852	19,620,733	(300,166)	1,764,742	6,215,773	4,050,856	(1,065,963)	3,016,935	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.

Notes to the Financial Statements
31 December 2019

55. 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
2019			
Singapore Dollar	**15,858,523**	**–**	**15,858,523**
Great Britain Pound	**25,257**	**–**	**25,257**
Hong Kong Dollar	**1,340,698**	**–**	**1,340,698**
United States Dollar	**6,833,178**	**(2,060,767)**	**4,772,411**
Indonesia Rupiah	**9,934,260**	**–**	**9,934,260**
Others	**4,921,119**	**–**	**4,921,119**
	38,913,035	**(2,060,767)**	**36,852,268**
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

55. 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.):

Bank	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
2019			
Singapore Dollar	**21,284,433**	**–**	**21,284,433**
Great Britain Pound	**25,257**	**–**	**25,257**
Hong Kong Dollar	**1,171,293**	**–**	**1,171,293**
United States Dollar	**6,236,876**	**(2,060,767)**	**4,176,109**
Indonesia Rupiah	**3,517,532**	**–**	**3,517,532**
Others	**3,855,387**	**–**	**3,855,387**
	36,090,778	**(2,060,767)**	**34,030,011**
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

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
2019				
Impact to profit after taxation	**3,713**	**(3,713)**	**3,275**	**(3,275)**
2018				
Impact to profit after taxation	12,961	(12,961)	8,265	(8,265)

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.

Notes to the Financial Statements
31 December 2019

55. 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		Bank	
	Change in market index		Change in market index	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
2019				
Impact to profit after tax	**411,287**	**(411,287)**	**24,190**	**(24,190)**
Impact to post-tax equity	**697**	**(697)**	**1,401**	**(1,401)**
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)

(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 adopted BNM Liquidity Coverage Ratio Guidelines and other industry leading practices as a foundation to measure and manage 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 appropriate 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.

55. 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 2019 and 31 December 2018.

These disclosures are made in accordance with the requirement of Policy document on Financial Reporting issued by BNM:

Group 2019	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	46,469,074	–	–	–	–	–	–	–	46,469,074
Deposits and placements with financial institutions	–	4,668,701	4,633,935	2,416,617	946,203	753,662	674,100	–	14,093,218
Financial assets purchased under resale agreements	10,706,425	2,591,125	30,866	310,666	–	–	–	–	13,639,082
Financial assets designated upon initial recognition at fair value through profit or loss	275,437	10,014	30,162	1,045,092	6,933,866	452,910	5,511,444	64,378	14,323,303
Financial investments at fair value through profit or loss	1,107,152	2,988,627	771,307	1,672,843	3,467,902	1,984,483	3,560,014	4,818,537	20,370,865
Financial investments at fair value through other comprehensive income	7,420,765	12,658,958	9,820,038	7,635,516	22,676,002	20,443,924	42,438,226	258,104	123,351,533
Financial investments at amortised cost	622,396	3,341,586	3,358,988	3,573,112	11,624,735	6,678,828	5,584,831	–	34,784,476
Loans, advances and financing to financial institutions	19,635	54,770	26,833	112,826	254,370	174,878	485,306	–	1,128,618
Loans, advances and financing to customers	75,882,907	15,635,354	12,408,613	14,331,231	63,065,703	53,296,026	277,671,258	–	512,291,092
Derivative assets	1,681,305	706,475	537,128	371,560	1,085,335	1,316,978	4,636,848	–	10,335,629
Reinsurance/retakaful assets and other insurance receivables	4,093,993	3,835	–	124,638	9,623	–	–	–	4,232,089
Other assets	3,673,601	31,013	3,493	862,671	37,737	9,769	3,885	4,856,915	9,479,084
Investment properties	–	–	–	–	–	–	–	921,471	921,471
Statutory deposits with central banks	–	–	–	–	–	–	–	15,052,752	15,052,752
Interest in associates and joint ventures	–	–	–	–	–	–	–	2,490,548	2,490,548
Property, plant and equipment	–	–	–	–	–	–	–	2,335,798	2,335,798
Right-of-use assets	–	–	–	–	–	–	–	1,548,208	1,548,208
Intangible assets	–	–	–	–	–	–	–	6,836,463	6,836,463
Deferred tax assets	–	–	–	–	–	–	–	729,712	729,712
Total assets	151,952,690	42,690,458	31,621,363	32,456,772	110,101,476	85,111,458	340,565,912	39,912,886	834,413,015
Liabilities									
Customers' funding:									
– Deposits from customers	321,147,881	85,839,160	64,304,716	63,076,944	9,208,749	950,960	2,502	–	544,530,912
– Investment accounts of customers^	15,897,860	1,020,809	2,168,113	1,633,073	15,045	2,770	–	–	20,737,670
Deposits and placements from financial institutions	14,998,081	9,881,548	7,167,582	9,065,554	1,788,432	455,894	200,118	–	43,557,209
Obligations on financial assets sold under repurchase agreements	3,715,884	6,006,350	2,595,360	85,746	1,575,404	–	–	–	13,978,744
Derivative liabilities	1,967,605	1,302,182	459,476	393,505	1,585,132	1,360,709	4,113,698	–	11,182,307
Financial liabilities at fair value through profit or loss	–	–	–	22,772	–	–	6,507,981	–	6,530,753
Bills and acceptances payable	912,339	147,551	215,323	16,601	–	–	–	–	1,291,814
Insurance/takaful contract liabilities and other insurance payables	27,178,677	3,563	43,685	152,749	9,717	552	3,493,399	3,288	30,885,630
Other liabilities	7,885,117	2,265,361	329,872	970,007	3,329,261	2,712,847	1,037,237	3,039,825	21,569,527
Recourse obligation on loans and financing sold to Cagamas	–	–	1,526,225	–	–	–	–	–	1,526,225
Provision for taxation and zakat	(79,372)	698	17,722	5,094	–	–	–	242,919	187,061
Deferred tax liabilities	–	–	–	–	–	–	–	878,276	878,276
Borrowings	3,121,674	2,937,544	5,287,422	6,467,612	12,962,489	9,398,171	1,164,503	–	41,339,415
Subordinated obligations	109,816	–	–	–	66,553	97,756	9,047,000	–	9,321,125
Capital securities	27,123	–	–	–	–	–	2,800,000	–	2,827,123
Total liabilities	396,882,685	109,404,766	84,115,496	81,889,657	30,540,782	14,979,659	28,366,438	4,164,308	750,343,791
Net liquidity gap	(244,929,995)	(66,714,308)	(52,494,133)	(49,432,885)	79,560,694	70,131,799	312,199,474	35,748,578	84,069,224

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(vii).

Notes to the Financial Statements
31 December 2019

55. 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 2019 and 31 December 2018 (cont'd.).

These disclosures are made in accordance with the requirement of Policy document on Financial Reporting issued by BNM (cont'd.):

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 assets designated upon initial recognition at fair value through profit or loss	24,317	5,005	5,632	348,069	7,730,751	368,259	6,158,038	123,717	14,763,788
Financial investments at fair value through profit or loss	2,142,368	1,738,918	1,626,530	1,416,305	721,682	803,147	1,782,820	4,973,380	15,205,150
Financial investments at fair value through other comprehensive income	7,402,719	10,861,010	10,414,064	8,148,302	18,004,349	19,542,335	46,146,295	394,814	120,913,888
Financial investments at amortised cost	746,622	488,734	489,284	1,308,653	3,154,357	7,212,963	13,668,483	165	27,069,261
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

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(vii).

55. 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 2019 and 31 December 2018 (cont'd.).

These disclosures are made in accordance with the requirement of Policy document on Financial Reporting issued by BNM (cont'd.):

Bank 2019	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	19,040,534	–	–	–	–	–	–	–	19,040,534
Deposits and placements with financial institutions	–	18,925,910	4,633,566	2,362,807	937,293	753,662	674,100	–	28,287,338
Financial assets purchased under resale agreements	8,920,513	2,376,523	–	–	–	–	–	–	11,297,036
Financial investments at fair value through profit or loss	903,249	2,829,021	771,307	1,231,016	2,732,331	1,691,091	1,814,040	940,768	12,912,823
Financial investments at fair value through other comprehensive income	1,831,231	6,602,740	3,609,944	5,713,279	10,711,002	12,098,685	39,969,291	262,528	80,798,700
Financial investments at amortised cost	25,065	2,250,803	2,794,589	3,276,013	9,521,188	2,653,605	12,053,655	–	32,574,918
Loans, advances and financing to financial institutions	4,136,477	1,183,014	167,890	136,255	5,758,123	3,281,221	4,737,259	–	19,400,239
Loans, advances and financing to customers	38,689,358	8,483,826	8,374,332	7,176,621	39,630,825	24,813,721	80,020,298	–	207,188,981
Derivative assets	1,593,950	635,512	489,109	355,903	1,013,924	1,215,776	4,697,829	–	10,002,003
Other assets	478,141	3,680	2,140	532	1,734	239	1,115	4,455,609	4,943,190
Statutory deposits with central banks	–	–	–	–	–	–	–	4,100,932	4,100,932
Investment in subsidiaries	–	–	–	–	–	–	–	31,559,247	31,559,247
Interest in associates and joint ventures	–	–	–	–	–	–	–	440,730	440,730
Property, plant and equipment	–	–	–	–	–	–	–	1,014,286	1,014,286
Right-of-use assets	–	–	–	–	–	–	–	438,254	438,254
Intangible assets	–	–	–	–	–	–	–	361,135	361,135
Total assets	**75,618,518**	**43,291,029**	**20,842,877**	**20,252,426**	**70,306,420**	**46,508,000**	**143,967,587**	**43,573,489**	**464,360,346**
Liabilities									
Deposits from customers	162,601,682	34,578,243	20,719,326	20,880,121	3,473,393	504,852	–	–	242,757,617
Deposits and placements from financial institutions	26,744,753	8,390,502	6,011,957	9,446,697	290,492	270,134	200,000	–	51,354,535
Obligations on financial assets sold under repurchase agreements	18,115,917	6,006,351	2,595,360	–	1,575,404	–	–	–	28,293,032
Derivative liabilities	1,851,333	969,277	431,982	362,538	1,525,746	1,271,667	4,175,735	–	10,588,278
Financial liabilities at fair value through profit or loss	–	–	–	22,772	–	–	6,507,981	–	6,530,753
Bills and acceptances payable	474,305	2,240	3,117	–	–	–	–	–	479,662
Other liabilities	5,971,447	671,415	44,716	12,626	155,709	69,717	301,104	725,674	7,952,408
Recourse obligation on loans and financing sold to Cagamas	–	–	1,526,225	–	–	–	–	–	1,526,225
Deferred tax liabilities	–	–	–	–	–	–	–	185,495	185,495
Borrowings	974,993	1,856,553	4,307,672	5,384,607	9,587,904	9,398,171	1,135,125	–	32,645,025
Subordinated obligations	109,816	–	–	–	–	–	9,047,000	–	9,156,816
Capital securities	27,123	–	–	–	–	–	2,800,000	–	2,827,123
Total liabilities	**216,871,369**	**52,474,581**	**35,640,355**	**36,109,361**	**16,608,648**	**11,514,541**	**24,166,945**	**911,169**	**394,296,969**
Net liquidity gap	**(141,252,851)**	**(9,183,552)**	**(14,797,478)**	**(15,856,935)**	**53,697,772**	**34,993,459**	**119,800,642**	**42,662,320**	**70,063,377**

Notes to the Financial Statements
31 December 2019

55. 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 2019 and 31 December 2018 (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 at fair value through profit or loss	1,750,058	1,437,452	974,827	763,775	1,042,349	750,890	1,380,060	814,756	8,914,167
Financial investments at fair value through other comprehensive income	2,905,500	5,972,285	6,253,973	6,736,164	10,510,090	15,415,535	41,478,787	310,503	89,582,837
Financial investments at amortised cost	539,746	2,035,486	206,904	746,792	2,204,630	8,568,653	8,554,859	–	22,857,070
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

55. 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 2019 and 31 December 2018. 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 2019	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	320,682,061	86,142,184	65,179,600	67,257,108	8,993,461	562,309	1,302,807	550,119,530
Investment accounts of customers	15,935,517	1,034,677	2,202,377	1,678,553	17,272	3,281	–	20,871,677
Deposits and placements from financial institutions	15,691,482	9,904,865	12,678,014	10,050,368	865,567	478,050	200,120	49,868,466
Obligations on financial assets sold under repurchase agreements	3,717,155	6,006,350	2,595,360	88,864	1,575,404	–	–	13,983,133
Financial liabilities at fair value through profit or loss	–	–	–	22,772	–	–	6,507,981	6,530,753
Bills and acceptances payable	1,289,568	2,240	3,117	–	–	–	–	1,294,925
Insurance/takaful contract liabilities and other insurance payables	27,203,367	3,563	43,685	152,749	9,717	552	3,493,399	30,907,032
Other liabilities	12,270,013	1,202,107	1,369,256	975,905	3,413,329	2,974,632	1,036,968	23,242,210
Recourse obligation on loans and financing sold to Cagamas	–	–	1,575,990	–	–	–	–	1,575,990
Borrowings	3,088,985	3,075,571	5,641,481	6,587,181	12,654,571	11,122,588	1,432,085	43,602,462
Subordinated obligations	–	1,811	1,771	3,621	514,642	264,846	12,380,092	13,166,783
Capital securities	–	–	–	–	–	–	3,504,895	3,504,895
	399,878,148	107,373,368	91,290,651	86,817,121	28,043,963	15,406,258	29,858,347	758,667,856
Commitments and contingencies								
Direct credit substitutes	1,742,645	1,442,680	1,469,642	4,181,964	2,094,558	212,070	508,422	11,651,981
Certain transaction-related contingent items	1,456,246	944,887	3,719,441	3,700,459	4,861,557	2,913,049	337,580	17,933,219
Short-term self-liquidating trade-related contingencies	1,035,960	1,254,417	417,388	175,106	80,598	–	–	2,963,469
Irrevocable commitments to extend credit	92,448,348	342,608	844,641	26,908,145	26,524,817	16,042,880	587,206	163,698,645
Miscellaneous	7,234,812	649,746	395,960	519,297	156,225	9,791	10	8,965,841
	103,918,011	4,634,338	6,847,072	35,484,971	33,717,755	19,177,790	1,433,218	205,213,155

Notes to the Financial Statements
31 December 2019

55. 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 2019 and 31 December 2018. 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 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	9,326,113	15,937,640	4,244,829	6,112,232	8,606,270	959,884	1,865	45,188,833
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
	395,095,790	111,915,217	74,768,104	84,881,952	33,021,673	18,967,349	28,912,742	747,562,827
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

55. 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 2019 and 31 December 2018. 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 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
2019								
Non-derivative liabilities								
Deposits from customers	**161,171,748**	**34,812,777**	**20,933,340**	**24,057,565**	**3,527,060**	**514,142**	**–**	**245,016,632**
Deposits and placements from financial institutions	**27,236,350**	**8,541,774**	**11,353,130**	**9,718,603**	**141,445**	**287,863**	**200,000**	**57,479,165**
Obligations on financial assets sold under repurchase agreements	**18,115,918**	**6,006,350**	**2,595,360**	**–**	**1,575,404**	**–**	**–**	**28,293,032**
Financial liabilities at fair value through profit or loss	**–**	**–**	**–**	**22,772**	**–**	**–**	**6,507,981**	**6,530,753**
Bills and acceptances payable	**474,305**	**2,240**	**3,117**	**–**	**–**	**–**	**–**	**479,662**
Other liabilities	**7,747,156**	**76,588**	**86,906**	**42,772**	**341,011**	**254,163**	**263,992**	**8,812,588**
Recourse obligation on loans and financing sold to Cagamas	**–**	**–**	**1,575,990**	**–**	**–**	**–**	**–**	**1,575,990**
Borrowings	**914,569**	**1,882,075**	**4,368,093**	**5,470,774**	**9,845,427**	**10,620,991**	**1,399,977**	**34,501,906**
Subordinated obligations	**–**	**–**	**–**	**–**	**–**	**–**	**12,380,092**	**12,380,092**
Capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**3,504,895**	**3,504,895**
	215,660,046	**51,321,804**	**40,915,936**	**39,312,486**	**15,430,347**	**11,677,159**	**24,256,937**	**398,574,715**
Commitments and contingencies								
Direct credit substitutes	**975,991**	**1,132,408**	**1,254,792**	**3,310,471**	**1,964,884**	**208,311**	**4,694**	**8,851,551**
Certain transaction-related contingent items	**942,103**	**743,907**	**3,406,386**	**3,273,198**	**3,841,747**	**1,626,138**	**219,159**	**14,052,638**
Short-term self-liquidating trade-related contingencies	**643,586**	**972,314**	**387,653**	**164,379**	**57,054**	**–**	**–**	**2,224,986**
Irrevocable commitments to extend credit	**71,749,515**	**342,608**	**844,641**	**1,698,782**	**16,662,459**	**12,775,480**	**587,207**	**104,660,692**
Miscellaneous	**2,989,786**	**595,057**	**369,951**	**462,727**	**153,509**	**9,728**	**–**	**4,580,758**
	77,300,981	**3,786,294**	**6,263,423**	**8,909,557**	**22,679,653**	**14,619,657**	**811,060**	**134,370,625**
2018								
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

Notes to the Financial Statements
31 December 2019

55. 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 2019 and 31 December 2018. 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
2019								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange related contracts	**(35,515)**	**(60,730)**	**(54,269)**	**(29,867)**	**(2,949)**	**(35,236)**	**–**	**(218,566)**
– Interest rate related contracts	**(1,096,252)**	**(3,692,840)**	**985,210**	**203,025**	**270,824**	**(613,603)**	**(5,791,156)**	**(9,734,792)**
– Equity related contracts	**(42,068)**	**(16,775)**	**(50,260)**	**(240,371)**	**(172,617)**	**–**	**–**	**(522,091)**
Hedging derivatives								
– Interest rate related contracts	**1,685**	**–**	**(2,124)**	**(1,789)**	**(3,572)**	**–**	**–**	**(5,800)**
	(1,172,150)	**(3,770,345)**	**878,557**	**(69,002)**	**91,686**	**(648,839)**	**(5,791,156)**	**(10,481,249)**
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	**(189,867,946)**	**(110,494,365)**	**(31,482,681)**	**(17,062,207)**	**(14,079,208)**	**(9,156,228)**	**(6,084,190)**	**(378,226,825)**
– Inflow	**190,006,871**	**110,424,967**	**31,141,026**	**16,990,171**	**13,762,087**	**7,715,894**	**5,875,717**	**375,916,733**
Hedging derivatives								
Derivatives:								
– Outflow	**(425,811)**	**(19,173)**	**(40,813)**	**(334,268)**	**(2,319,189)**	**(2,093,826)**	**(473,571)**	**(5,706,651)**
– Inflow	**421,288**	**25,864**	**40,683**	**314,254**	**2,271,535**	**2,040,006**	**431,218**	**5,544,848**
	134,402	**(62,707)**	**(341,785)**	**(92,050)**	**(364,775)**	**(1,494,154)**	**(250,826)**	**(2,471,895)**
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	(70,475,044)	(47,528,506)	(32,318,873)	(18,327,375)	(15,701,983)	(11,353,912)	(1,887,645)	(197,593,338)
– Inflow	70,144,126	47,149,628	32,077,493	17,973,278	14,567,818	10,660,733	1,731,116	194,304,192
Hedging derivatives								
Derivatives:								
– Outflow	(6,108)	(40,013)	(1,077,601)	(881,610)	(1,319,882)	(2,865,045)	–	(6,190,259)
– Inflow	2,597	14,949	918,300	805,574	1,265,275	2,868,286	–	5,874,981
	(334,429)	(403,942)	(400,681)	(430,133)	(1,188,772)	(689,938)	(156,529)	(3,604,424)

55. 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 2019 and 31 December 2018. The amounts disclosed in the tables are the contractual undiscounted cash flows (cont'd.).

Bank	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
2019								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange related contracts	**(30,835)**	**(59,278)**	**(54,038)**	**(29,867)**	**(2,930)**	**(34,984)**	**–**	**(211,932)**
– Interest rate related contracts	**(1,096,252)**	**67,836**	**157,131**	**217,886**	**279,863**	**707,879**	**(5,791,156)**	**(5,456,813)**
– Equity related contracts	**(1,095)**	**(14,723)**	**(49,970)**	**(240,371)**	**(172,617)**	**–**	**–**	**(478,776)**
Hedging derivatives								
– Interest rate related contracts	**1,685**	**–**	**(2,124)**	**(1,789)**	**(3,572)**	**–**	**–**	**(5,800)**
	(1,126,497)	**(6,165)**	**50,999**	**(54,141)**	**100,744**	**672,895**	**(5,791,156)**	**(6,153,321)**
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	**(187,878,655)**	**(108,091,805)**	**(29,120,535)**	**(16,529,363)**	**(12,875,823)**	**(9,161,824)**	**(6,084,190)**	**(369,742,195)**
– Inflow	**188,033,660**	**108,091,179**	**28,861,232**	**16,675,932**	**12,577,343**	**7,714,548**	**5,875,717**	**367,829,611**
Hedging derivatives								
Derivatives:								
– Outflow	**(425,811)**	**(19,173)**	**(40,813)**	**(334,268)**	**(2,319,189)**	**(2,093,826)**	**(473,571)**	**(5,706,651)**
– Inflow	**421,288**	**25,864**	**40,683**	**314,254**	**2,271,535**	**2,040,006**	**431,218**	**5,544,848**
	150,482	**6,065**	**(259,433)**	**126,555**	**(346,134)**	**(1,501,096)**	**(250,826)**	**(2,074,387)**
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)

Notes to the Financial Statements
31 December 2019

55. 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. ORM also responsible for 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.

56. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for the financial and non-financial assets and financial 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 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.

(b) Valuation techniques

The valuation techniques used for the financial and non-financial assets and financial liabilities 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 upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss and financial investments at fair value through other comprehensive income

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 at fair value through profit or loss

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

56. FAIR VALUE MEASUREMENTS(CONT'D.)

(b) Valuation techniques (cont'd.)

The valuation techniques used for the financial and non-financial assets and financial liabilities that are not determined by reference to quoted prices (Level 1) are described below:

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.

(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 financial liabilities measured at fair value is summarised in the table below:

Group 2019	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
Non-financial assets measured at fair value:				
Investment properties	–	–	921,471	921,471
Financial assets measured at fair value:				
Financial assets designated upon initial recognition at fair value through profit or loss	113,647	14,209,656	–	14,323,303
Money market instruments	–	474,348	–	474,348
Quoted securities	113,647	–	–	113,647
Unquoted securities	–	13,735,308	–	13,735,308
Financial investments at fair value through profit or loss	6,590,452	12,973,288	807,125	20,370,865
Money market instruments	–	7,808,341	–	7,808,341
Quoted securities	6,590,452	–	–	6,590,452
Unquoted securities	–	5,164,947	807,125	5,972,072
Financial investments at fair value through other comprehensive income	1,644,956	121,243,317	463,260	123,351,533
Money market instruments	–	64,289,820	–	64,289,820
Quoted securities	1,644,956	–	–	1,644,956
Unquoted securities	–	56,953,497	463,260	57,416,757
Loans, advances and financing at fair value through profit or loss	–	–	401,703	401,703
Loans, advances and financing at fair value through other comprehensive income	–	–	11,821,285	11,821,285
Derivative assets	–	10,252,236	83,393	10,335,629
Foreign exchange related contracts	–	3,305,316	–	3,305,316
Interest rate related contracts	–	7,697,985	–	7,697,985
Equity and commodity related contracts	–	112,192	83,393	195,585
Credit related contracts	–	32	–	32
Netting effects under MFRS 132 Amendments	–	(863,289)	–	(863,289)
	8,349,055	158,678,497	13,576,766	180,604,318
Financial liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss	–	6,530,753	–	6,530,753
Structured deposits	–	22,772	–	22,772
Borrowings	–	6,507,981	–	6,507,981
Derivative liabilities	–	11,098,914	83,393	11,182,307
Foreign exchange related contracts	–	3,958,230	–	3,958,230
Interest rate related contracts	–	7,642,580	–	7,642,580
Equity and commodity related contracts	–	360,492	83,393	443,885
Credit related contracts	–	901	–	901
Netting effects under MFRS 132 Amendments	–	(863,289)	–	(863,289)
	–	17,629,667	83,393	17,713,060

Notes to the Financial Statements
31 December 2019

56. 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 financial liabilities measured at fair value is summarised in the table below (cont'd.):

Group 2018	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total 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	56,819	14,706,969	–	14,763,788
Money market instruments	–	569,570	–	569,570
Quoted securities	56,819	–	–	56,819
Unquoted securities	–	14,137,399	–	14,137,399
Financial investments at fair value through profit or loss	5,213,930	9,211,273	779,947	15,205,150
Money market instruments	–	3,717,964	–	3,717,964
Quoted securities	5,213,930	–	–	5,213,930
Unquoted securities	–	5,493,309	779,947	6,273,256
Financial investments at fair value through other comprehensive income	919,177	119,481,356	513,355	120,913,888
Money market instruments	–	67,471,103	–	67,471,103
Quoted securities	919,177	–	–	919,177
Unquoted securities	–	52,010,253	513,355	52,523,608
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)
	6,189,926	150,159,172	10,862,637	167,211,735
Financial liabilities measured at fair value:				
Financial liabilities 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

56. 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 financial liabilities measured at fair value is summarised in the table below (cont'd.):

Bank 2019	Valuation technique using Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial investments at fair value through profit or loss	**318,292**	**11,972,355**	**622,176**	**12,912,823**
Money market instruments	–	6,907,320	–	6,907,320
Quoted securities	318,292	–	–	318,292
Unquoted securities	–	5,065,035	622,176	5,687,211
Financial investments at fair value through other comprehensive income	**18,435**	**80,350,611**	**429,654**	**80,798,700**
Money market instruments	–	33,329,630	–	33,329,630
Quoted securities	18,435	–	–	18,435
Unquoted securities	–	47,020,981	429,654	47,450,635
Loans, advances and financing at fair value through profit or loss	**–**	**–**	**401,703**	**401,703**
Loans, advances and financing at fair value through other comprehensive income	**–**	**–**	**11,380,901**	**11,380,901**
Derivative assets	**–**	**9,918,610**	**83,393**	**10,002,003**
Foreign exchange related contracts	–	3,169,901	–	3,169,901
Interest rate related contracts	–	7,556,412	–	7,556,412
Equity and commodity related contracts	–	47,057	83,393	130,450
Credit related contracts	–	32	–	32
Netting effects under MFRS 132 Amendments	–	(854,792)	–	(854,792)
	336,727	**102,241,576**	**12,917,827**	**115,496,130**
Financial liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss	**–**	**6,530,753**	**–**	**6,530,753**
Structured deposits	–	22,772	–	22,772
Borrowings	–	6,507,981	–	6,507,981
Derivative liabilities	**–**	**10,504,885**	**83,393**	**10,588,278**
Foreign exchange related contracts	–	3,784,072	–	3,784,072
Interest rate related contracts	–	7,539,308	–	7,539,308
Equity and commodity related contracts	–	35,396	83,393	118,789
Credit related contracts	–	901	–	901
Netting effects under MFRS 132 Amendments	–	(854,792)	–	(854,792)
	–	**17,035,638**	**83,393**	**17,119,031**

Notes to the Financial Statements
31 December 2019

56. 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 financial liabilities measured at fair value is summarised in the table below (cont'd.):

Bank 2018	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
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 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

(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(xxii). There were no transfers between Level 1 and Level 2 for the Group and the Bank during the financial year ended 31 December 2019.

56. 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 2019	At 1 January 2019 RM'000	Other gains recognised in income statements* RM'000	Unrealised gains/(losses) recognised in income statements# RM'000	Unrealised 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 2019 RM'000
Financial investments at fair value through profit or loss											
Unquoted securities	779,947	–	26,910	–	–	–	–	–	268	–	807,125
	779,947	–	26,910	–	–	–	–	–	268	–	807,125
Financial investments at fair value through other comprehensive income											
Unquoted securities	513,355	10,339	–	(29,403)	51,131	(80,020)	–	(2,142)	–	–	463,260
	513,355	10,339	–	(29,403)	51,131	(80,020)	–	(2,142)	–	–	463,260
Loans, advances and financing at fair value through profit or loss	396,950	–	(10,573)	–	382,225	–	(365,280)	(1,619)	–	–	401,703
Loans, advances and financing at fair value through other comprehensive income	8,968,438	–	–	(152,421)	7,227,166	–	(4,211,911)	(9,987)	–	–	11,821,285
Derivative assets											
Equity and commodity related contracts	203,947	77,682	(83,260)	–	24,102	–	(139,078)	–	–	–	83,393
	203,947	77,682	(83,260)	–	24,102	–	(139,078)	–	–	–	83,393
Total Level 3 financial assets	10,862,637	88,021	(66,923)	(181,824)	7,684,624	(80,020)	(4,716,269)	(13,748)	268	–	13,576,766
Derivative liabilities											
Equity and commodity related contracts	(203,947)	79,407	(82,551)	–	(22,903)	–	146,601	–	–	–	(83,393)
Total Level 3 financial liabilities	(203,947)	79,407	(82,551)	–	(22,903)	–	146,601	–	–	–	(83,393)
Total net Level 3 financial assets/ (liabilities)	10,658,690	167,428	(149,474)	(181,824)	7,661,721	(80,020)	(4,596,668)	(13,748)	268	–	13,493,373

* Included within 'Other operating income', '(Writeback of)/allowances for 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 2019

56. 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 2018	At 1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Restated as at 1 January 2018 RM'000	Other gains recognised in income statements* RM'000	Unrealised gains/(losses) recognised in income statements# RM'000	Unrealised gains 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', '(Writeback of)/allowances for Impairment Losses on Financial Investments' and 'Income from Islamic Banking Scheme operations'.
# Included within 'Other operating income' and 'Income from Islamic Banking Scheme operations'.

56. 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 2019	Restated as at 1 January 2019 RM'000	Other gains recognised in income statements* RM'000	Unrealised gains/(losses) recognised in income statements# RM'000	Unrealised 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 2019 RM'000
Financial investments at fair value through profit or loss											
Unquoted securities	600,549	–	21,627	–	–	–	–	–	–	–	622,176
	600,549	–	21,627	–	–	–	–	–	–	–	622,176
Financial investments at fair value through other comprehensive income											
Unquoted securities	459,057	–	–	(29,403)	–	–	–	–	–	–	429,654
	459,057	–	–	(29,403)	–	–	–	–	–	–	429,654
Loans, advances and financing at fair value through profit or loss	396,950	–	(10,573)	–	382,225	–	(365,280)	(1,619)	–	–	401,703
Loans, advances and financing at fair value through other comprehensive income	8,680,217	–	–	(156,333)	7,218,415	–	(4,351,411)	(9,987)	–	–	11,380,901
Derivative assets											
Equity and commodity related contracts	203,947	77,682	(83,260)	–	24,102	–	(139,078)	–	–	–	83,393
	203,947	77,682	(83,260)	–	24,102	–	(139,078)	–	–	–	83,393
Total Level 3 financial assets	10,340,720	77,682	(72,206)	(185,736)	7,624,742	–	(4,855,769)	(11,606)	–	–	12,197,827
Derivative liabilities											
Equity and commodity related contracts	(203,947)	79,407	(82,551)	–	(22,903)	–	146,601	–	–	–	(83,393)
Total Level 3 financial liabilities	(203,947)	79,407	(82,551)	–	(22,903)	–	146,601	–	–	–	(83,393)
Total net Level 3 financial assets/ (liabilities)	10,136,773	157,089	(154,757)	(185,736)	7,601,839	–	(4,709,168)	(11,606)	–	–	12,834,434

* Included within 'Other operating income' and '(Writeback of)/allowances for Impairment Losses on Financial Investments'.
# Included within 'Other operating income'.

Notes to the Financial Statements
31 December 2019

56. 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 2018	At 1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Restated as at 1 January 2018 RM'000	Other gains recognised in income statements* RM'000	Unrealised gains/(losses) recognised in income statements# RM'000	Unrealised gains 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	–	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)
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 '(Writeback of)/allowances for Impairment Losses on Financial Investments'.
# Included within 'Other operating income'.

During the financial year ended 31 December 2019, the Group transferred certain financial investments at fair value through profit or loss from Level 2 into Level 3 of the fair value hierarchy. The reason for the transfer is that inputs to the valuation models ceased to be observable. Prior to the transfer, the fair value of the financial instruments was determined using observable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these instruments have been valued using valuation models incorporating significant unobservable market inputs.

(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.

56. FAIR VALUE MEASUREMENTS (CONT'D.)

(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.

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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2019					
Financial assets					
Deposits and placements with financial institutions	**–**	**14,093,218**	**–**	**14,093,218**	**14,093,218**
Financial investments at amortised cost	**–**	**32,929,851**	**2,688,770**	**35,618,621**	**34,784,476**
Loans, advances and financing to financial institutions	**–**	**–**	**1,128,618**	**1,128,618**	**1,128,618**
Loans, advances and financing to customers	**–**	**173,070,094**	**339,525,001**	**512,595,095**	**500,068,104**
Financial liabilities					
Customers' funding:					
– Deposits from customers	**–**	**544,863,356**	**–**	**544,863,356**	**544,530,912**
– Investment accounts of customers^	**–**	**20,738,073**	**–**	**20,738,073**	**20,737,670**
Deposits and placements from financial institutions	**–**	**43,686,501**	**–**	**43,686,501**	**43,557,209**
Recourse obligation on loans and financing sold to Cagamas	**–**	**1,526,225**	**–**	**1,526,225**	**1,526,225**
Borrowings	**–**	**36,064,293**	**5,338,848**	**41,403,141**	**41,339,415**
Subordinated obligations	**–**	**9,580,464**	**–**	**9,580,464**	**9,321,125**
Capital securities	**–**	**2,844,847**	**–**	**2,844,847**	**2,827,123**
2018					
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 65(k)(vii).

Notes to the Financial Statements
31 December 2019

56. 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 2019	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	–	28,287,338	–	28,287,338	28,287,338
Financial investments at amortised cost	–	26,765,405	6,550,309	33,315,714	32,574,918
Loans, advances and financing to financial institutions	–	–	19,400,239	19,400,239	19,400,239
Loans, advances and financing to customers	–	90,726,231	105,149,398	195,875,629	195,406,377
Financial liabilities					
Deposits from customers	–	243,191,157	–	243,191,157	242,757,617
Deposits and placements from financial institutions	–	51,519,306	–	51,519,306	51,354,535
Recourse obligation on loans and financing sold to Cagamas	–	1,526,225	–	1,526,225	1,526,225
Borrowings	–	32,983,315	–	32,983,315	32,645,025
Subordinated obligations	–	9,386,134	–	9,386,134	9,156,816
Capital securities	–	2,844,847	–	2,844,847	2,827,123
2018					
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

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

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.

57. 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.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group	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: Financial instruments RM'000	Amount not offset in the statement of financial position: Financial collateral received/ pledged RM'000	Net amount RM'000
2019						
Financial assets						
Derivative assets	**11,198,918**	**(863,289)**	**10,335,629**	**(4,436,999)**	**(348,980)**	**5,549,650**
Other assets:						
Amount due from brokers and clients (Note 15)	**6,151,166**	**(4,141,043)**	**2,010,123**	**–**	**–**	**2,010,123**
Financial liabilities						
Derivative liabilities	**12,045,596**	**(863,289)**	**11,182,307**	**(4,430,016)**	**(2,355,254)**	**4,397,037**
Other liabilities:						
Amount due to brokers and clients (Note 27)	**8,372,529**	**(4,141,043)**	**4,231,486**	**–**	**–**	**4,231,486**
2018						
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 15)	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 27)	6,197,842	(3,159,454)	3,038,388	–	–	3,038,388

Bank	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: Financial instruments RM'000	Amount not offset in the statement of financial position: Financial collateral received/ pledged RM'000	Net amount RM'000
2019						
Financial assets						
Derivative assets	**10,856,795**	**(854,792)**	**10,002,003**	**(4,241,201)**	**(303,290)**	**5,457,512**
Financial liabilities						
Derivative liabilities	**11,443,070**	**(854,792)**	**10,588,278**	**(4,241,201)**	**(2,355,254)**	**3,991,823**
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

Notes to the Financial Statements
31 December 2019

58. CAPITAL AND OTHER COMMITMENTS

Capital expenditure approved by directors but not provided for in the financial statements amounting to:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Approved and contracted for	**154,068**	111,471	**27,927**	23,180
Approved but not contracted for	**439,014**	683,434	**138,004**	171,959
	593,082	794,905	**165,931**	195,139

59. 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%.

BNM had on 5 February 2020 issued a Policy document on Domestic Systematically Important Bank ("D-SIB") Framework and identify Maybank as one of the bank categorised as a D-SIB. Maybank is categorised under Bucket 2 of the Higher Loss Absorbency ("HLA") requirements which will come into effect on 31 January 2021.

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 34(b) and dividend payout is disclosed in Note 53.

60. 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 ("ERC") 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

60. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

(b) Comprehensive risk assessment under ICAAP policy (cont'd.)

Under the Group's ICAAP methodology, the following risk types are identified and measured (cont'd.):

- External factors, including changes in economic environment, regulations and accounting rules.

A key process emplaced within the Group provides for the identification of material risks that may arise through the introduction of new products and services. Material risks are defined as "risks" which would materially impact the financial performance (profitability), capital adequacy, asset quality and/or reputation of the Group should the risk occur".

In the ICAAP Policy, the Material Risk Assessment Process ("MRAP") is designed to identify key risks from the Group's Risk Universe. Annually, a group-wide risk landscape survey is carried out as part of a robust risk management approach to identify and prioritise the key risks based on potential impact of the risks on earnings and capital facing the Group. The survey results provide a synthesis of perceptions of current and future market outlook, based on perspectives of the key stakeholders across retail, commercial, investment banking and insurance operations across the Group's major entities. In addition, the outcomes of the survey assist in identifying the major risk scenarios over the near term time horizon.

Risks deemed "material" are reported to the Group ERC and RMC via the ICAAP report. For each material risk identified, the Group will ensure appropriate risk mitigation is in place to address these key risks, which include regular risk monitoring through Group Chief Risk Officer ("GCRO") letter reporting, stress testing, risk mitigation, capital planning and crisis management strategies.

(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.

There are several types of stress tests conducted across the Group:

- Group-wide stress tests – Using a common scenario approved by RMC of which the results are submitted to BNM. It also includes periodic industry-wide stress tests organised by BNM where the scenarios are specified by the Central Bank.
- Localised stress tests – Limited scope stress tests undertaken at portfolio, branch/sector or entity levels based on scenarios relevant to specific localities.
- Ad-hoc stress tests – Periodic stress tests conducted in response to emerging risk events.
- Reverse stress tests – Identification of a range of adverse scenarios which could threaten the viability of Maybank.
- Rapid exposure drills – Assessment of direct impact or potential contagion effect including upside and downside risks.
- Scenario analysis for Maybank Group Recovery Plan – Requirements according to BNM's Recovery Planning.

Stress test themes reviewed by the Stress Test Working Group in the past include US-China trade war, Eurozone financial crisis, 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 crisis, amongst others.

The Stress Test Working Group, which comprises of business, countries and risk management teams, tables the stress test reports to the Senior Management and Board committees and discusses the results with the regulators on a regular basis.

61. 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) issued on 2 February 2018 and Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued on 3 May 2019. The total RWA are computed based on the following approaches:

(A) Credit risk under Internal Ratings-Based Approach and Standardised Approach;

(B) Market risk under Standardised Approach; and

(C) Operational risk under Basic Indicator Approach.

Notes to the Financial Statements
31 December 2019

61. CAPITAL ADEQUACY (CONT'D.)

(a) Compliance and application of capital adequacy ratios (cont'd.)

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) issued on 2 February 2018 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The total RWA are computed based on the following approaches:

(A) Credit risk under Internal Ratings-Based Approach and 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 2019 (2018: 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) issued on 2 February 2018 and Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued on 3 May 2019. 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 2019 (2018: 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 9% up to less than 10% (2018: 9% up to less than 10%) 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 internal Ratings-Based Approach and 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 2019 (2018: 6.5%, 8.0% and 10.0% of total RWA).

(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 2019, the Board had on 26 March 2020 declared the payment of a single-tier second interim cash dividend of 39 sen per ordinary share.

In arriving at the capital adequacy ratios for the financial year ended 31 December 2019, the single-tier second interim cash dividend has not been deducted from the calculation of CET1 Capital.

Based on the above, the capital adequacy ratios of the Group and of the Bank are as follows:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
CET1 Capital Ratio	**15.729%**	15.029%	**15.314%**	13.757%
Tier 1 Capital Ratio	**16.486%**	15.983%	**16.120%**	14.871%
Total Capital Ratio	**19.387%**	19.024%	**19.387%**	18.266%

61. CAPITAL ADEQUACY (CONT'D.)

(c) Components of capital:

	Group		Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
CET1 Capital				
Share capital	**48,280,355**	46,747,442	**48,280,355**	46,747,442
Retained profits[1]	**20,606,011**	19,905,842	**15,231,992**	14,410,042
Other reserves[1]	**5,189,258**	2,154,645	**5,820,765**	4,111,140
Qualifying non-controlling interests	**134,080**	133,264	**–**	–
CET1 Capital before regulatory adjustments	**74,209,704**	68,941,193	**69,333,112**	65,268,624
Less: Regulatory adjustments applied on CET1 Capital	**(14,374,667)**	(12,640,727)	**(35,110,987)**	(34,374,944)
Deferred tax assets	**(678,978)**	(1,026,818)	**–**	(345,186)
Goodwill	**(5,709,503)**	(5,547,431)	**(81,015)**	(81,015)
Other intangibles	**(952,424)**	(1,011,272)	**(280,120)**	(279,850)
Gain on financial instruments classified as 'fair value through other comprehensive income'	**(1,186,797)**	(43,006)	**(884,294)**	(32,049)
Regulatory reserve	**(2,771,806)**	(2,127,290)	**(1,894,921)**	(1,778,997)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities[2]	**(3,075,159)**	(2,884,910)	**(31,970,637)**	(31,857,847)
Total CET1 Capital	**59,835,037**	56,300,466	**34,222,125**	30,893,680
Additional Tier 1 Capital				
Capital securities	**2,800,000**	3,500,000	**2,800,000**	3,500,000
Qualifying CET1 and Additional Tier 1 capital instruments held by third parties	**79,175**	71,182	**–**	–
Less: Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	**–**	–	**(1,000,000)**	(1,000,000)
Total Tier 1 Capital	**62,714,212**	59,871,648	**36,022,125**	33,393,680
Tier 2 Capital				
Subordinated obligations	**9,045,420**	9,066,767	**9,045,420**	9,066,767
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	**41,287**	405,381	**–**	–
General provisions[3]	**399,044**	348,148	**97,242**	51,305
Surplus of total eligible provision over total expected loss	**1,550,042**	1,572,006	**959,033**	988,691
Less: Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	**–**	–	**(2,801,145)**	(2,482,391)
Total Tier 2 Capital	**11,035,793**	11,392,302	**7,300,550**	7,624,372
Total Capital	**73,750,005**	71,263,950	**43,322,675**	41,018,052

[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] 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 RM57,000, 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.

[3] 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.

The capital adequacy ratios of the Bank is derived from the Bank and its wholly-owned offshore banking subsidiary, Maybank International (L) Ltd., excluding the investments in subsidiaries and associates (except for Myfin Berhad, Maybank International (L) Ltd. and Maybank Agro Fund Sdn. Bhd. as disclosed above).

Notes to the Financial Statements
31 December 2019

61. CAPITAL ADEQUACY (CONT'D.)

(d) The breakdown of RWA by each major risk categories for the Group and the Bank are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Standardised Approach exposure	**51,929,068**	53,335,879	**19,004,852**	22,273,148
Internal Ratings-Based Approach exposure after scaling factor	**258,340,386**	262,000,921	**159,838,753**	164,781,857
Total RWA for credit risk	**310,269,454**	315,336,800	**178,843,605**	187,055,005
Total RWA for market risk	**27,288,688**	17,476,305	**21,513,467**	13,726,342
Total RWA for operational risk	**42,853,735**	41,792,895	**23,106,901**	23,777,893
Total RWA	**380,411,877**	374,606,000	**223,463,973**	224,559,240

(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
2019				
CET1 Capital Ratio	**14.101%**	**24.507%**	**–**	**18.195%**
Tier 1 Capital Ratio	**15.508%**	**24.507%**	**–**	**18.195%**
Total Capital Ratio	**18.845%**	**25.807%**	**21.376%**	**18.497%**
2018				
CET1 Capital Ratio	16.368%	24.574%	–	16.898%
Tier 1 Capital Ratio	17.984%	24.574%	–	16.898%
Total Capital Ratio	22.545%	26.198%	19.041%	17.159%

(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
2019				
Standardised Approach exposure	**3,069,539**	**1,207,422**	**30,637,949**	**17,079,171**
Internal Ratings-Based Approach exposure after scaling factor	**69,483,314**	**–**	**–**	**21,058,209**
Credit valuation adjustment	**–**	**–**	**–**	**72,446**
Total RWA for credit risk	**72,552,853**	**1,207,422**	**30,637,949**	**38,209,826**
Total RWA for credit risk absorbed by Maybank and Investment Account Holders^	**(10,472,880)**	**–**	**–**	**–**
Total RWA for market risk	**963,780**	**402,336**	**720,844**	**14,583**
Total RWA for operational risk	**8,029,045**	**743,034**	**5,612,761**	**3,835,988**
Total RWA	**71,072,798**	**2,352,792**	**36,971,554**	**42,060,397**
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 Holders^	(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 RWA	61,884,693	2,162,172	39,177,313	43,168,451

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

62. 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 include 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 include 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 include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based 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.

Notes to the Financial Statements
31 December 2019

62. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group 2019	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	Head Office and Others RM'000	Total RM'000
	Business Segments						
		Group Global Banking					
Net interest income and income from IBS operations:							
– External	10,750,473	5,595,305	330,329	9,134	1,259,748	129,593	18,074,582
– Inter-segment	–	–	150	1,929	27,082	(29,161)	–
	10,750,473	5,595,305	330,479	11,063	1,286,830	100,432	18,074,582
Net interest income and income from IBS operations	10,750,473	5,595,305	330,479	11,063	1,286,830	100,432	18,074,582
Net earned insurance premiums	–	–	–	–	6,760,618	–	6,760,618
Other operating income	3,067,805	2,832,411	813,936	162,764	1,559,305	(1,159,223)	7,276,998
Total operating income	13,818,278	8,427,716	1,144,415	173,827	9,606,753	(1,058,791)	32,112,198
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	–	–	–	–	(7,683,572)	312,254	(7,371,318)
Net operating income	13,818,278	8,427,716	1,144,415	173,827	1,923,181	(746,537)	24,740,880
Overhead expenses	(7,543,434)	(1,890,760)	(1,061,688)	(122,266)	(943,791)	–	(11,561,939)
Operating profit/(loss) before impairment losses	6,274,844	6,536,956	82,727	51,561	979,390	(746,537)	13,178,941
Writeback of/(allowances for) impairment losses on loans, advances, financing and other debts, net	215,562	(2,491,757)	(7,940)	2	(3,357)	–	(2,287,490)
Writeback of impairment losses on financial investments, net	716	2,365	17,318	–	1	–	20,400
(Allowances for)/writeback of impairment losses on other financial assets, net	(818)	(8,661)	(4,418)	4	(31,681)	(10,770)	(56,344)
Operating profit/(loss)	6,490,304	4,038,903	87,687	51,567	944,353	(757,307)	10,855,507
Share of profits in associates and joint ventures	–	156,900	1,473	–	–	–	158,373
Profit/(loss) before taxation and zakat	6,490,304	4,195,803	89,160	51,567	944,353	(757,307)	11,013,880
Taxation and zakat							(2,538,231)
Profit after taxation and zakat							8,475,649
Non-controlling interests							(277,575)
Profit for the financial year attributable to equity holders of the Bank							8,198,074
Included in other operating income are:							
Fee income:							
Commission	1,310,166	151,849	42,329	28,871	–	(141,615)	1,391,600
Service charges and fees	910,460	341,000	214,564	86,911	(4,749)	(161,389)	1,386,797
Underwriting fees	–	21,720	35,365	–	–	–	57,085
Brokerage income	–	–	309,037	–	–	–	309,037
Fees on loans, advances and financing	82,537	143,594	1,758	–	–	(2,186)	225,703
Fee income from IBS operations	276,457	130,694	46,441	–	–	(52,301)	401,291
Included in overhead expenses are:							
Depreciation of property, plant and equipment	(183,994)	(48,145)	(46,797)	(823)	(17,472)	–	(297,231)
Depreciation of right-of-use assets	(251,541)	(64,247)	(53,642)	(2,237)	(17,606)	–	(389,273)
Amortisation of intangible assets	(164,814)	(48,376)	(15,822)	(387)	(23,024)	–	(252,423)

62. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group 2018	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	Head Office and Others RM'000	Total RM'000
	Business Segments						
		Group Global Banking					
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	860,636	83,590	(321,176)	(1,064,639)	4,951,022
Total operating income	13,541,945	8,015,956	1,224,416	95,810	6,775,394	(1,084,326)	28,569,195
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	1,224,416	95,810	1,609,733	(826,194)	23,661,666
Overhead expenses	(7,211,815)	(2,052,632)	(1,017,122)	(140,582)	(823,541)	–	(11,245,692)
Operating profit/(loss) before impairment losses	6,330,130	5,963,324	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)
Writeback of impairment losses on other financial assets, net	628	16,015	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 ventures	–	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 2019

62. 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, 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 For the financial year ended 31 December 2019	Operating revenue RM'000	Net operating income RM'000	Profit before taxation and zakat RM'000
Malaysia	**40,769,941**	**22,119,743**	**15,306,460**
Singapore	**9,223,351**	**4,628,039**	**76,503**
Indonesia	**5,326,365**	**2,995,554**	**661,736**
Others	**6,270,758**	**1,828,468**	**754,485**
	61,590,415	**31,571,804**	**16,799,184**
Elimination*	**(8,745,451)**	**(6,830,924)**	**(5,785,304)**
Group	**52,844,964**	**24,740,880**	**11,013,880**
31 December 2018			
Malaysia	32,695,989	18,352,929	10,359,268
Singapore	8,064,145	4,244,224	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	27,200,281	13,622,317
Elimination*	(3,888,549)	(3,538,615)	(2,720,971)
Group	47,319,853	23,661,666	10,901,346

* Inter-segment revenues 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]	
Statement of financial position items:	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	**10,026,298**	9,025,865	**542,851,120**	508,681,095
Singapore	**908,303**	893,302	**232,812,349**	215,261,665
Indonesia	**418,086**	58,474	**48,808,926**	50,210,991
Others	**346,557**	132,280	**86,066,654**	94,838,833
	11,699,244	10,109,921	**910,539,049**	868,992,584
Elimination[3]	**(57,304)**	–	**(87,767,974)**	(72,110,824)
Group	**11,641,940**	10,109,921	**822,771,075**	796,881,760

[1] Non-current assets consist of investment properties, property, plant and equipment, right-of-use assets and intangible assets.
[2] Current assets are total assets excluding non-current assets as mentioned above.
[3] Inter-segment balances are eliminated on consolidation.

63. 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 2019:

(a) 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:

(i) 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 USD47.7 million (or equivalent amount of approximately RM194.1 million); and

(ii) 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.

(b) 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 RM1.6 billion Subordinated Notes. The RM1.6 billion Subordinated Notes were issued on 29 January 2014.

(c) 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:

Maturity Date	Nominal Value	Description	Tenor
31 January 2029	RM2.0 billion	Tier 2 Subordinated Sukuk Murabahah (10 non-call 5)	10 years
31 January 2031	RM1.7 billion	Tier 2 Subordinated Sukuk Murabahah (12 non-call 7)	12 years

(d) Redemption of Subordinated Notes of RM2.1 billion in nominal value pursuant to the RM20.0 billion Subordinated Note Programme

On 10 May 2019, the Bank fully redeemed the RM2.1 billion Subordinated Notes. The RM2.1 billion Subordinated Notes were issued on 10 May 2012.

(e) Redemption of Additional Tier 1 Capital Securities ("AT1CS") of RM3.5 billion in nominal value pursuant to the AT1CS Programme of up to RM10.0 billion and/or its foreign currency equivalent in nominal value

On 10 September 2019, the Bank fully redeemed the RM3.5 billion AT1CS. The AT1CS were issued on 10 September 2014.

(f) Revision of the Sukuk Programme of up to RM10.0 billion in nominal value ("Sukuk Programme") and issuance of Islamic Additional Tier 1 Capital Securities based on the shariah principle of Mudharabah ("AT1 Sukuk Mudharabah") of RM2.8 billion in nominal value

Maybank had on 7 August 2019 obtained the approval from BNM for the revision of the Sukuk Programme mainly to incorporate the terms and conditions of the AT1 Sukuk Mudharabah into the Sukuk Programme ("Incorporation of AT1 Terms") to allow for the issuance of AT1 Sukuk Mudharabah thereunder.

On 25 September 2019, the Bank had completed the issuance of the RM2.8 billion AT1 Sukuk Mudharabah under the revised Sukuk Programme. Details of the issuance are as follows:

Call Date	Nominal Value	Tenor
25 September 2024	RM1.24 billion	Perpetual
25 September 2026	RM1.56 billion	Perpetual

(g) Disposal of PT Bank Maybank Syariah Indonesia ("PT Bank MSI") - a subsidiary of the Bank

PT Bank MSI is a 99% directly owned by the Bank and 1% owned by PT Prosperindo, an indirect subsidiary of the Bank. PT Bank MSI was incorporated in Indonesia and is involved in the business of Islamic Banking activities.

On 15 May 2019, the Bank and PT Prosperindo had entered into a share sale and purchase agreement ("SPA") with PT NTI Global Indonesia ("PT NTI") and PT Berkah Anugerah Abadi ("PT Berkah"), for the disposal of PT Bank MSI for a total cash consideration of IDR580,000,000,000 (equivalent to approximately RM171.2 million).

The disposal involved the sale of 661,548 shares representing 70% of the issued and paid up share capital held by the Bank to PT NTI and 274,070 shares representing 29% of the issued and paid up share capital held by the Bank to PT Berkah and 9,451 shares representing 1% of the issued and paid up share capital held by PT Prosperindo to PT Berkah.

The disposal was subject to the approval of Otoritas Jasa Keuangan ("OJK"), which has been obtained on 12 December 2019. The Bank has recognised the sale and reflected the financial impact during the financial year ended 31 December 2019.

The disposal was completed with the transfer of shares to PT NTI and PT Berkah on 31 January 2020.

The financial impact on the disposal is disclosed in Note 18(vii).

Notes to the Financial Statements
31 December 2019

64. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue	**3,803,853**	2,391,321	**2,497,650**	1,650,222	**1,423,233**	1,128,841	**1,836,095**	1,537,732	**9,560,831**	6,708,116
Interest income	**495,439**	445,460	**482,604**	451,880	**79,175**	67,680	**246,293**	222,083	**1,303,511**	1,187,103
Interest expense	**–**	–	**–**	–	**–**	–	**(17,327)**	(24,095)	**(17,327)**	(24,095)
Net interest income	**495,439**	445,460	**482,604**	451,880	**79,175**	67,680	**228,966**	197,988	**1,286,184**	1,163,008
Net earned insurance premiums	**2,525,152**	2,285,876	**1,533,577**	1,281,050	**1,333,300**	1,065,758	**1,368,589**	1,300,879	**6,760,618**	5,933,563
Other operating income/(loss)	**809,173**	(294,726)	**490,413**	(77,601)	**11,728**	(3,601)	**235,461**	40,675	**1,546,775**	(335,253)
Total operating income	**3,829,764**	2,436,610	**2,506,594**	1,655,329	**1,424,203**	1,129,837	**1,833,016**	1,539,542	**9,593,577**	6,761,318
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**(3,604,670)**	(2,231,262)	**(2,476,140)**	(1,627,697)	**(1,421,328)**	(1,131,125)	**(181,434)**	(175,577)	**(7,683,572)**	(5,165,661)
Net operating income/(loss)	**225,094**	205,348	**30,454**	27,632	**2,875**	(1,288)	**1,651,582**	1,363,965	**1,910,005**	1,595,657
Overhead expenses	**(224,001)**	(205,482)	**(28,880)**	(26,104)	**(627)**	(402)	**(676,594)**	(575,398)	**(930,102)**	(807,386)
Operating profit/(loss) before impairment losses	**1,093**	(134)	**1,574**	1,528	**2,248**	(1,690)	**974,988**	788,567	**979,903**	788,271
Writeback of/(allowances for) impairment losses on loans, advances, financing and other debts, net	**174**	445	**143**	(1,456)	**1,701**	1,428	**(5,375)**	4,069	**(3,357)**	4,486
(Allowances for)/writeback of impairment losses on financial investments, net	**(291)**	(160)	**188**	(72)	**65**	262	**39**	(467)	**1**	(437)
(Allowances for)/writeback of impairment losses on other financial assets, net	**(976)**	(151)	**(1,905)**	–	**(4,014)**	–	**(24,786)**	5,883	**(31,681)**	5,732
Operating profit	**–**	–	**–**	–	**–**	–	**944,866**	798,052	**944,866**	798,052
Share of profits in associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Profit before taxation and zakat	**–**	–	**–**	–	**–**	–	**944,866**	798,052	**944,866**	798,052
Taxation and zakat	**–**	–	**–**	–	**–**	–	**(250,278)**	(102,232)	**(250,278)**	(102,232)
Profit for the financial year	**–**	–	**–**	–	**–**	–	**694,588**	695,820	**694,588**	695,820

64. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

(b) Statement of financial position

Group 2019	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	125,182	14,654	34,918	456,375	631,129
Deposits and placements with financial institutions	1,464,365	1,020,658	253,229	515,784	3,254,036
Financial assets designated upon initial recognition at fair value through profit or loss	6,407,316	6,404,318	25,704	1,317,121	14,154,459
Financial investments at fair value through profit or loss	3,703,634	480,219	21,542	362,903	4,568,298
Financial investments at fair value through other comprehensive income	1,917,511	3,796,314	1,723,489	4,086,067	11,523,381
Loans, advances and financing	242,940	–	–	49,193	292,133
Derivative assets	33,873	–	–	1,278	35,151
Reinsurance/retakaful assets and other insurance receivables	126,453	290,270	283,068	3,532,298	4,232,089
Other assets	36,297	20,702	3,897	340,400	401,296
Investment properties	778,810	–	–	137,580	916,390
Interest in associates	–	–	–	152	152
Property, plant and equipment	87,256	–	–	65,125	152,381
Right-of-use assets	–	–	–	32,680	32,680
Intangible assets	50,291	–	–	47,973	98,264
Deferred tax assets	2,963	4,429	6,247	21,654	35,293
Total assets	14,976,891	12,031,564	2,352,094	10,966,583	40,327,132
Liabilities					
Insurance/takaful contract liabilities and other insurance payables	12,688,980	11,583,400	2,004,782	4,608,468	30,885,630
Other liabilities*	2,281,910	396,244	332,653	(897,763)	2,113,044
Provision for taxation and zakat	(59,341)	(1,035)	–	98,652	38,276
Deferred tax liabilities	65,342	52,955	14,659	319,090	452,046
Total liabilities	14,976,891	12,031,564	2,352,094	4,128,447	33,488,996
Equity attributable to equity holders of the Subsidiaries					
Share capital	–	–	–	660,865	660,865
Other reserves	–	–	–	6,177,271	6,177,271
	–	–	–	6,838,136	6,838,136
Total liabilities and shareholders' equity	14,976,891	12,031,564	2,352,094	10,966,583	40,327,132

* 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 2019

64. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

(b) Statement of financial position (cont'd.)

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 designated upon initial recognition at fair value through profit or loss	7,024,642	5,958,107	56,736	1,680,455	14,719,940
Financial investments at fair value through profit or loss	2,945,393	584,615	30,175	378,405	3,938,588
Financial investments 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.

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

(a) Statement of financial position

Group	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	(f)	**21,732,551**	21,944,445
Deposits and placements with financial institutions	(g)	**–**	251,328
Financial investments at fair value through profit or loss	(h)	**383,194**	995,072
Financial investments at fair value through other comprehensive income	(i)	**15,292,520**	12,447,389
Financial investments at amortised cost	(j)	**9,671,676**	6,608,811
Financing and advances	(k)	**189,762,974**	174,288,168
Derivative assets	(l)	**200,414**	403,993
Other assets	(m)	**4,574,547**	4,835,851
Statutory deposits with central banks	(n)	**4,242,037**	4,205,000
Property, plant and equipment	(o)	**1,458**	–
Right-of-use assets	(p)	**12,966**	–
Intangible assets	(q)	**–**	–
Deferred tax assets	(r)	**–**	30,143
Total assets		**245,874,337**	226,010,200
Liabilities			
Customers' funding:			
– Deposits from customers	(s)	**161,039,137**	147,781,751
– Investment accounts of customers[1]	(t)	**20,737,670**	23,565,061
Deposits and placements from financial institutions	(u)	**38,827,556**	32,174,135
Financial liabilities at fair value through profit or loss	(v)	**–**	385,687
Bills and acceptances payable		**137,893**	11,050
Derivative liabilities	(l)	**221,674**	391,949
Other liabilities	(w)	**591,055**	2,555,728
Deferred tax liabilities	(r)	**83,002**	–
Provision for taxation and zakat	(x)	**37,370**	35,826
Term funding	(y)	**9,891,993**	4,738,180
Subordinated sukuk	(z)	**2,028,311**	2,534,301
Capital securities	(aa)	**1,002,170**	1,002,441
Total liabilities		**234,597,831**	215,176,109
Islamic Banking Capital Funds			
Islamic Banking Funds	(d)	**7,202,398**	7,473,540
Retained profits	(d)	**2,887,335**	3,050,868
Other reserves		**1,186,773**	309,683
		11,276,506	10,834,091
Total liabilities and Islamic Banking Capital Funds		**245,874,337**	226,010,200
Commitments and contingencies	(ak)	**63,976,328**	59,033,318

[1] Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(vii).

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

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(b) Income statement

Group	Note	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds	(ab)	**9,538,085**	8,831,808
Income derived from investment of investment account funds	(ac)	**1,051,729**	1,099,068
Income derived from investment of Islamic Banking Funds	(ad)	**500,831**	511,559
Writeback of/(allowances for) impairment losses on financing and advances, net	(ae)	**303,353**	(370,417)
(Allowances for)/writeback of impairment losses on financial investments, net	(af)	**(3,933)**	7,569
Writeback of impairment losses on other financial assets, net	(ag)	**4**	200
Total distributable income		**11,390,069**	10,079,787
Profit distributed to depositors	(ah)	**(5,557,993)**	(5,031,029)
Profit distributed to investment account holders		**(566,816)**	(597,724)
Total net income		**5,265,260**	4,451,034
Finance cost		**(416,622)**	(343,485)
Overhead expenses	(ai)	**(1,512,462)**	(1,500,245)
Profit before taxation and zakat		**3,336,176**	2,607,304
Taxation	(aj)	**(753,540)**	(653,915)
Zakat		**(31,455)**	(24,314)
Profit for the financial year		**2,551,181**	1,929,075

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	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds	**9,538,085**	8,831,808
Income derived from investment of investment account funds	**1,051,729**	1,099,068
Income derived from investment of Islamic Banking Funds	**500,831**	511,559
Total income before allowances for impairment losses on financial assets and overhead expenses	**11,090,645**	10,442,435
Profit distributed to depositors	**(5,557,993)**	(5,031,029)
Profit distributed to investment account holders	**(566,816)**	(597,724)
	4,965,836	4,813,682
Finance cost	**(416,622)**	(343,485)
Net of intercompany income and expenses	**1,430,363**	1,141,507
Income from Islamic Banking Scheme operations reported in the income statement of the Group	**5,979,577**	5,611,704

(c) Statement of comprehensive income

Group	2019 RM'000	2018 RM'000
Profit for the financial year	**2,551,181**	1,929,075
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit plan actuarial (loss)/gain	**(1,170)**	505
Income tax effect	**337**	(126)
	(833)	379
Items that may be reclassified subsequently to profit or loss:		
Net gain on foreign exchange translation	**8,732**	20,035
Net gain on financial investments at fair value through other comprehensive income	**344,185**	25,103
– Net gain from change in fair value	**454,139**	27,873
– Changes in expected credit losses	**(960)**	3,920
– Income tax effect	**(108,994)**	(6,690)
	352,917	45,138
Other comprehensive income for the financial year, net of tax	**352,084**	45,517
Total comprehensive income for the financial year	**2,903,265**	1,974,592

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

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) Statement of changes in Islamic Banking Capital Funds

Group As at 31 December 2019	Islamic Banking Funds RM'000	Regulatory Reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Exchange Fluctuation Reserve RM'000	*Equity Contribution From the Holding Company RM'000	Defined Benefit Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
	← Non-distributable					→		
At 1 January 2019	**7,473,540**	**313,516**	**(5,865)**	**(473)**	**1,697**	**808**	**3,050,868**	**10,834,091**
Profit for the financial year	**–**	**–**	**–**	**–**	**–**	**–**	**2,551,181**	**2,551,181**
Other comprehensive income/ (loss)	**–**	**–**	**344,185**	**8,732**	**–**	**(833)**	**–**	**352,084**
Defined benefit plan actuarial loss	**–**	**–**	**–**	**–**	**–**	**(833)**	**–**	**(833)**
Net gain on foreign exchange translation	**–**	**–**	**–**	**8,732**	**–**	**–**	**–**	**8,732**
Net gain on financial investments at fair value through other comprehensive income	**–**	**–**	**344,185**	**–**	**–**	**–**	**–**	**344,185**
Total comprehensive income/ (loss) for the financial year	**–**	**–**	**344,185**	**8,732**	**–**	**(833)**	**2,551,181**	**2,903,265**
Transfer from/(to) conventional banking operations	**7,861**	**–**	**–**	**(8,000)**	**–**	**25**	**(3,646)**	**(3,760)**
Disposal of a subsidiary	**(279,003)**	**–**	**–**	**–**	**–**	**–**	**102,777**	**(176,226)**
Transfer to regulatory reserve	**–**	**532,981**	**–**	**–**	**–**	**–**	**(532,981)**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(2,280,864)**	**(2,280,864)**
At 31 December 2019	**7,202,398**	**846,497**	**338,320**	**259**	**1,697**	**–**	**2,887,335**	**11,276,506**

Group As at 31 December 2018	Islamic Banking Funds RM'000	Regulatory Reserve RM'000	Fair Value Through Other Comprehensive Income Reserve RM'000	Exchange Fluctuation Reserve RM'000	*Equity Contribution From the Holding Company RM'000	Defined Benefit Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
	← Non-distributable					→		
At 1 January 2018								
– as previously stated	5,769,752	508,700	(32,318)	(5,723)	1,697	448	3,499,853	9,742,409
– effect of adopting MFRS 9	–	(493,501)	1,350	–	–	–	(361,412)	(853,563)
At 1 January 2018, as restated	5,769,752	15,199	(30,968)	(5,723)	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	313,516	(5,865)	(473)	1,697	808	3,050,868	10,834,091

* This equity contribution reserve from holding company is pertaining to waiver of intercompany balance between respective subsidiaries and its holding company.

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows

Group	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	**3,336,176**	2,607,304
Adjustments for:		
(Writeback of)/allowances for impairment losses on financing and advances, net	**(187,681)**	413,858
Allowances for/(writeback of) impairment losses on financial investments, net	**3,933**	(7,569)
Writeback of impairment losses on other financial assets, net	**(4)**	(200)
Accretion of discounts, net	**(24,622)**	(49,197)
Unrealised gain of derivatives	**(603)**	(26,892)
Unrealised (gain)/loss of financial investments at fair value through profit or loss	**(909)**	207
Unrealised (gain)/loss of financial liabilities at fair value through profit or loss	**(701)**	6,187
Net (gain)/loss on disposal of financial investments at fair value through profit or loss	**(8,658)**	797
Net gain on disposal of financial investments through other comprehensive income	**(74,112)**	(5,870)
Gain on foreign exchange transactions	**(69,498)**	(135,825)
Depreciation of property, plant and equipment	**164**	946
Depreciation of right-of-use assets	**2,145**	–
Amortisation of computer software	**444**	3,667
ESGP expenses	**1,239**	–
Finance cost	**416,622**	343,485
Finance cost on lease liabilities	**240**	–
Operating profit before working capital changes	**3,394,175**	3,150,898
Change in cash and short-term funds with original maturity of more than three months	**–**	(50,452)
Change in financing and advances	**(15,286,186)**	(13,563,337)
Change in derivative assets and liabilities	**33,907**	(147,483)
Change in other assets	**252,902**	2,431,736
Change in statutory deposit with central banks	**(37,037)**	(963,000)
Change in deposits from customers	**13,257,386**	17,712,763
Change in deposits and placements from financial institutions	**6,705,985**	4,060,456
Change in investment accounts of customers	**(2,827,391)**	(990,384)
Change in bills and acceptances payable	**126,843**	2,196
Change in financial investments portfolio	**(4,730,780)**	(6,869,486)
Change in financial liabilities at fair value through profit or loss	**(384,986)**	(513,195)
Change in other liabilities	**(2,074,211)**	1,914,068
Cash (used in)/generated from operations	**(1,569,393)**	6,174,780
Taxes and zakat paid	**(785,367)**	(555,928)
Net cash (used in)/generated from operating activities	**(2,354,760)**	5,618,852
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,620)**	(22)
Purchase of intangible asset	**(447)**	(1,266)
Net cash used in investing activities	**(2,067)**	(1,288)
Cash flows from financing activities		
Dividends paid	**(2,280,864)**	(1,715,615)
Dividends paid for subordinated sukuk	**(104,250)**	(117,555)
Dividends paid for term funding	**(365,048)**	(176,235)
Dividends paid for capital securities	**(49,771)**	(49,500)
Proceeds from issuance of ordinary shares	**–**	1,715,615
Redemption of subordinated sukuk	**(500,000)**	–
Drawdown/(redemption) of term funding	**5,250,000**	(250,000)
Funds transferred to holding company	**(3,761)**	(29,347)
Repayment of lease liability	**(2,257)**	–
Net cash generated from/(used in) financing activities	**1,944,049**	(622,637)

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows (cont'd.)

Group	2019 RM'000	2018 RM'000
Net (decrease)/increase in cash and cash equivalent	**(412,778)**	4,994,927
Cash and cash equivalents at 1 January	**22,145,329**	17,150,402
Cash and cash equivalents at 31 December	**21,732,551**	22,145,329
Cash and cash equivalents comprise:		
Cash and short-term funds	**21,732,551**	21,944,453
Deposits and placements with financial institutions	**–**	251,328
	21,732,551	22,195,781
Less:		
Cash and short-term funds and deposits and placements with original maturity of more than three months	**–**	(50,452)
	21,732,551	22,145,329

(f) Cash and short-term funds

Group	Note	2019 RM'000	2018 RM'000
Cash, bank balances and deposits with financial institutions		**29,314**	22,745
Money at call		**21,703,237**	21,921,708
		21,732,551	21,944,453
Allowances for impairment losses	(i)	**–**	(8)
		21,732,551	21,944,445

(i) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on cash and short-term funds are as follows:

As at 31 December 2019

Changes in the cash and short-term funds that contributed to changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to the following:

– The overall gross carrying amount for cash and short-term funds decreased as a result of derecognition of financial assets which correspondingly decreased the ECL allowances.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	**8**	**–**	**–**	**8**
Net remeasurement of allowances	**(4)**	**–**	**–**	**(4)**
Exchange differences	**(4)**	**–**	**–**	**(4)**
At 31 December 2019	**–**	**–**	**–**	**–**

As at 31 December 2018

Changes in the cash and short-term funds that contributed to changes in the loss allowances during the previous financial year ended 31 December 2018 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.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
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

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(g) Deposits and placements with financial institutions

Group	2019 RM'000	2018 RM'000
Licensed Islamic banks	–	150,547
Other financial institutions	–	100,781
	–	251,328

(h) Financial investments at fair value through profit or loss

Group	2019 RM'000	2018 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	**383,194**	745,765
Unquoted securities:		
Outside Malaysia:		
Corporate Sukuk	–	249,307
Total financial investments at fair value through profit or loss	**383,194**	995,072

(i) Financial investments at fair value through other comprehensive income

Group	2019 RM'000	2018 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	**11,743,868**	9,466,354
Negotiable instruments of deposits	**1,198,172**	–
Khazanah Sukuk	–	153,244
	12,942,040	9,619,598
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	**2,289,237**	2,766,367
Government Sukuk	**43,374**	43,767
Equity	**1,250**	1,250
	2,333,861	2,811,384
Outside Malaysia:		
Corporate Sukuk	**16,619**	16,407
Total financial investments at fair value through other comprehensive income	**15,292,520**	12,447,389

(i) The maturity profile of money market instruments are as follows:

	2019 RM'000	2018 RM'000
Within one year	**3,377,071**	2,415,235
One year to three years	**1,061,642**	345,744
Three years to five years	**2,908,623**	2,149,254
After five years	**5,594,704**	4,709,365
	12,942,040	9,619,598

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

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

(ii) 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:

As at 31 December 2019

Changes in the financial investments at fair value through other comprehensive income that contributed to the changes in the loss allowances during the financial year ended 31 December 2019 were mainly due to the following:

- The overall increase in the gross carrying amount of financial investments at FVOCI was mainly contributed by Negotiable Islamic Instruments of Deposits, due to new financial assets purchased. The increase in the gross carrying amount resulted in corresponding increase in ECL allowance measured on a 12-month basis.

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	**485**	**44**	**–**	**529**
Transferred to Stage 1	**44**	**(44)**	**–**	**–**
Net remeasurement of allowances	**119**	**–**	**–**	**119**
New financial assets originated or purchased	**1,503**	**–**	**–**	**1,503**
Financial assets derecognised	**(197)**	**–**	**–**	**(197)**
Changes in models/risk parameters	**(87)**	**–**	**–**	**(87)**
At 31 December 2019	**1,867**	**–**	**–**	**1,867**

As at 31 December 2018

Changes in the financial investments at fair value through other comprehensive income that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2018 were mainly due to 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 increased due to new financial assets purchased. 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	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total 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

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Financial investments at amortised cost

Group	Note	2019 RM'000	2018 RM'000
At amortised cost			
Money market instruments:			
Malaysian Government Investment Issues		**1,843,057**	1,540,977
Foreign Certificates of Deposits		**–**	154,150
		1,843,057	1,695,127
Unquoted securities:			
In Malaysia:			
Corporate Sukuk		**7,846,614**	4,929,387
		7,846,614	4,929,387
Accumulated impairment losses	(ii)	**(17,995)**	(15,703)
Total financial investments at amortised cost		**9,671,676**	6,608,811

(i) The maturity profile of money market instruments are as follows:

	2019 RM'000	2018 RM'000
Within one year	**–**	154,150
After five years	**1,843,057**	1,540,977
	1,843,057	1,695,127

(ii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows:

As at 31 December 2019

Changes in the financial investments at amortised cost that contributed to the changes in the loss allowances during the financial year ended 31 December 2019 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 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 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	**6,349**	**9,354**	**–**	**15,703**
Transferred to Stage 1	**9,354**	**(9,354)**	**–**	**–**
Net remeasurement of allowances	**(12,129)**	**–**	**–**	**(12,129)**
New financial assets originated or purchased	**15,500**	**–**	**–**	**15,500**
Financial assets derecognised	**(311)**	**–**	**–**	**(311)**
Changes in models/risk parameters	**(465)**	**–**	**–**	**(465)**
Exchange differences	**(303)**	**–**	**–**	**(303)**
At 31 December 2019	**17,995**	**–**	**–**	**17,995**

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Financial investments at amortised cost (cont'd.)

(ii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows (cont'd.):

As at 31 December 2018

Changes in the financial investments at amortised cost that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2018 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 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 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2018				
– as previously stated – MFRS 139				448
– effect of adopting MFRS 9				22,082
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

(k) Financing and advances

Group	2019 RM'000	2018 RM'000
Financing and advances to customers:		
(A) Financing and advances to customers at fair value through other comprehensive income	**440,383**	471,122
(B) Financing and advances to customers at amortised cost	**280,650,934**	271,246,935
	281,091,317	271,718,057
Unearned income	**(89,087,920)**	(94,879,202)
Gross financing and advances	**192,003,397**	176,838,855
Allowances for impaired financing and advances:		
– Stage 1 – 12-month ECL	**(371,029)**	(510,311)
– Stage 2 – Lifetime ECL not credit impaired	**(616,576)**	(984,565)
– Stage 3 – Lifetime ECL credit impaired	**(1,252,818)**	(1,055,811)
Net financing and advances	**189,762,974**	174,288,168

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Financing and advances (cont'd.)

Group 2019	Bai'[1] RM'000	Murabahah RM'000	Musyarakah RM'000	Al-Ijarah Thumma Al-Bai ("AITAB")[2] RM'000	Ijarah[3] RM'000	Istisna' RM'000	Others RM'000	Total Financing and Advances RM'000
Cashline	–	6,780,832	–	–	–	–	–	6,780,832
Term financing								
– Housing financing	14,680,463	70,986,581	1,975,592	–	–	–	616	87,643,252
– Syndicated financing	–	7,000,329	–	–	–	–	–	7,000,329
– Hire purchase receivables	–	4,195,944	–	36,895,190	–	–	–	41,091,134
– Lease receivables	–	–	–	–	195,334	–	–	195,334
– Other term financing	13,743,113	99,727,445	692,965	–	–	115,407	17,846	114,296,776
Trust receipts	–	140,437	–	–	–	–	–	140,437
Claims on customers under acceptance credits	–	5,275,548	–	–	–	–	–	5,275,548
Staff financing	445,245	1,889,985	8,753	175,080	636	–	42,796	2,562,495
Credit card receivables	–	–	–	–	–	–	1,269,625	1,269,625
Revolving credit	–	14,808,884	–	–	–	–	–	14,808,884
Share margin financing	–	19,594	–	–	–	–	–	19,594
Financing to:								
– Directors of the Bank	–	6,160	–	299	–	–	138	6,597
– Directors of subsidiaries	–	480	–	–	–	–	–	480
	28,868,821	210,832,219	2,677,310	37,070,569	195,970	115,407	1,331,021	281,091,317
Unearned income								(89,087,920)
Gross financing and advances[4]								192,003,397
Allowances for financing and advances:								
– Stage 1 – 12-month ECL								(371,029)
– Stage 2 – Lifetime ECL not credit impaired								(616,576)
– Stage 3 – Lifetime ECL credit impaired								(1,252,818)
Net financing and advances								189,762,974

[1] Bai' comprises Bai' Bithaman Ajil, Bai' Al-Inah and Bai' Al-Dayn.
[2] The Group is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.
[3] The Group is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.
[4] Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of customers ("IA").

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Financing and advances (cont'd.)

Group 2018	Bai'[1] RM'000	Murabahah RM'000	Musyarakah RM'000	Al-Ijarah Thumma Al-Bai ("AITAB")[2] RM'000	Ijarah[3] RM'000	Istisna' RM'000	Others RM'000	Total Financing and Advances RM'000
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
	33,960,762	195,573,197	2,713,311	38,053,620	113,990	127,521	1,175,656	271,718,057
Unearned income								(94,879,202)
Gross financing and advances[4]								176,838,855
Allowances for 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

[1] Bai' comprises Bai' Bithaman Ajil, Bai' Al-Inah and Bai' Al-Dayn.
[2] The Group is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.
[3] The Group is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.
[4] Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of customers ("IA").

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

Group	2019 RM'000	2018 RM'000
Domestic non-banking institutions	**4,193,842**	4,616,580
Domestic business enterprises		
– Small and medium enterprises	**22,997,908**	34,763,204
– Others	**32,936,985**	17,178,166
Government and statutory bodies	**14,253,189**	13,517,323
Individuals	**116,114,222**	105,110,857
Other domestic entities	**25,025**	26,715
Foreign entities	**1,482,226**	1,626,010
Gross financing and advances	**192,003,397**	176,838,855

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Financing and advances (cont'd.)

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

Group	2019 RM'000	2018 RM'000
Fixed rate		
– House financing	**1,279,574**	1,240,669
– Hire purchase receivables	**36,490,909**	33,187,018
– Other financing	**23,203,040**	25,599,757
	60,973,523	60,027,444
Floating rate		
– House financing	**46,955,607**	40,556,557
– Other financing	**84,074,267**	76,254,854
	131,029,874	116,811,411
Gross financing and advances	**192,003,397**	176,838,855

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

Group	2019 RM'000	2018 RM'000
Purchase of securities	**24,573,547**	23,163,495
Purchase of transport vehicles	**36,351,827**	33,118,301
Purchase of landed properties		
– Residential	**47,209,422**	40,757,787
– Non-residential	**13,313,594**	11,874,200
Purchase of fixed assets	**101,103**	54,876
Personal use	**3,995,650**	3,853,527
Consumer durables	**226**	302
Construction	**3,005,311**	2,576,566
Working capital	**62,136,060**	60,261,860
Credit/charge cards	**1,316,657**	1,158,862
Other purposes	**–**	19,079
Gross financing and advances	**192,003,397**	176,838,855

(iv) The maturity profile of financing and advances are as follows:

Group	2019 RM'000	2018 RM'000
Within one year	**33,800,893**	33,070,102
One year to three years	**7,675,303**	6,912,616
Three years to five years	**15,454,866**	14,394,039
After five years	**135,072,335**	122,462,098
Gross financing and advances	**192,003,397**	176,838,855

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Financing and advances (cont'd.)

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

Group	2019 RM'000	2018 RM'000
At 1 January		
– as previously stated	**2,094,107**	1,755,299
– effect of adopting MFRS 9	**–**	121,438
At 1 January, as restated	**2,094,107**	1,876,737
Newly impaired	**996,099**	1,367,882
Reclassified as non-impaired	**(118,390)**	(228,568)
Amount recovered	**(92,496)**	(444,519)
Amount written-off	**(359,705)**	(442,632)
Transferred to holding company	**–**	(34,496)
Exchange differences	**–**	(297)
Gross impaired financing at 31 December	**2,519,615**	2,094,107
Less: Stage 3 – Lifetime ECL credit impaired	**(1,252,818)**	(1,055,811)
Net impaired financing at 31 December	**1,266,797**	1,038,296
Calculation of ratio of net impaired financing (excluding financing funded by RPSIA and IA):		
Gross impaired financing at 31 December	**2,395,279**	2,030,688
Less: Stage 3 – Lifetime ECL credit impaired	**(1,252,818)**	(1,055,811)
Net impaired financing at 31 December	**1,142,461**	974,877
Gross financing and advances	**153,974,212**	137,331,642
Less: Allowances for impaired financing and advances at amortised cost and FVOCI	**(2,243,324)**	(2,555,886)
Net financing and advances	**151,730,888**	134,775,756
Net impaired financing as a percentage of net financing and advances	**0.75%**	0.72%

(vi) Impaired financing and advances by economic purposes are as follows:

Group	2019 RM'000	2018 RM'000
Purchase of securities	**3,230**	5,666
Purchase of transport vehicles	**185,196**	189,958
Purchase of landed properties		
– Residential	**307,530**	278,783
– Non-residential	**191,711**	142,442
Purchase of fixed assets (exclude landed properties)	**995**	527
Personal use	**53,901**	37,999
Consumer durables	**3**	8
Construction	**256,497**	244,764
Working capital	**1,512,102**	1,185,588
Credit/charge cards	**8,450**	8,372
Impaired financing and advances	**2,519,615**	2,094,107

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) 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:

As at 31 December 2019

Changes in the financing and advances carried at fair value through other comprehensive income and amortised cost for the Group that contributed to the changes in the loss allowance during the financial year ended 31 December 2019 were mainly due to the following:

– The high volume of syndicated financing, hire purchase receivables and housing financing originated, increased the gross carrying amount by more than 100% for syndicated financing while hire purchase receivables and housing financing are 8% and 4% respectively which correspondingly increased the ECL allowances measured at 12-month basis.

– There was a reduction in revolving credits and other term financing by 6% and 4% respectively which resulted in a decrease in ECL allowances.

– In December 2019, the Group has disposed all financing under PT Bank Maybank Syariah Indonesia amounting to RM1.5 million.

– The write-off of financing with a total carrying amount of RM359.7 million 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 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	1,399	3,800	–	5,199
Changes in models/risk parameters	(876)	(1,422)	–	(2,298)
At 31 December 2019	523	2,378	–	2,901

At amortised cost

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	510,311	984,565	1,055,811	2,550,687
Transferred to Stage 1	210,983	(201,830)	(9,153)	–
Transferred to Stage 2	(26,947)	94,232	(67,285)	–
Transferred to Stage 3	(1,866)	(86,803)	88,669	–
Net remeasurement of allowances	(210,195)	34,631	517,854	342,290
New financial assets originated or purchased	128,082	119,126	–	247,208
Financial assets derecognised	(59,155)	(168,531)	(205,786)	(433,472)
Changes in models/risk parameters	(197,209)	(163,389)	1,683	(358,915)
Amount related to Restricted Investment Accounts*	17,221	5,530	238,801	261,552
Amount written-off	–	–	(359,705)	(359,705)
Exchange differences	(196)	(955)	(8,071)	(9,222)
At 31 December 2019	371,029	616,576	1,252,818	2,240,423

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) 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.):

As at 31 December 2018

Changes in the financing and advances carried at fair value through other comprehensive income and amortised cost for the Group that contributed to the changes in the loss allowance during the previous financial year ended 31 December 2018 were mainly due to the following:

- The high volume of syndicated financing, cashline and other term financing originated, increased the gross carrying amount by 81%, 10% and 8% respectively which correspondingly increased the ECL allowances.
- The financial assets derecognised 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 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
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

At amortised cost

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total 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	–	–	(13,182)	(13,182)
Amount related to Restricted Investment Accounts	–	–	50,553	50,553
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

* As at 31 December 2019, the gross exposure of the financing funded by RPSIA was RM17,291.5 million (31 December 2018: RM15,942.2 million). The expected credit loss relating to these financing amounting to RM263.7 million (31 December 2018: RM274.5 million) which reflects as a reduction in both financing and advances and deposits and placements of banks and other financial institutions as disclosed in Note 65(u).

The gross exposure of the financing funded by IA as at 31 December 2019 was RM20,737.7 million (2018: RM23,565.1 million).

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(l) 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.

	2019			2018		
		Fair Values			Fair Values	
Group	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts						
Currency forward:						
– Less than one year	**5,676,819**	**14,924**	**(92,608)**	5,493,987	114,998	(24,049)
– One year to three years	**806,712**	**3,254**	**(3,254)**	870,321	4,883	(4,913)
– More than three years	**2,195,804**	**5,786**	**(5,786)**	60,842	49	(49)
Currency swaps:						
– Less than one year	**9,668,773**	**72,024**	**(26,213)**	5,893,262	50,859	(135,612)
– One year to three years	**–**	**–**	**–**	27,111	44	(14)
Currency spots:						
– Less than one year	**199,992**	**78**	**(329)**	191,924	69	(66)
Currency options:						
– Less than one year	**730**	**1**	**(1)**	–	–	–
Cross currency profit rate swaps:						
– Less than one year	**636,033**	**35,350**	**(35,180)**	–	–	–
– One year to three years	**2,094,722**	**7,652**	**(7,652)**	639,685	36,618	(36,110)
– More than three years	**48,050**	**139**	**(139)**	2,065,349	59,109	(59,109)
	21,327,635	**139,208**	**(171,162)**	15,242,481	266,629	(259,922)
Profit rate related contracts						
Profit rate options:						
– One year to three years	**–**	**–**	**–**	680,000	1,316	(2,734)
– More than three years	**–**	**–**	**–**	100,000	352	(352)
Profit rate swaps:						
– Less than one year	**100,000**	**77**	**(77)**	750,000	795	(765)
– One year to three years	**571,880**	**4,394**	**(4,386)**	182,770	1,572	(1,560)
– More than three years	**3,351,901**	**56,735**	**(46,049)**	3,885,554	19,186	(12,552)
	4,023,781	**61,206**	**(50,512)**	5,598,324	23,221	(17,963)
	25,351,416	**200,414**	**(221,674)**	20,840,805	289,850	(277,885)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency profit rate swaps:						
– Less than one year	**–**	**–**	**–**	1,515,787	112,648	(112,648)
	–	**–**	**–**	1,515,787	112,648	(112,648)
Profit rate related contracts						
Profit rate swaps:						
– Less than one year	**–**	**–**	**–**	620,776	1,495	(1,416)
	–	**–**	**–**	620,776	1,495	(1,416)
	–	**–**	**–**	2,136,563	114,143	(114,064)
Total	**25,351,416**	**200,414**	**(221,674)**	22,977,368	403,993	(391,949)

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(m) Other assets

Group	2019 RM'000	2018 RM'000
Amount due from holding company	**3,109,765**	3,574,085
Prepayment and deposits	**279,790**	287,694
Tax recoverable	**128,133**	176,213
Other debtors	**1,056,859**	797,859
	4,574,547	4,835,851

(n) 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.

(o) 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 2019				
Cost				
At 1 January 2019	**2,832**	**2,309**	**496**	**5,637**
Additions	**1,083**	**139**	**398**	**1,620**
Disposal of a subsidiary	**(2,923)**	**(2,382)**	**(511)**	**(5,816)**
Exchange differences	**89**	**73**	**16**	**178**
At 31 December 2019	**1,081**	**139**	**399**	**1,619**
Accumulated depreciation				
At 1 January 2019	**2,832**	**2,309**	**496**	**5,637**
Depreciation charge for the financial year (Note 65(ai))	**123**	**7**	**34**	**164**
Disposal of a subsidiary	**(2,923)**	**(2,382)**	**(511)**	**(5,816)**
Exchange differences	**88**	**73**	**15**	**176**
At 31 December 2019	**120**	**7**	**34**	**161**
Net carrying amount				
At 31 December 2019	**961**	**132**	**365**	**1,458**
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 65(ai))	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 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) Right-of-use assets

Group	Premises RM'000	Total RM'000
As at 31 December 2019		
Cost		
At 1 January 2019		
– effect of adopting MFRS 16	**6,694**	**6,694**
At 1 January 2019, as restated	**6,694**	**6,694**
Additions	**5,106**	**5,106**
Modification	**3,296**	**3,296**
At 31 December 2019	**15,096**	**15,096**
Accumulated depreciation		
At 1 January 2019	**–**	**–**
Depreciation charge for the financial year (Note 65(ai))	**2,145**	**2,145**
Exchange differences	**(15)**	**(15)**
At 31 December 2019	**2,130**	**2,130**
Net carrying amount		
At 31 December 2019	**12,966**	**12,966**

(q) Intangible assets

Group	2019 RM'000	2018 RM'000
Computer software		
Cost		
At 1 January	**9,916**	9,029
Additions	**447**	1,266
Disposal of a subsidiary	**(10,676)**	–
Exchange differences	**313**	(379)
At 31 December	**–**	9,916
Accumulated amortisation		
At 1 January	**9,916**	6,488
Amortisation charge for the financial year (Note 65(ai))	**444**	3,667
Disposal of a subsidiary	**(10,676)**	–
Exchange differences	**316**	(239)
At 31 December	**–**	9,916
Net carrying amount		
At 31 December	**–**	–

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(r) Deferred tax

Group	2019 RM'000	2018 RM'000
At 1 January	**(30,143)**	(37,378)
– effect of adopting MFRS 9	**–**	(6,414)
At 1 January, as restated	**(30,143)**	(43,792)
Recognised in income statement, net (Note 65(aj))	**(1,915)**	5,334
Recognised in statement of comprehensive income, net	**108,657**	6,816
Disposal of a subsidiary	**6,173**	–
Exchange differences	**230**	1,499
At 31 December	**83,002**	(30,143)

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 2019					
At 1 January 2019	**(22,123)**	**(3,659)**	**–**	**(4,361)**	**(30,143)**
Recognised in income statement	**(2,778)**	**–**	**–**	**846**	**(1,932)**
Recognised in statement of comprehensive income	**–**	**–**	**–**	**(337)**	**(337)**
Disposal of a subsidiary	**6,184**	**–**	**–**	**(11)**	**6,173**
Transferred to deferred tax liabilities	**–**	**3,659**	**–**	**–**	**3,659**
Exchange differences	**230**	**–**	**–**	**–**	**230**
At 31 December 2019	**(18,487)**	**–**	**–**	**(3,863)**	**(22,350)**
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)

Deferred tax liabilities of the Group:

Group	FVOCI reserve RM'000	Unabsorbed capital allowance RM'000	Total RM'000
As at 31 December 2019			
At 1 January 2019	**–**	**–**	**–**
Recognised in income statement	**–**	**17**	**17**
Recognised in statement of comprehensive income	**108,994**	**–**	**108,994**
Transferred from deferred tax asset	**(3,659)**	**–**	**(3,659)**
At 31 December 2019	**105,335**	**17**	**105,352**

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(s) Deposits from customers

Group	2019 RM'000	2018 RM'000
Savings deposit		
Qard	**17,504,325**	16,081,568
Demand deposit		
Qard	**19,704,595**	18,403,934
Term deposit		
Murabahah	**123,236,922**	111,692,152
Qard	**593,295**	1,604,097
	123,830,217	113,296,249
Total deposits from customers	**161,039,137**	147,781,751

(i) The maturity profile of term deposits are as follows:

Group	2019 RM'000	2018 RM'000
Within six months	**106,002,510**	101,144,116
Six months to one year	**17,720,477**	11,663,679
One year to three years	**89,690**	474,334
Three years to five years	**17,540**	14,120
	123,830,217	113,296,249

(ii) The deposits are sourced from the following types of customers:

Group	2019 RM'000	2018 RM'000
Business enterprises	**58,847,091**	51,815,436
Individuals	**39,051,336**	39,445,354
Government and statutory bodies	**30,521,401**	26,423,140
Others	**32,619,309**	30,097,821
	161,039,137	147,781,751

(t) Investment accounts of customers

Group	2019 RM'000	2018 RM'000
Mudharabah		
Unrestricted Investment accounts	**20,616,075**	23,445,562
Restricted Investment accounts*	**121,595**	119,499
	20,737,670	23,565,061

* Net of expected credit losses associated with the financing assets funded by the Restricted Investment Accounts.

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(t) 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
2019			
Funding inflows/(outflows)			
At 1 January 2019	**23,445,562**	**119,499**	**23,565,061**
New placement during the financial year	**34,447,512**	**2,129**	**34,449,641**
Redemption during the financial year	**(37,270,721)**	**–**	**(37,270,721)**
Profit payable	**(6,278)**	**(33)**	**(6,311)**
At 31 December 2019	**20,616,075**	**121,595**	**20,737,670**
2018			
Funding inflows/(outflows)			
At 1 January 2018	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 2018	23,445,562	119,499	23,565,061

(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
2019			
Business enterprises	**10,538,830**	**121,595**	**10,660,425**
Individuals	**8,922,749**	**–**	**8,922,749**
Government and statutory bodies	**95,817**	**–**	**95,817**
Others	**1,058,679**	**–**	**1,058,679**
	20,616,075	**121,595**	**20,737,670**
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

(iii) The maturity profile of investment accounts are as follows:

Group 2019	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
– Without maturity	**13,387,845**	**–**	**13,387,845**
– With maturity			
Within six months	**5,577,342**	**121,595**	**5,698,937**
Six months to one year	**1,633,073**	**–**	**1,633,073**
One year to three years	**15,045**	**–**	**15,045**
Three years to five years	**2,770**	**–**	**2,770**
	7,228,230	**121,595**	**7,349,825**
	20,616,075	**121,595**	**20,737,670**

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(t) Investment accounts of customers (cont'd.)

(iii) The maturity profile of investment accounts are as follows (cont'd.):

Group 2018	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
– Without maturity	13,067,406	–	13,067,406
– With maturity			
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
	10,378,156	119,499	10,497,655
	23,445,562	119,499	23,565,061

(iv) The allocation of investment assets are as follows:

Group	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
2019			
Retail financing	**18,855,165**	**–**	**18,855,165**
Non-retail financing	**1,760,910**	**121,595**	**1,882,505**
	20,616,075	**121,595**	**20,737,670**
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

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

	Investment account holder ("IAH")	
Group	Average profit sharing ratio %	Average rate of return %
2019		
Unrestricted investment accounts	**51.62**	**2.61**
Restricted investment accounts	**99.95**	**4.19**
2018		
Unrestricted investment accounts	55.00	2.82
Restricted investment accounts	99.95	4.31

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(u) Deposits and placements from financial institutions

Group	2019 RM'000	2018 RM'000
Mudharabah Fund		
Licensed banks*	**19,307,946**	17,223,165
	19,307,946	17,223,165
Non-Mudharabah Fund		
Licensed banks	**16,381,929**	11,767,354
Licensed Islamic banks	**1,125,849**	497,383
Licensed investment banks	**199,691**	–
Other financial institutions	**1,812,141**	2,686,233
	19,519,610	14,950,970
	38,827,556	32,174,135

* 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 RM19,307.9 million (2018: RM17,223.2 million). These placements are used to fund certain specific financing and advances and net of credit losses associated with the financing assets funded by RPSIA. 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.

(v) Financial liabilities at fair value through profit or loss

Group	2019 RM'000	2018 RM'000
Structured deposits	**–**	385,687

The Group has 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. The fair value changes of the financial liabilities that are attributable to the changes in its own credit risk are not significant.

(w) Other liabilities

Group	Note	2019 RM'000	2018 RM'000
Due to holding company		**420,793**	416,280
Other creditors, provisions and accruals		**129,615**	2,103,513
Defined benefit pension plans		**–**	4,993
Allowances for impairment losses on financing commitments and financial guarantee contracts	(i)	**26,682**	30,942
Lease liabilities	(ii)	**12,228**	–
Structured deposits		**1,737**	–
		591,055	2,555,728

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(w) Other liabilities (cont'd.)

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

Group	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
As at 31 December 2019				
At 1 January 2019	**24,192**	**6,474**	**276**	**30,942**
Transferred to Stage 1	**130**	**(130)**	**–**	**–**
Transferred to Stage 2	**(302)**	**751**	**(449)**	**–**
Transferred to Stage 3	**–**	**(6)**	**6**	**–**
Net remeasurement of allowances	**(5,339)**	**(1,583)**	**2,579**	**(4,343)**
New financial assets originated or purchased	**3,519**	**2,690**	**–**	**6,209**
Financial assets derecognised	**(2,191)**	**(4,095)**	**(274)**	**(6,560)**
Changes in models/risk parameters	**4**	**455**	**–**	**459**
Exchange differences	**(10)**	**(15)**	**–**	**(25)**
At 31 December 2019	**20,003**	**4,541**	**2,138**	**26,682**
As at 31 December 2018				
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

(ii) The movement in lease liabilities are as follows:

Group	2019 RM'000	2018 RM'000
At 1 January		
– as previously stated	**–**	–
– effect of adopting MFRS 16	**5,583**	–
At 1 January, as restated	**5,583**	–
New lease contracts	**8,902**	–
Finance cost on lease liabilities	**240**	–
Lease obligation reduction	**(2,497)**	–
At 31 December	**12,228**	–

(x) Provision for taxation and zakat

Group	2019 RM'000	2018 RM'000
Taxation	**5,306**	11,667
Zakat	**32,064**	24,159
	37,370	35,826

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(y) Term funding

Group	2019 RM'000	2018 RM'000
Unsecured term funding:		
(i) Commercial Papers		
– Less than one year	**7,888,771**	2,734,958
(ii) Medium Term Notes		
– More than one year	**2,003,222**	2,003,222
Total term funding	**9,891,993**	4,738,180

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 3.49% to 4.15% per annum (2018: 3.91% to 4.22% per annum).

The following are the changes in the term funding which include the commercial papers/medium term notes/sukuk issued/redeemed by the Group during the financial year ended 31 December 2019:

(1) Issuance of Islamic Commercial Papers by Maybank Islamic Berhad

The aggregate nominal value of the commercial papers issued by Maybank Islamic Berhad and outstanding as at 31 December 2019 are as follows:

Currency	Description	Aggregated Nominal Value (RM' million)
RM	Zero Profit ICP	8,000.0

(z) Subordinated sukuk

Group	Note	2019 RM'000	2018 RM'000
RM1,500 million Islamic subordinated sukuk due in 2024	(i)	**–**	1,516,593
RM1,000 million Islamic subordinated sukuk due in 2026	(ii)	**1,017,708**	1,017,708
RM1,000 million Islamic subordinated sukuk due in 2029	(iii)	**1,010,603**	–
		2,028,311	2,534,301

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					
	RM10.0 billion Subordinated Sukuk Murabahah Programme					
(i)	Subordinated Sukuk Murabahah[1]	7-Apr-14	5-Apr-19	5-Apr-24	4.75	RM1,500.0 million
(ii)	Subordinated Sukuk Murabahah[2]	15-Feb-16	15-Feb-21	13-Feb-26	4.65	RM1,000.0 million
(iii)	Subordinated Sukuk Murabahah[2]	5-Apr-19	5-Apr-24	5-Apr-29	4.50	RM1,000.0 million

[1] These subordinated sukuk were fully redeemed on the first call date.
[2] 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 semi-annual profit payment date thereafter.

(aa) Capital securities

Description	Issue date	First call date	Maturity date	2019 RM'000	2018 RM'000
Maybank Islamic Berhad					
RM10.0 billion Additional Tier 1 Sukuk Wakalah Programme					
RM1,000.0 million 4.95% Additional Tier 1 Sukuk Wakalah[1]	14-Dec-17	14-Dec-22	Perpetual	**1,002,170**	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 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ab) Income derived from investment of depositors' funds

Group	2019 RM'000	2018 RM'000
Income from investment of:		
(i) General investment deposits	**7,334,262**	6,770,868
(ii) Other deposits	**2,203,823**	2,060,940
	9,538,085	8,831,808

(i) Income derived from investment of general investment deposits:

Group	2019 RM'000	2018 RM'000
Finance income and hibah:		
Financing and advances	**5,804,548**	5,480,215
Financial investments at FVOCI	**373,320**	320,704
Financial investments at amortised cost	**315,222**	178,607
Financial investments at FVTPL	**10,382**	7,579
Money at call and deposits and placements with financial institutions	**395,819**	363,169
	6,899,291	6,350,274
Accretion of discounts, net	**18,123**	35,965
Total finance income and hibah	**6,917,414**	6,386,239
Other operating income:		
Fee income	**301,377**	262,940
Gain/(loss) on disposal of financial investments at FVTPL	**5,537**	(1,639)
Gain on disposal of financial investments at FVOCI	**54,550**	4,291
Unrealised gain/(loss) on revaluation of:		
– Financial investments at FVTPL	**669**	(151)
– Financial liabilities at FVTPL	**516**	(4,523)
– Derivatives	**444**	19,659
Foreign exchange gain, net	**50,800**	98,439
Net profit on derivatives	**2,955**	5,613
Total other operating income	**416,848**	384,629
	7,334,262	6,770,868

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

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

(ii) Income derived from investment of other deposits:

Group	2019 RM'000	2018 RM'000
Finance income and hibah:		
Financing and advances	**1,744,170**	1,668,087
Financial investments at FVOCI	**112,177**	97,617
Financial investments at amortised cost	**94,719**	54,365
Financial investments at FVTPL	**3,120**	2,307
Money at call and deposits and placements with financial institutions	**118,937**	110,543
	2,073,123	1,932,919
Accretion of discounts, net	**5,446**	10,947
Total finance income and hibah	**2,078,569**	1,943,866
Other operating income:		
Fee income	**90,558**	80,035
Gain/(loss) on disposal of financial investments at FVTPL	**1,664**	(499)
Gain on disposal of financial investments at FVOCI	**16,391**	1,306
Unrealised gain/(loss) on revaluation of:		
– Financial investments at FVTPL	**201**	(46)
– Financial liabilities at FVTPL	**155**	(1,377)
– Derivatives	**133**	5,984
Foreign exchange gain, net	**15,264**	29,963
Net profit on derivatives	**888**	1,708
Total other operating income	**125,254**	117,074
	2,203,823	2,060,940

(ac) Income derived from investment of investment account funds

Group	2019 RM'000	2018 RM'000
Finance income and hibah:		
Financing and advances	**1,051,371**	1,078,834
Other operating income:		
Fee income	**358**	20,234
	1,051,729	1,099,068

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ad) Income derived from investment of Islamic Banking Funds

Group	2019 RM'000	2018 RM'000
Finance income and hibah:		
Financing and advances	**339,353**	363,511
Financial investments at FVOCI	**21,699**	20,373
Financial investments at amortised cost	**29,802**	11,346
Financial investments at FVTPL	**603**	481
Money at call and deposits and placements with financial institutions	**25,487**	35,788
	416,944	431,499
Accretion of discounts, net	**1,053**	2,285
Total finance income and hibah	**417,997**	433,784
Other operating income:		
Fee income	**74,505**	67,429
Gain on disposal of financial investments at FVTPL	**1,457**	1,341
Gain on disposal of financial investments at FVOCI	**3,171**	273
Unrealised gain/(loss) on revaluation of:		
– Financial investments at FVTPL	**39**	(10)
– Financial liabilities at FVTPL	**30**	(287)
– Derivatives	**26**	1,249
Foreign exchange gain, net	**3,434**	7,423
Net profit on derivatives	**172**	357
Total other operating income	**82,834**	77,775
	500,831	511,559

(ae) (Writeback of)/allowances for impairment losses on financing and advances, net

Group	2019 RM'000	2018 RM'000
Stage 1 – 12-month ECL, net	**(343,360)**	(265,148)
Stage 2 – Lifetime ECL not credit impaired, net	**(182,118)**	216,484
Stage 3 – Lifetime ECL credit impaired, net	**316,056**	450,018
Bad debts and financing:		
– Written-off	**21,940**	12,124
– Recovered	**(115,672)**	(43,441)
(Writeback of)/allowances for impairment losses on other debts	**(199)**	380
	(303,353)	370,417

(af) Allowances for/(writeback of) impairment losses on financial investments, net

Group	2019 RM'000	2018 RM'000
Financial investments at fair value through other comprehensive income		
Stage 1 – 12-month ECL, net	**1,338**	(633)
Stage 2 – Lifetime ECL not credit impaired, net	**–**	(125)
	1,338	(758)
Financial investments at amortised cost		
Stage 1 – 12-month ECL, net	**2,595**	(2,501)
Stage 2 – Lifetime ECL not credit impaired, net	**–**	(4,310)
	2,595	(6,811)
	3,933	(7,569)

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ag) Writeback of impairment losses on other financial assets, net

Group	2019 RM'000	2018 RM'000
Cash and short-term funds		
Stage 1 – 12-month ECL, net	**(4)**	(200)

(ah) Profit distributed to depositors

Group	2019 RM'000	2018 RM'000
Deposits from customers:		
– Mudharabah Fund	**–**	1,195
– Non-Mudharabah Fund	**4,408,518**	4,043,791
Deposits and placements from financial institutions:		
– Mudharabah Fund	**686,556**	702,226
– Non-Mudharabah Fund	**458,611**	241,952
Financial liabilities at fair value through profit or loss	**4,298**	41,865
Structured deposits	**10**	–
	5,557,993	5,031,029

(ai) Overhead expenses

Group	2019 RM'000	2018 RM'000
Personnel expenses:		
– Salaries and wages	**37,465**	43,260
– Social security cost	**162**	155
– Pension cost - defined contribution plan	**5,175**	5,650
– ESGP expenses	**1,239**	–
– Other staff related expenses	**7,974**	6,178
	52,015	55,243
Establishment costs:		
– Depreciation of property, plant and equipment (Note 65(o))	**164**	946
– Depreciation of right-of-use assets (Note 65(p))	**2,145**	–
– Amortisation of computer software (Note 65(q))	**444**	3,667
– Information technology expenses	**3,419**	4,175
– Finance cost on lease liabilities	**240**	–
– Others	**5,283**	5,088
	11,695	13,876
Marketing expenses:		
– Advertisement and publicity	**13,773**	9,939
– Others	**2,633**	1,487
	16,406	11,426
Administration and general expenses:		
– Fees and brokerage	**62,093**	62,069
– Administrative expenses	**8,202**	190
– General expenses	**18,484**	75,640
	88,779	137,899
Shared service cost paid/payable to Maybank	**1,343,567**	1,281,801
Total	**1,512,462**	1,500,245
Included in overhead expenses are:		
Shariah Committee Members' fee and remuneration	**966**	817
Expenses of short-term leases	**715**	–

Notes to the Financial Statements
31 December 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(aj) Taxation

Group	2019 RM'000	2018 RM'000
Tax expense for the financial year:		
Malaysian income tax	**797,956**	667,084
Foreign income tax	**75**	50
Over provision in respect of prior years:		
Malaysian income tax	**(42,576)**	(18,553)
	755,455	648,581
Deferred tax (Note 65(r)):		
Relating to origination and reversal of temporary differences	**(1,915)**	5,334
Effect of changes in tax rate on opening balances of deferred tax	**753,540**	653,915

(ak) 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 2019	Full Commitment RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Contingent liabilities			
Direct credit substitutes	1,881,752	1,842,448	1,409,369
Certain transaction-related contingent items	3,381,084	1,669,027	1,166,710
Short-term self-liquidating trade-related contingencies	252,361	50,472	21,087
	5,515,197	3,561,947	2,597,166
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	23,199,822	872,079	135,683
– Maturity exceeding one year	9,856,695	11,998,105	4,523,695
	33,056,517	12,870,184	4,659,378
Miscellaneous commitments and contingencies	53,198	–	–
Total credit-related commitments and contingencies	38,624,912	16,432,131	7,256,544
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	16,182,347	218,387	131,094
– One year to less than five years	3,258,181	44,984	22,946
– Five years and above	1,887,107	102,275	53,482
	21,327,635	365,646	207,522
Profit rate related contracts:			
– Less than one year	100,000	127	53
– One year to less than five years	3,563,781	68,230	95,954
– Five years and above	360,000	–	–
	4,023,781	68,357	96,007
Total treasury-related commitments and contingencies	25,351,416	434,003	303,529
Total commitments and contingencies	63,976,328	16,866,134	7,560,073

* The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM.

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ak) Commitments and contingencies (cont'd.)

The risk-weighted exposures of the Group as at each reporting date are as follows (cont'd.):

Group 2018	Full Commitment RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Contingent liabilities			
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
Commitments			
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
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	13,094,960	219,591	113,693
– One year to less than five years	3,663,308	56,062	25,064
	16,758,268	275,653	138,757
Profit rate related contracts:			
– Less than one year	1,370,776	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
	6,219,100	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 2019

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(al) Capital adequacy

The capital adequacy ratios of the Group are as follows:

Group	2019	2018
CET1 Capital Ratio	**14.360%**	16.812%
Tier 1 Capital Ratio	**15.762%**	18.415%
Total Capital Ratio	**19.088%**	22.943%

Components of capital:

Group	2019 RM'000	2018 RM'000
CET1 Capital		
Share capital/Islamic Banking Fund	**7,202,398**	7,473,540
Retained profits	**2,887,335**	3,050,868
Other reserves	**1,186,773**	309,683
CET1 Capital before regulatory adjustments	**11,276,506**	10,834,091
Less: Regulatory adjustment applied in CET1 Capital	**(1,033,520)**	(348,615)
Total CET1 Capital	**10,242,986**	10,485,476
Additional Tier 1 Capital		
Capital securities	**1,000,000**	1,000,000
Total Tier 1 Capital	**11,242,986**	11,485,476
Tier 2 Capital		
Subordinated Sukuk	**2,000,000**	2,500,000
General provisions[1]	**17,675**	24,192
Surplus of eligible provision over expected loss	**354,063**	299,696
Total Tier 2 Capital	**2,371,738**	2,823,888
Total Capital	**13,614,724**	14,309,364

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

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

Group	2019 RM'000	2018 RM'000
Standardised Approach exposure	**3,202,198**	5,809,095
Internal Ratings-Based Approach exposure after scaling factor	**69,483,314**	60,840,802
Total RWA for credit risk	**72,685,512**	66,649,897
Total RWA for credit risk absorbed by Maybank and IAH*	**(10,472,880)**	(13,113,007)
Total RWA for market risk	**963,783**	1,301,881
Total RWA for operational risk	**8,151,505**	7,531,362
Total RWA	**71,327,920**	62,370,133

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

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(am) 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 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	**–**	**9,753,627**	**–**	**9,753,627**	**9,671,676**
Financing and advances	**–**	**15,040,498**	**186,541,367**	**201,581,865**	**189,762,974**
Financial liabilities					
Customers' funding:					
– Deposits from customers	**–**	**160,938,044**	**–**	**160,938,044**	**161,039,137**
– Investment accounts of customers^	**–**	**20,738,073**	**–**	**20,738,073**	**20,737,670**
Deposits and placements from financial institutions	**–**	**38,792,077**	**–**	**38,792,077**	**38,827,556**
Term funding	**–**	**9,920,743**	**–**	**9,920,743**	**9,891,993**
Subordinated sukuk	**–**	**2,150,739**	**–**	**2,150,739**	**2,028,311**
Capital securities	**–**	**1,018,218**	**–**	**1,018,218**	**1,002,170**
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

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 65(k)(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 56.

(an) Allocation of income

The policy of allocation of income to the various types of deposits and investments is subject to the "Framework of 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.

(ao) Shariah disclosures

(i) Shariah Committee and governance

The operation of the Group is governed by Sections 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.

65. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ao) 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 five 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

The nature of transactions deliberated at the Shariah Committee for Shariah non-compliance as at each reporting date are as follows:

Group	No. of events	RM'000
2019		
Ujrah fee charged on terminated/cancelled credit card	**1**	**Nil**
Conventional will writing fee capitalised in the Islamic home financing facility	**1**	**–***
	2	**–**
2018		
Non-execution of Commodity Murabahah trading prior to financing disbursement	1	28
	1	28

* Denotes RM36.72

Apart from the purification of income from Shariah non-compliance events, Maybank Islamic Berhad has implemented several rectification measures relating to systems, processes and procedures to enhance control mechanism and minimise recurrence of Shariah non-compliance incidents.

(iii) Sources and uses of charity funds

Group	2019 RM'000	2018 RM'000
Sources of charity funds		
Shariah non-compliance/prohibited income	**–***	28
Total sources of charity funds during the financial year	**–***	28
Uses of charity funds		
Contribution to non-profit organisation	**–***	28
Total uses of charity funds during the financial year	**–***	28
Undistributed charity funds as at 31 December	**–***	–

* Denotes RM36.72

(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.

66. 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	
			2019 RM	2018 RM	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Banking										
Maybank Islamic Berhad	Islamic banking	Malaysia	**7,197,397,860**	7,197,397,860	**100.00**	100.00	**–**	–	**100.00**	100.00
PT Bank Maybank Syariah Indonesia[10]	Disposed	Indonesia	**–**	819,307,000,000[1]	**–**	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[10]	Banking	Philippines	**10,545,500,302[3]**	10,545,500,302[3]	**99.98**	99.98	**0.02**	0.02	**100.00**	100.00
PT Bank Maybank Indonesia Tbk[10]	Banking	Indonesia	**10,213,284,063,018[1]**	10,213,284,063,018[1]	**98.54[14]**	98.54[14]	**1.46**	1.46	**100.00**	100.00
Maybank (Cambodia) Plc.[10]	Banking	Cambodia	**75,000,000[2]**	75,000,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Singapore Limited[10]	Banking	Singapore	**2,400,000,100[4]**	2,400,000,100[4]	**100.00**	100.00	**–**	–	**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.	Investment holding	Malaysia	**204,070,181**	10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
PT Maybank Indonesia Finance[10]	Multi-financing	Indonesia	**32,370,000,000[1]**	32,370,000,000[1]	**98.53[14]**	98.53[14]	**1.47**	1.47	**100.00**	100.00
PT Wahana Ottomitra Multiartha Tbk[10]	Multi-financing	Indonesia	**508,338,022,174[1]**	508,338,022,174[1]	**67.55[14]**	67.55[14]	**32.45**	32.45	**100.00**	100.00
Kim Eng Finance (Singapore) Pte. Ltd.[10]	Money lending	Singapore	**100,000[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 business	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	General insurance business	Malaysia	**229,878,927**	229,878,927	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Etiqa Family Takaful Berhad	Family takaful and investment-linked businesses	Malaysia	**100,000,000**	100,000,000	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Etiqa Offshore Insurance (L) Ltd.	Bureau services	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
Etiqa Life and General Assurance Philippines Inc[10] (formerly known as AsianLife and General Assurance)	General insurance and life insurance businesses	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.[10]	General insurance and life insurance businesses	Singapore	**118,000,000[4]**	93,000,000[4]	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
PT Asuransi Etiqa Internasional Indonesia[11] (formerly known as PT Asuransi Asoka Mas)	General insurance business	Indonesia	**265,500,000,000[1]**	150,000,000,000[1]	**80.00**	75.00	**20.00**	25.00	**100.00**	100.00
Etiqa Life Insurance Berhad	Life insurance and investment-linked businesses	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
Etiqa General Insurance (Cambodia) Plc[10]	General insurance business	Cambodia	**9,000,000[2]**	–	**100.00**	–	**–**	–	**100.00**	100.00
Etiqa Life Insurance (Cambodia) Plc[10]	Life insurance and investment-linked businesses	Cambodia	**9,000,000[2]**	–	**100.00**	–	**–**	–	**100.00**	100.00

Notes to the Financial Statements
31 December 2019

66. 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 2019 RM	Share Capital 2018 RM	Effective Interest held by the Group 2019 %	Effective Interest held by the Group 2018 %	Effective Interest held by the Non-Controlling Interest 2019 %	Effective Interest held by the Non-Controlling Interest 2018 %	Total 2019 %	Total 2018 %
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.[10]	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[10]	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.[10]	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[10]	Dealing in securities	Indonesia	**589,805,000,000[1]**	589,805,000,000[1]	**99.78**	99.78	**0.22**	0.22	**100.00**	100.00
Maybank Kim Eng Securities (Thailand) Public Company Limited[10]	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[10]	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.[11]	Dealing in securities	United States of America	**26,500,000[2]**	21,500,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
Kim Eng Securities India Private Limited[10]	Dealing in securities	India	**500,000,000[8]**	290,000,000[8]	**100.00**	100.00	**–**	–	**100.00**	100.00
Ong Asia Securities (HK) Limited[10]	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.[10]	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[10]	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[10]	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.[10]	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.[10]	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[10]	Dealing in securities	Vietnam	**1,056,110,000,000[9]**	1,056,110,000,000[9]	**100.00**	100.00	**–**	–	**100.00**	100.00
Asset Management/Trustees/Custody										
Maybank Asset Management Group Berhad	Investment holding	Malaysia	**262,300,030**	262,300,030	**80.00**	80.00	**20.00**	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	Investment holding	Malaysia	**7,284,748,970**	7,284,748,970	**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**	9,813,403,836	**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**	80.00	**20.00**	20.00	**100.00**	100.00
Maybank Asset Management Sdn. Bhd.	Fund management	Malaysia	**47,720,000**	47,720,000	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00
Philmay Property, Inc.[10]	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

66. 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 2019 RM	Share Capital 2018 RM	Effective Interest held by the Group 2019 %	Effective Interest held by the Group 2018 %	Effective Interest held by the Non-Controlling Interest 2019 %	Effective Interest held by the Non-Controlling Interest 2018 %	Total 2019 %	Total 2018 %
Asset Management/Trustees/Custody (cont'd.)										
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[10]	Nominee services	Singapore	**60,000[4]**	60,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Nominees (Hong Kong) Limited[10]	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**	81,196,888	**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.[13]	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.[10]	Investment holding	Singapore	**882,010,600[4]**	882,010,600[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Rezan Pte. Ltd.[13]	Liquidated	Singapore	**–**	2[4]	**–**	100.00	**–**	–	**–**	100.00
Maybank KE Strategic Pte. Ltd.[10]	Investment holding	Singapore	**2[4]**	2[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Properties Pte. Ltd.[10]	Property investment	Singapore	**8,000,000[4]**	8,000,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Strategic Acquisitions Pte. Ltd.[10]	Fund management	Singapore	**94,556[4]**	1[4]	**100.00**	80.00	**–**	20.00	**100.00**	100.00
Kim Eng Investment Limited[10]	Investment holding	Hong Kong	**415,000,000[5]**	415,000,000[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
KE Sovereign Limited[12]	Investment holding	British Virgin Islands	**500,000[2]**	500,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
FXDS Learning Group Pte. Ltd.[10]	Financial education	Singapore	**200,000[4]**	200,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Securities Nominees Pte. Ltd.[10]	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.[10]	Liquidated	Singapore	**–**	1,000,000[4]	**–**	100.00	**–**	–	**–**	100.00
Maybank Asset Management Singapore Pte. Ltd.[10]	Fund management	Singapore	**9,768,512[4]**	16,768,512[4]	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00
Kim Eng Nominees (Hong Kong) Limited[10]	Nominee services	Hong Kong	**2[5]**	2[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Properties USA Inc.[12]	Property investment	United States of America	**3,000,000[2]**	3,000,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
PT Prosperindo[11]	Investment holding	Indonesia	**275,730,000,000[1]**	275,731,829,836[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[10]	Fund management	Indonesia	**48,000,000,000[1]**	48,000,000,000[1]	**79.20**	79.20	**20.80**	20.80	**100.00**	100.00
Maybank Islamic Asset Management Sdn. Bhd.	Fund management	Malaysia	**3,000,000**	3,000,000	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00
MAM DP Ltd.	Fund management	Malaysia	**1[2]**	1[2]	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00
MBB Labs Private Limited[10]	IT development services	India	**60,000,000[8]**	60,000,000[8]	**100.00**	100.00	**–**	–	**100.00**	100.00
Amanah Mutual Berhad	Fund management	Malaysia	**5,000,000**	5,000,000	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00
Singapore Unit Trusts Limited[10]	Dormant	Singapore	**50,000[4]**	9,400,000[4]	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00

Notes to the Financial Statements
31 December 2019

66. 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 2019 %	Effective Interest 2018 %
Held by the Bank				
Akshayam Asia Fund Limited[10]	Equity Fund	British Virgin Islands	**87**	89
Akshayam Asia Master Fund Limited[10]	Equity Fund	British Virgin Islands	**100**	100
Maybank Bluewaterz Total Return Bond Fund[10]	Fixed Income Fund and other securities	Cayman Islands	**–**	54
Maybank Enhanced Income Fund[10]	Equity Fund	Singapore	**95**	–
Maybank SmallCap Trust Fund	Equity Fund	Malaysia	**89**	–
Held through subsidiaries				
MAM PE Asia Fund I (Labuan) LLP	Private Equity Fund	Malaysia	**100**	80
Maybank Asian Equity Fund[10]	Equity Fund	Singapore	**–**	46
Maybank Asian Income Fund[10]	Fixed Income Fund	Singapore	**–**	47
Maybank Malaysia Equity-I Fund	Equity Fund	Malaysia	**–**	68

(c) Details of the associates are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest 2019 %	Effective Interest 2018 %
Held by the Bank				
Uzbek Leasing International A.O.[11]	Leasing	Uzbekistan	**20**	20
Philmay Holding, Inc.[10]	Investment holding	Philippines	**33**	33
An Binh Commercial Joint Stock Bank[11]	Banking	Vietnam	**20**	20
Maybank Malaysia Sukuk Fund	Fixed Income Fund	Malaysia	**–**	8
Held through subsidiaries				
Pak-Kuwait Takaful Company Limited[11]	General takaful business	Pakistan	**22**	22
MCB Bank Limited[11]	Banking	Pakistan	**19**	19
Asian Forum, Inc.[11]	Under member's voluntary liquidation	Malaysia	**23**	23
Tullet Prebon (Philippines), Inc.[11]	Broker between participants in forex and fixed income	Philippines	**49**	49
Adrian V. Ocampo Insurance Brokers, Inc.[10]	Insurance brokerage	Philippines	**23**	23
GPay Network (M) Sdn Bhd	Undertake e-payment business	Malaysia	**30**	–

(d) Details of the joint venture is as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest 2019 %	Effective Interest 2018 %
Anfaal Capital[11]	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 Vietnamese Dong (VND)
10 Audited by other member firms of Ernst & Young Global
11 Audited by firms of auditors other than Ernst & Young Global
12 No audit required as allowed by the laws of the respective country of incorporation
13 No audit required as the entity is under members' voluntary liquidation
14 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.

67. 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.

68. 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
Maybank Islamic Berhad	Zainal Abidin bin Jamal Dali Kumar @ Dali bin Sardar Datuk Mohd Anwar bin Yahya Dato' Zulkiflee Abbas bin Abdul Hamid (appointed on 25 April 2019) Associate Professor Dr. Aznan bin Hasan (appointed on 25 April 2019) Shariffuddin bin Khalid (appointed on 13 June 2019) Nor Hizam bin Hashim (retired on 12 June 2019) Dato' Dr. Muhammad Afifi al-Akiti (retired on 14 August 2019)
Maybank International (L) Ltd.	Khalijah binti Ismail Khairudin bin Abdul Rahman Aziah binti Abdullah
Maybank Philippines, Incorporated	Fauziah binti Hisham 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 Simoun S. Ung (appointed on 3 December 2019) Dato' Dr. Tan Tat Wai (resigned on 16 April 2019)
PT Bank Maybank Indonesia Tbk	Datuk Abdul Farid bin Alias Budhi Dyah Sitawati Achjar Iljas Edwin Gerungan Dr. Hendar Datuk Lim Hong Tat[1]
Maybank (Cambodia) Plc.	Spencer Lee Tien Chye Datuk Hamirullah bin Boorhan Soon Su Long Anthony Brent Elam Shariffuddin bin Khalid (appointed on 29 March 2019) Dato' Johan bin Ariffin (resigned on 29 March 2019)
Maybank Singapore Limited	Datuk R. Karunakaran Datuk Abdul Farid bin Alias Anthony Brent Elam Spencer Lee Tien Chye Wong Heng Ning Kevin Lee Yong Guan Renato Tinio De Guzman (appointed on 1 July 2019)
Myfin Berhad	Loy Teck Wooi Surin Segar a/l Gnanasegaram
Maybank Alliances Sdn. Bhd.	Surin Segar a/l Gnanasegaram Khalijah binti Ismail (appointed on 30 January 2019) Leong Chin Seng (resigned on 31 January 2019)
PT Maybank Indonesia Finance	Deswandhy Agusman Ghazali bin Mohd Rasad Jenny Wiriyanto (resigned on 8 January 2020)
PT Wahana Ottomitra Multiartha Tbk	I Nyoman Tjager Robbyanto Budiman Garibaldi Thohir Thilagavathy Nadason Myrnie Zachraini Tamin

Name of Company	Name of Directors
Kim Eng Finance (Singapore) Pte. Ltd.	Bedi Harmeet Singh Jeffrey Goh Cho Kiat (appointed on 11 September 2019) Chuah Lai Hock (resigned on 12 September 2019)
Maybank Ageas Holdings Berhad	Datuk R. Karunakaran Bart K.A. De Smet Dato' Johan bin Ariffin Gary Lee Crist Dato' Amirul Feisal bin Wan Zahir Dato' Majid bin Mohamad Datuk Mohd Najib bin Abdullah
Etiqa Life International (L) Ltd.	Datuk Sulaiman bin Salleh Frank J.G. Van Kempen Lee Hin Sze
Etiqa General Insurance Berhad	Datuk Mohd Najib bin Abdullah Datuk Normala binti A. Manaf Philippe Pol Arthur Latour Frank J.G. Van Kempen Koh Heng Kong Serina binti Abdul Samad (appointed on 2 December 2019) Dato' Johan bin Ariffin (resigned on 1 March 2019) Loh Lee Soon (resigned on 23 December 2019)
Etiqa Family Takaful Berhad	Dato' Majid bin Mohamad Philippe Pol Arthur Latour Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Dato' Johan bin Ariffin Wong Pakshong Kat Jeong Colin Stewart Dr. Abdul Rahim bin Abdul Rahman (resigned on 23 September 2019)
Etiqa Offshore Insurance (L) Ltd.	Datuk Sulaiman bin Salleh Frank J.G. Van Kempen Lee Hin Sze
Etiqa International Holdings Sdn. Bhd.	Datuk R. Karunakaran Dato' Johan bin Ariffin Dato' Amirul Feisal bin Wan Zahir
Etiqa Life and General Assurance Philippines, Inc. *(formerly known as AsianLife & General Assurance Corporation)*	Kamaludin bin Ahmad Lee Hin Sze Manuel N. Tordesillas Eulogio A. Mendoza Ma. Victoria C. Vinas Rico T. Bautista (appointed on 19 March 2019) Ricardo Nicanor N. Jacinto (appointed 14 February 2020) Modesta P. Mammuad (resigned on 17 June 2019) Joven D. Reyes (resigned on 29 November 2019)
Etiqa Insurance Pte. Ltd.	Kamaludin bin Ahmad Frank J.G. Van Kempen Sallim bin Abdul Kadir Wong Pakshong Kat Jeong Colin Stewart Dr. John Lee Hin Hock Dato' Johan bin Ariffin (appointed on 3 April 2019) Dato' Mohd Salleh bin Hj Harun (retired on 3 April 2019)

[1] The appointment is effective since 5 August 2019 upon approval obtained from the Financial Services Authority.

Notes to the Financial Statements
31 December 2019

68. 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
PT Asuransi Etiqa Internasional Indonesia *(formerly known as PT Asuransi Asoka Mas)*	Kamaludin bin Ahmad Andy Wardhana Putra Tanumihardja Endra Raharja Oka Masagung Wijayanto Siti Nita Zuhra binti Mohd Nazri Adie Poernomo Widjaya Amir Imam Poero (ceased on 28 May 2019)
Etiqa Life Insurance Berhad	Datuk Mohd Najib bin Abdullah Dato' Johan bin Ariffin Datuk Normala binti A. Manaf Philippe Pol Arthur Latour Loh Lee Soon Frank J.G. Van Kempen Wong Pakshong Kat Jeong Colin Stewart
Etiqa General Takaful Berhad	Dato' Majid bin Mohamad Philippe Pol Arthur Latour Dato' Johan bin Ariffin Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Koh Heng Kong Dr. Abdul Rahim bin Abdul Rahman (resigned on 23 September 2019)
Etiqa General Insurance (Cambodia) Plc	Datuk Mohd Najib bin Abdullah (appointed on 29 March 2019) Loh Lee Soon (appointed on 29 March 2019) Kirupalani Chelliah (appointed on 29 March 2019) Kamaludin bin Ahmad (appointed on 29 March 2019)
Etiqa Life Insurance (Cambodia) Plc	Dato' Johan bin Ariffin (appointed on 1 July 2019) Koh Heng Kong (appointed on 1 July 2019) Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 July 2019) Lee Hin Sze (appointed on 1 July 2019)
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
Maysec Sdn. Bhd.	Mohamad Yasin bin Abdullah Malique Firdauz bin Ahmad Sidique
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.	Mohamad Yasin bin Abdullah (appointed on 1 January 2019) Malique Firdauz bin Ahmad Sidique (appointed on 1 January 2019) Zain Azhari bin Zainul Bador (resigned on 2 January 2019) Fad'l bin Mohamed (resigned on 2 January 2019)

Name of Company	Name of Directors
Maybank International Holdings Sdn. Bhd.	Wan Marzimin bin Wan Muhammad Mohamad Yasin bin Abdullah
Maybank Kim Eng Holdings Limited	Datuk Mohaiyani binti Shamsudin Dato' Muzaffar bin Hisham Dr. John Lee Hin Hock Dato' Sri Sharifah Sofianny binti Syed Hussain (appointed on 1 August 2019) Che Zakiah binti Che Din (appointed on 1 August 2019) Dato' Abdul Hamid bin Sheikh Mohamed (appointed on 1 August 2019) Goh Ching Yin (appointed on 1 August 2019) Hans Johan Patrik Sandin (appointed on 1 August 2019) Leslie Foo Chek Shen (resigned on 1 February 2019) Dato' John Chong Eng Chuan (resigned on 31 July 2019) Hamidah binti Moris (resigned on 31 July 2019)
Maybank Kim Eng Securities Pte. Ltd.	Bedi Harmeet Singh Jeffrey Goh Cho Kiat
PT Maybank Kim Eng Securities	I Nyoman Tjager Deswandhy Agusman Dato' Abdul Hamid bin Sheikh Mohamed (appointed on 9 April 2019) Fad'l bin Mohamed (resigned on 9 April 2019)
Maybank Kim Eng Securities (Thailand) Public Company Limited	Montree Sornpaisarn Sopawadee Lertmanaschai Hans Johan Patrik Sandin Dr. Areepong Bhoocha-oom Hamidah binti Moris Henry Koh Swee Ong (appointed on 15 October 2019) Yuth Vorachattarn (resigned on 7 August 2019)
Maybank Kim Eng Securities (London) Limited	Leonard White Mohamad Yasin bin Abdullah (appointed on 9 December 2019) Patrick Chung Ho Han (resigned on 12 April 2019) Alexander Panasko (resigned on 9 December 2019) James Johnstone (resigned on 9 December 2019)
Maybank Kim Eng Securities USA Inc.	Jean Louis Lee Mohamad Yasin bin Abdullah (appointed on 27 September 2019) Shahida binti Mohd Jaffar Sadiq Maricar (appointed on 27 September 2019) Alexander Panasko (resigned on 27 September 2019) Joe Borusso (resigned on 27 September 2019)
Kim Eng Securities India Private Limited	Jigar Shah Bedi Harmeet Singh Alexander Panasko
Ong Asia Securities (HK) Limited	Mohamad Yasin bin Abdullah Lim Eng Ping Malique Firdauz bin Ahmad Sidique (appointed on 27 November 2019)
Maybank Kim Eng Research Pte. Ltd.	Ong Seng Yeow Sadiq Currimbhoy

68. 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
Kim Eng Securities (Hong Kong) Limited	Gregory Seow Poon Garn Lim Eng Ping Hans Johan Patrik Sandin (appointed on 10 December 2019) Hamidah binti Moris (appointed on 10 December 2019) Malique Firdauz bin Ahmad Sidique (appointed on 10 December 2019) Mitchell Kim Min Ki (resigned on 24 January 2019) Dato' John Chong Eng Chuan (resigned on 11 December 2019) Alexander Panasko (resigned on 11 December 2019) Oh-Lau Chong Jin (resigned on 11 December 2019) Caroline Teoh Meow Choo (resigned on 11 December 2019)
Kim Eng Futures (Hong Kong) Limited	Jeffrey Goh Cho Kiat Lim Eng Ping
Maybank ATR Kim Eng Capital Partners, Inc.	Ma. Victoria C. Viñas Choong Wai Hong Alexander Ludwig L. Dauz Dato' Sri Sharifah Sofianny binti Syed Hussain (appointed on 28 February 2019) Rajiv Vijendran (appointed on 14 November 2019) David L. Balangue (resigned on 28 February 2019) Udaishankar a/l Raman (resigned on 28 February 2019) Maria Lourdes Kristen S. Quintos (resigned on 15 July 2019) Ekhwan bin Jani (resigned on 14 November 2019)
Maybank ATR Kim Eng Securities, Inc.	Jeffrey Goh Cho Kiat Alexander Ludwig L. Dauz Rajiv Vijendran (appointed on 21 November 2019) Ekhwan bin Jani (resigned on 21 November 2019)
Maybank Kim Eng Securities Limited	Ronnie Royston Fernandiz Alexander Panasko Jeffrey Goh Cho Kiat Mohamad Yasin bin Abdullah Che Zakiah binti Che Din (appointed on 22 February 2019)
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 Dato' Idris bin Kechot (appointed on 24 October 2019)
Maybank (Indonesia) Berhad	Loy Teck Wooi Wan Marzimin bin Wan Muhammad
Cekap Mentari Berhad	Khalijah binti Ismail Lee Yih Hwan
Maybank International Trust (Labuan) Berhad	Khalijah binti Ismail Lee Yih Hwan

Name of Company	Name of Directors
Maybank Offshore Corporate Services (Labuan) Sdn. Bhd.	Khalijah binti Ismail Ronnie Royston Fernandiz
Maybank Trustee Berhad	Cheng Kee Check Ong Sau Yin Datuk Jattry Abie @ Jeffry bin Mohd Ali Fauziah binti Hisham (appointed on 22 July 2019) Dato' Dr. Tan Tat Wai (retired on 18 April 2019)
Maybank Private Equity Sdn. Bhd.	Goh Ching Yin Fad'l bin Mohamed Norlia binti Mat Yusof
Maybank Asset Management Sdn. Bhd.	Dr. Hasnita binti Dato' Hashim Goh Ching Yin Badrul Hisyam bin Abu Bakar Ahmad Najib bin Nazlan
Philmay Property, Inc.	Ong Seet-Joon Atty. Llewellyn L. Llanillo Ng Yok Chin
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
Maybank Nominees (Hong Kong) Limited	Felino James Marcelo (appointed on 3 February 2020) Seow Poon Garn (resigned on 3 February 2020)
Maybank Securities Nominees (Tempatan) Sdn. Bhd.	Malique Firdauz bin Ahmad Sidique Ezrina binti Mahadzir (appointed on 4 November 2019) Mohamad Yasin bin Abdullah (resigned on 4 November 2019)
Maybank Securities Nominees (Asing) Sdn. Bhd.	Malique Firdauz bin Ahmad Sidique Ezrina binti Mahadzir (appointed on 4 November 2019) Mohamad Yasin bin Abdullah (resigned on 5 November 2019)
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
Aurea Lakra Holdings Sdn. Bhd.	Lee Yih Hwan Choong Yoke Choo

Notes to the Financial Statements
31 December 2019

68. 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
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
Double Care Sdn. Bhd.*	Dato' Aminuddin bin Md Desa Hans De Cuyper
Sorak Financial Holdings Pte. Ltd.	Lim Choon Meng Khalijah binti Ismail
Maybank KE Strategic Pte. Ltd.	Jeffrey Goh Cho Kiat (appointed on 24 July 2019) Malique Firdaux bin Ahmad Sidique (appointed on 7 November 2019) Chuah Lai Hock (resigned on 25 July 2019) Ng Mui Hong (resigned on 8 November 2019)
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 Loke Eng Hong (appointed on 3 June 2019) Goh Keat Jin (appointed on 3 June 2019)
Kim Eng Investment Limited	Lim Eng Ping Malique Firdaux bin Ahmad Sidique (appointed on 27 November 2019) Ng Mui Hong (appointed on 24 July 2019 and resigned on 27 November 2019) Yan Sek Weng (resigned on 24 January 2019) Chuah Lai Hock (resigned on 24 July 2019)
KE Sovereign Limited	Alexander Panasko Jeffrey Goh Cho Kiat (appointed on 30 October 2019)
FXDS Learning Group Pte. Ltd. *	Jeffrey Goh Cho Kiat Bedi Harmeet Singh (appointed on 23 September 2019) Winston Ng Yu-Tang (resigned on 6 September 2019)
Maybank Kim Eng Securities Nominees Pte. Ltd.	Jeffrey Goh Cho Kiat Henry Koh Swee Hang
Maybank Asset Management Singapore Pte. Ltd.	Loh Lee Soon Bedi Harmeet Singh Goh Keat Jin
Kim Eng Nominees (Hong Kong) Limited	Lim Eng Ping Teo Kim Guan (appointed on 24 July 2019) Chris Chan (resigned on 24 July 2019)
Maybank Kim Eng Properties USA Inc.	Jean Louis Lee Mohamad Yasin bin Abdullah (appointed on 27 September 2019) Shahida binti Mohd Jaffar Sadiq Maricar (appointed on 27 September 2019) Alexander Panasko (resigned on 27 September 2019) Joe Borusso (resigned on 27 September 2019)
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 Mohamad Yasin bin Abdullah (appointed on 13 August 2019) Sharifah Sarah binti Syed Mohamed Tahir (resigned on 13 August 2019)
Maybank Islamic Asset Management Sdn. Bhd.	Dr. Hasnita binti Dato' Hashim Badrul Hisyam bin Abu Bakar Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Dato' Noorizah binti Haji Abd Hamid (appointed on 1 June 2019) Ahmed Muzni bin Mohamed (appointed on 1 June 2019) Nadjihah binti Mohd Dzaiddin (resigned on 9 July 2019) Nor Shahrizan bin Sulaiman (alternate Director to Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican) (resigned on 18 February 2019)
MAM DP Ltd.	Badrul Hisyam bin Abu Bakar
MBB Labs Private Limited	Meenakshy Ramaswamy Iyer Mohd Suhail Amar Suresh bin Abdullah Datuk Normala binti A. Manaf
Amanah Mutual Berhad	Badrul Hisyam bin Abu Bakar Ahmad Najib bin Nazlan (appointed on 23 September 2019) Dato' Noorizah binti Haji Abd Hamid (resigned on 30 September 2019) Norlin binti Abdul Samad (resigned on 30 September 2019)
Singapore Unit Trusts Limited	Lee Han Eng Alvin Goh Keat Jin

* Under members' voluntary liquidation

w w w . m a y b a n k . c o m

This annual report is printed on environmentally friendly paper.

Humanising Financial Services.

Maybank