MAYBANK INVESTMENT BANK BERHAD
(15938-H)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2018

Maybank Investment Bank Berhad
(15938-H)
(Incorporated in Malaysia)

Contents

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Directors' report

The Board of Directors have pleasure in presenting their report together with the audited financial statements of Maybank Investment Bank Berhad ("the Bank") including the consolidated financial statements of the Bank and its subsidiaries ("the Group") for the financial year ended 31 December 2018.

Principal activities

The Bank is principally engaged in the investment banking business including Islamic Banking Scheme operations, provision of stockbroking services and related financial services.

The principal activities of the subsidiaries are described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Bank RM'000
Profit before taxation and zakat	45,975	44,084
Taxation and zakat	(12,771)	(12,559)
Profit for the year	33,204	31,525

There were no material transfers to or from reserves, allowances or provisions during the financial year other than as disclosed in Notes 7, 8, 10, 12, 13, 18 and statements of changes in equity to the financial statements.

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

Dividends

The amount of dividends paid by the Bank since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
A single-tier final dividend of RM1.47 on 50,116,000 ordinary shares, declared on 11 April 2018 and paid on 20 April 2018	73,900
In respect of the financial year ended 31 December 2018:	
A single-tier interim dividend of RM0.09 on 50,116,000 ordinary shares, declared on 30 August 2018 and paid on 21 September 2018	4,500
	78,400

Dividends (cont'd.)

The directors do not recommend the payment of final dividend in respect of the current financial year ended 31 December 2018.

Malayan Banking Berhad ("Maybank") Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

Maybank Group has implemented a new employee's share scheme named as the Maybank Group Employees' Share Grant Plan ("ESGP") and the scheme was awarded to the participating Maybank Group who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-laws approved by the shareholders at an Extraordinary General Meeting held on 5 April 2017. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

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

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

Maybank Group Employees' Share Scheme ("ESS")

The Maybank Group Employees' Share Scheme ("ESS") expired on 23 June 2018. The ESS was governed by the By-laws approved by the holding company's i.e. Maybank's shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and was in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within Maybank Group.

Issue of share capital

There was no issuance of shares in the Bank during the financial year.

Directors

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Datuk Mohaiyani Binti Shamsudin (Chairman)
Goh Ching Yin
Hans Johan Patrik Sandin
Dato' Muzaffar Bin Hisham
Dato' Abdul Hamid Bin Sh. Mohamed
Dato' Sri Sharifah Sofianny Binti Syed Hussain
Che Zakiah Binti Che Din (Appointed on 26 October 2018)
Lee Siang Korn @ Lee Siang Chin (Resigned on 16 May 2018)

The names of the directors of the Bank's subsidiaries in office since the beginning of the financial year to the date of the reports are disclosed in Note 40 of the financial statements.

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Bank or its subsidiaries was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than those arises from the share options and RSU granted pursuant to the ESS and 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 of the Bank or from the holding company or the fixed salary of a full-time employee of the holding company as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The holding company, Maybank maintained on a 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.

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Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares, share options, RSU and ESGP in the holding company, Maybank during the financial year were as follows:

	Number of ordinary shares				
	As at 1.1.2018	Issued pursuant to RSU	Issued pursuant to DRP^	Disposed during the year	As at 31.12.2018
Holding company					
Direct interest					
Dato' Muzaffar Bin Hisham	286,889	66,702	-	(100,000)	253,591
Dato' Sri Sharifah Sofianny Binti Syed Hussain	40,506	-	460	-	40,966

^ DRP is defined as Dividend Reinvestment Plan.

	Number of options over ordinary shares				
	Exercise Price (RM)	Granted	Vested as at 1.1.2018	Exercised	Vested as at 31.12.2018
Holding company					
Dato' Muzaffar Bin Hisham	8.82#	862,000	555,000	(555,000)	-

Revised to RM8.71 on 1 November 2016 which is based on ESOS First Grant.

	Number of RSU of ordinary shares				
	Grant Date	Granted	Vested during the financial year	Not vested during the financial year	Outstanding as at 31.12.2018
Holding company					
Dato' Muzaffar Bin Hisham	30.4.2015	75,000	(66,702)	(8,298)	-

During the financial year, the Bank has awarded the ESGP share for the following director:

	Award date	Number of ESGP shares awarded	Acceptance date
Holding company			
Dato' Muzaffar Bin Hisham	14.12.2018	104,000	4.1.2019

None of the directors were awarded with CESGP during the financial year.

Directors' interests (cont'd.)

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 agency

The Bank's long-term rating of AAA and short-term rating of P1 was reaffirmed by the Rating Agency Malaysia Berhad on 2 January 2019.

Business outlook

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

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

The equity market is expected to remain volatile as foreign investors await signs of the domestic economy sustaining its growth momentum, corporate earnings resuming their growth, and domestic policy risks dissipate. Supported by the strong domestic liquidity, the fixed income market outlook is mildly bullish, with potential issuances in selected sectors.

Barring any unforeseen circumstances, Maybank Investment Bank Berhad expects its financial performance for 2019 to be satisfactory against the expected growth prospects in Malaysia.

Other statutory information

(a) Before the statements of financial position and statements of comprehensive income 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 allowance 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 not otherwise dealt with in this report or the financial statements of the Group and of the Bank 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 the 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 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, 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.

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Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

In the preparation of the financial statements of the Group and of the Bank, the directors have taken reasonable steps to ensure that Bank Negara Malaysia's Guidelines on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

Significant event

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.

Auditors

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

Auditors' remuneration are disclosed in Note 25 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 22 February 2019.

Datuk Mohaiyani Binti Shamsudin

Dato' Muzaffar Bin Hisham

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Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Datuk Mohaiyani Binti Shamsudin and Dato' Muzaffar Bin Hisham, being two of the directors of Maybank Investment Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 189, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and of the financial performance and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 22 February 2019.

Datuk Mohaiyani Binti Shamsudin

Dato' Muzaffar Bin Hisham

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

I, Malique Firdauz Bin Ahmad Sidique, being the officer primarily responsible for the financial management of Maybank Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 189 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.

Subscribed and solemnly declared by the abovenamed Malique Firdauz Bin Ahmad Sidique at Kuala Lumpur in the Federal Territory on 22 February 2019

Malique Firdauz Bin Ahmad Sidique

Before me,

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jul 2018 - 31 Dis 2020
MALAYSIA

No. 10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

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Shariah Committee's report

In the Name of Allah, The Compassionate, The Most Merciful.

All Praise is due to Allah, the Cherisher of the World, and Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

Assalamualaikum Warahmatullahi Wabarakatuh
To the shareholders and customers of Maybank Investment Bank Berhad ("the Bank"):

We, the members of the Shariah Committee of Maybank Islamic Berhad ("the Committee"), do hereby confirm that we have reviewed the principles and the contracts relating to the Islamic business transactions and applications introduced by the Bank from 1 January 2018 until 31 December 2018.

We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank has carried out Shariah audit performed by Internal Audit Division and Shariah review by Shariah Review and Compliance throughout the organisation and the reports were deliberated in the Committee meetings. The Committee hereby confirms that appropriate efforts have been taken to rectify the Shariah gaps, and the Bank has also implemented several mechanism(s) to prevent similar Shariah gaps from recurring.

The Bank's management is responsible for ensuring that the Bank conducts its Islamic business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We are of the opinion that:

(a) The new products, business initiatives and enhanced processes introduced by the Islamic business of the Bank during the year ended 31 December 2018, that we have reviewed are in compliance with the Shariah rules and principles;

(b) The contracts, transactions and dealings entered into by the Islamic banking business of the Bank during the year ended 31 December 2018, that we have reviewed are in compliance with the Shariah rules and principles;

(c) The main funding sources and investments of the Islamic business of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Shariah rules and principles;

Shariah Committee's report (cont'd.)

We are of the opinion that: (cont'd.)

(d) The Shariah non-compliance events and disposal of any earnings from prohibited sources/means by the Islamic business of the Bank during the year ended 31 December 2018 will be channelled to the donation/charity fund as disclosed in Note 36 (c); and

(e) The financial statements of the Bank for the year ended 31 December 2018 together with the calculation of Zakat disclosed to us are in compliance with the Shariah rules and principles.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness and Allah Knows Best.

Assoc. Prof. Dr. Aznan Bin Hasan
Chairman of the Committee

Assoc. Prof. Dr. Ahcene Lahsasna
Member of the Committee

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Independent auditors' report to the member of Maybank Investment Bank Berhad (Incorporated in Malaysia)

Report on the financial statements

Opinion

We have audited the financial statements of Maybank Investment Bank Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 189.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's 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.

Independence and other ethical responsibilities (cont'd.)

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information 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.

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 information included in the directors' report but does not include the financial statements of the Bank and our auditors' report thereon.
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.

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 member of Maybank Investment Bank Berhad (cont'd.) (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 auditor's 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.

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Independent auditors' report to the member of
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

- 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 auditor's 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 auditor's 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.

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Independent auditors' report to the member of Maybank Investment Bank Berhad (cont'd.)
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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
Ernst & Young
AF: 0039
Chartered Accountants

Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 03083/07/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2019

Maybank Investment Bank Berhad
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Statements of Financial Position as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000
Assets			
Cash and short-term funds	5	834,236	703,662
Deposits and placements with a financial institution	6	858,974	807,279
Financial investments portfolio	7	588,635	429,655
Loans and advances	8	368,646	471,360
Derivative assets	9(i)	35,623	8,855
Other assets	10	827,135	951,992
Tax recoverable		25,250	9,615
Statutory deposit with Bank Negara Malaysia	11	105	105
Investment in a joint venture	13	2,813	5,746
Property, plant and equipment	14	9,632	14,911
Intangible assets	15	15,021	16,312
Deferred tax assets	16	16,378	19,603
Total assets		3,582,448	3,439,095
Liabilities			
Deposits and placements from a financial institution	17	1,003,316	743,958
Derivative liabilities	9(ii)	228,382	102,728
Other liabilities	18	1,749,769	1,947,040
Provision for zakat		656	981
Total liabilities		2,982,123	2,794,707
Equity attributable to equity holder of the Bank			
Share capital	19	222,785	222,785
Reserves	20	377,540	421,603
		600,325	644,388
Total liabilities and shareholder's equity		3,582,448	3,439,095
Commitments and contingencies	31	1,692,394	1,468,376

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Statements of Financial Position as at 31 December 2018

		Bank	
	Note	**2018 RM'000**	**2017 RM'000**
Assets			
Cash and short-term funds	5	795,242	663,163
Deposits and placements with a financial institution	6	858,954	807,259
Financial investments portfolio	7	588,635	429,655
Loans and advances	8	368,646	471,360
Derivative assets	9(i)	35,623	8,855
Other assets	10	823,930	951,912
Tax recoverable		23,362	7,743
Statutory deposit with Bank Negara Malaysia	11	105	105
Investment in subsidiaries	12	203,259	203,259
Investment in a joint venture	13	-	5,996
Property, plant and equipment	14	9,617	14,896
Intangible assets	15	15,021	16,312
Deferred tax assets	16	16,378	19,603
Total assets		3,738,772	3,600,118
Liabilities			
Deposits and placements from a financial institution	17	1,003,316	743,958
Derivative liabilities	9(ii)	228,382	102,728
Other liabilities	18	1,916,880	2,117,187
Provision for zakat		656	981
Total liabilities		3,149,234	2,964,854
Equity attributable to equity holder of the Bank			
Share capital	19	222,785	222,785
Reserves	20	366,753	412,479
		589,538	635,264
Total liabilities and shareholder's equity		3,738,772	3,600,118
Commitments and contingencies	31	1,692,394	1,468,376

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

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Statements of Comprehensive Income
For the year ended 31 December 2018

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	21	74,305	61,554	73,194	60,508
Interest expense	22	(51,147)	(33,670)	(51,147)	(33,670)
Net interest income		23,158	27,884	22,047	26,838
Income from Islamic Banking Scheme operations	36	51,666	85,104	51,666	85,104
Non-interest income	23	297,405	359,787	297,362	357,696
Direct costs	24	(31,128)	(37,735)	(31,128)	(37,735)
Net income		341,101	435,040	339,947	431,903
Overhead expenses	25	(290,523)	(284,238)	(287,910)	(281,204)
Operating profit		50,578	150,802	52,037	150,699
Allowance for impairment on investment in a joint venture		-	-	(5,996)	(8,000)
Allowance for impairment on loans and advances and other assets, net	26	(1,539)	(2,181)	(1,957)	(2,156)
		49,039	148,621	44,084	140,543
Share of results of a joint venture		(3,064)	(8,469)	-	-
Profit before taxation and zakat		45,975	140,152	44,084	140,543
Taxation and zakat	27	(12,771)	(37,616)	(12,559)	(37,424)
Profit for the year, attributable to equity holder of the Bank		33,204	102,536	31,525	103,119
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank	29	66	205		
Profit for the year		33,204	102,536	31,525	103,119
Other comprehensive (loss)/ income:					
Items that will not be reclassified subsequently to profit or loss:					
Net gain on revaluation of financial assets at fair value through other comprehensive income		12	-	12	-
Items that may be reclassified subsequently to profit or loss:					
Net loss on foreign exchange translation		(16)	(2,137)	-	-
Other comprehensive (loss)/ income for the year, net of tax		(4)	(2,137)	12	-
Total comprehensive income for the year, attributable to equity holder of the Bank		33,200	100,399	31,537	103,119

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

Maybank Investment Bank Berhad
(15938-H)
(Incorporated in Malaysia)

Statements of Changes in Equity
For the year ended 31 December 2018

	<-----	-----	Non-distributable	-----	-----	----->	Distributable	
	Share capital (Note 19) RM'000	**Share premium RM'000**	**Statutory reserve RM'000**	**Regulatory reserve (Note 20) RM'000**	**Fair value through other comprehensive income reserve (Note 20) RM'000**	**Exchange fluctuation reserve (Note 20) RM'000**	**Retained earnings (Note 20) RM'000**	**Total RM'000**
Group								
At 1 January 2018								
- as previously stated	222,785	-	-	5,022	-	(380)	416,961	644,388
- effect of adopting MFRS 9 (Note 41)	-	-	-	28,378	918	-	(28,159)	1,137
At 1 January 2018, as restated	222,785	-	-	33,400	918	(380)	388,802	645,525
Profit for the year	-	-	-	-	-	-	33,204	33,204
Other comprehensive income/ (loss)	-	-	-	-	12	(16)	-	(4)
Total comprehensive income/ (loss) for the year	-	-	-	-	12	(16)	33,204	33,200
Transfer to regulatory reserve	-	-	-	1,377	-	-	(1,377)	-
Dividends (Note 35)	-	-	-	-	-	-	(78,400)	(78,400)
At 31 December 2018	222,785	-	-	34,777	930	(396)	342,229	600,325
At 1 January 2017	50,116	172,669	50,116	3,497	-	1,757	265,834	543,989
Profit for the year	-	-	-	-	-	-	102,536	102,536
Other comprehensive loss	-	-	-	-	-	(2,137)	-	(2,137)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	(2,137)	102,536	100,399
Transfer to regulatory reserve	-	-	-	1,525	-	-	(1,525)	-
Transfer to retained earnings	-	-	(50,116)	-	-	-	50,116	-
Transfer to share capital	172,669	(172,669)	-	-	-	-	-	-
At 31 December 2017	222,785	-	-	5,022	-	(380)	416,961	644,388

Maybank Investment Bank Berhad
(15938-H)
(Incorporated in Malaysia)

Statements of Changes in Equity
For the year ended 31 December 2018 (cont'd.)

	<-----Non-distributable			----->	Distributable	
	Share capital (Note 19) RM'000	**Share premium RM'000**	**Statutory reserve RM'000**	**Regulatory reserve (Note 20) RM'000**	**Fair value through other comprehensive income reserve (Note 20) RM'000**	**Retained earnings (Note 20) RM'000**	**Total RM'000**
Bank							
At 1 January 2018							
- as previously stated	222,785	-	-	5,022	-	407,457	635,264
- effect of adopting MFRS 9 (Note 41)	-	-	-	28,378	918	(28,159)	1,137
At 1 January 2018, as restated	222,785	-	-	33,400	918	379,298	636,401
Profit for the year	-	-	-	-	-	31,525	31,525
Other comprehensive income	-	-	-	-	12	-	12
Total comprehensive income for the year	-	-	-	-	12	31,525	31,537
Transfer to regulatory reserve	-	-	-	1,377	-	(1,377)	-
Dividends (Note 35)	-	-	-	-	-	(78,400)	(78,400)
At 31 December 2018	222,785	-	-	34,777	930	331,046	589,538
At 1 January 2017	50,116	172,669	50,116	3,497	-	255,747	532,145
Profit for the year	-	-	-	-	-	103,119	103,119
Total comprehensive income for the year	-	-	-	-	-	103,119	103,119
Transfer to regulatory reserve	-	-	-	1,525	-	(1,525)	-
Transfer to retained earnings	-	-	(50,116)	-	-	50,116	-
Transfer to share capital	172,669	(172,669)	-	-	-	-	-
At 31 December 2017	222,785	-	-	5,022	-	407,457	635,264

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

Maybank Investment Bank Berhad
(15938-H)
(Incorporated in Malaysia)

Statements of Cash Flows
For the year ended 31 December 2018

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before taxation and zakat		45,975	140,152	44,084	140,543
Adjustments for:					
Share of results of a joint venture		3,064	8,469	-	-
Depreciation of property, plant and equipment	25	6,701	6,380	6,701	6,380
Amortisation of computer software	25	5,049	4,334	5,049	4,334
(Writeback of)/allowance for impairment on loans and advances, net	26	(39)	545	(39)	545
Allowance for impairment on other assets, net	26	2,271	2,860	2,689	2,835
Allowance for impairment on investment in a joint venture		-	-	5,996	8,000
Gross dividends	23	(8,773)	(2,986)	(13,323)	(2,986)
Realised loss/(gain) from sale of financial assets at fair value through profit or loss, net	23	31,324	(42,985)	31,324	(42,985)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	23	(142,615)	(77,841)	(142,615)	(77,841)
Realised (gain)/loss from sale of derivative financial instruments, net	23	(58,573)	55,812	(58,573)	55,812
Unrealised loss on revaluation of derivative financial instruments, net	23	120,579	54,249	120,579	54,249
Operating profit before working capital changes		4,963	148,989	1,872	148,886

Maybank Investment Bank Berhad
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Statements of Cash Flows
For the year ended 31 December 2018 (cont'd.)

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)					
Change in cash and short-term funds with original maturity more than three months		(84,661)	(636)	(84,661)	(636)
Change in deposits and placements with original maturity more than three months		(35,638)	(444,002)	(35,638)	(444,002)
Change in financial investments portfolio and derivative financial instruments		(10,809)	172,121	(10,809)	172,121
Change in loans and advances		102,753	(172,029)	102,753	(172,029)
Change in other assets		123,589	(199,550)	126,443	(200,808)
Change in deposits and placements from a financial institution		259,358	128,475	259,358	128,475
Change in other liabilities		(197,271)	563,018	(200,307)	563,778
Cash generated from operations		162,284	196,386	159,011	195,785
Taxation and zakat paid, net		(25,506)	(49,683)	(25,278)	(49,602)
Net cash generated from operating activities		136,778	146,703	133,733	146,183
Cash flows from investing activities					
Purchase of property, plant and equipment	14	(1,422)	(2,143)	(1,422)	(2,143)
Purchase of computer software	15	(3,758)	(3,959)	(3,758)	(3,959)
Net dividends received		8,773	2,986	13,323	2,986
Net cash generated from/ (used in) investing activities		3,593	(3,116)	8,143	(3,116)

Maybank Investment Bank Berhad
(15938-H)
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Statements of Cash Flows
For the year ended 31 December 2018 (cont'd.)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from financing activity				
Dividends paid, representing net cash used in financing activity	(78,400)	-	(78,400)	-
Net increase in cash and cash equivalents	61,971	143,587	63,476	143,067
Cash and cash equivalents at beginning of the year	704,163	560,576	663,644	520,577
Cash and cash equivalents at end of the year	766,134	704,163	727,120	663,644
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 5)	834,236	703,662	795,242	663,163
Deposits and placements with a financial institution (Note 6)	858,974	807,279	858,954	807,259
	1,693,210	1,510,941	1,654,196	1,470,422
Less:				
Cash and short-term funds and deposits and placements with original maturity more than three months	(927,076)	(806,778)	(927,076)	(806,778)
	766,134	704,163	727,120	663,644

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

1. Corporate information

The Bank is principally engaged in the investment banking business including Islamic Banking Scheme ("IBS") operations, provision of stockbroking services and related financial services. The principal activities of the subsidiaries are described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 32nd Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia.

The holding company of the Bank is Malayan Banking Berhad ("Maybank"), a licensed commercial bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2019.

2. Accounting policies

2.1 Basis of preparation and presentation of the financial statements

The financial statements of 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 seperate disclosures on its Islamic Banking Scheme ("IBS") operations as disclosed in Note 36. IBS refers generally to acceptance of deposits, granting of financing, provision of stockbroking services and related financial services under the Shariah principles.

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

2. Accounting policies (cont'd.)

2.1 Basis of preparation and presentation of the financial statements (cont'd.)

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 profit or loss 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 investment in a joint venture as at 31 December 2018. Further details on the accounting policies for investment in subsidiaries and investment in a joint venture are disclosed in Note 2.3.

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

Subsidiaries 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 (3) 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.

2. Accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

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.

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 interest 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 investment retained in the former subsidiary;
- Recognises any gains or losses in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income ("OCI") to the profit or loss 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(c).

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

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

In the Bank's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. 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 profit or loss.

(b) Investment in a joint venture

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.

2. Accounting policies (cont'd.)

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

(b) Investment in a joint venture (cont'd.)

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

The Group's and the Bank's investment in a joint venture is accounted for using the equity method. The joint venture is equity accounted for from the date the Group and the Bank gain joint control until the date the Group and the Bank cease to have joint control over the joint venture.

Under the equity method, investment in a joint venture 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 joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the investment in the joint venture. The Group's share of profit or loss in the joint venture is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

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

The financial statements of the joint venture is 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 investment in a joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount, then recognises the amount as 'share of results of a joint venture' in the profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the profit or loss.

2. Accounting policies (cont'd.)

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

(c) 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 interests 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 profit or loss.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the profit or loss. It is then considered in the determination of goodwill. Any contingent consideration 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 profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 interest held, over the net identifiable assets acquired and liabilities assumed.

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.

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 profit or loss.

2. Accounting policies (cont'd.)

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

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

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 unit ("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(k).

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, 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 in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

(d) Intangible assets

In addition to goodwill, intangible assets also include license and computer software. 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 at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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 profit or loss in the expense category consistent with the function of the intangible asset.

2. Accounting policies (cont'd.)

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

(d) Intangible assets (cont'd.)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss when the asset is derecognised.

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

Computer software	25%
License	Indefinite

(e) Financial assets

(i) Date of recognition

All the 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, purchase or sale of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(ii) Initial recognition and subsequent measurement

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

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

- Fair value through profit or loss ("FVTPL"), as disclosed in Note 7(i).
- Fair value through other comprehensive income ("FVOCI"), as disclosed in Note Note 7(ii); and
- Amortised cost, as disclosed in Note 7(iii);

Before 1 January 2018, the Group and the Bank classified its financial assets as loans and receivables (amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost), as explained in Note 2.3(e)(ii)(4), Note 2.3(e)(ii)(3), Note 2.3(e)(ii)(6) and Note 2.3(e)(ii)(5).

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

Included in financial assets are the following:

(1) Financial assets at amortised cost

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

- The 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 solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below:

i) Business model assessment

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.

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- The expected frequency, value and timing of sales are also important aspects of the Group and of the Bank’s assessment.

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

Included in financial assets are the following (cont'd.):

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

i) Business model assessment (cont'd.)

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

ii) The SPPI test

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

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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group and the Bank applies judgement and considers 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 the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

From 1 January 2018, the Group and the Bank measure loans and receivables at amortised cost.

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

Included in financial assets are the following (cont'd.):

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

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

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

- The contractual terms of the financial assets meet the SPPI test.

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

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

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI.

Included in financial assets at FVOCI are unquoted shares in Malaysia.

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

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

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

Included in financial assets are the following (cont'd.):

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

From 1 January 2018, financial assets at FVTPL are those that are held-for-trading ("HFT") 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 are 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.

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

Included in financial assets at FVTPL are derivatives (including separated embedded derivatives), debt securities and equities.

(4) Loans and receivables

From 1 January 2018, under MFRS 9, the Group and the Bank measure loans and receivables at amortised cost.

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

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

Included in financial assets are the following (cont'd.):

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

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

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

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

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

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

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

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

Included in financial assets are the following (cont'd.):

(6) Financial investments available-for-sale ("AFS") *(policy applicable before 1 January 2018)* (cont'd.)

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

(iii) Derecognition

A financial asset is derecognised when:

(1) The rights to receive cash flows from the financial asset have expired; or

(2) The Group and the Bank have transferred its rights to receive cash flows from the financial asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement and either:

(i) the Group and the Bank have transferred substantially all the risks and rewards of the financial asset; or

(ii) the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the financial asset.

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

(e) Financial assets (cont'd.)

(iv) Impairment of financial assets *(policy applicable from 1 January 2018)*

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

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

(1) 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

(2) ECL measurement

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

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

(e) Financial assets (cont'd.)

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

(2) ECL measurement (cont'd.)

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

(3) Expected life

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

(4) Forward looking information

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

(5) Valuation for Stage 3 ECL

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

(v) Impairment of financial assets *(policy applicable before 1 January 2018)*

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

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

(e) Financial assets (cont'd.)

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

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

(1) Loans and receivables

(a) Loans and advances

Classification of loans and advances as impaired

Loans and advances are classified as impaired when:

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

Impairment process – individual assessment

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

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

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

(e) Financial assets (cont'd.)

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

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

(a) Loans and advances (cont'd.)

Impairment process – subsequent measurement

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or written back by adjusting the allowances for impairment losses on loans and advances.

Impairment process – written-off accounts

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

(b) Amount due from brokers and clients

Amount due from brokers and clients are carried at anticipated realisable values. Impaired accounts are written off when identified, after taking into consideration the realisable value of collaterals, if any, when in the judgement of the management, there is no prospect of recoveries.

Individual assessment impairment allowances are made for accounts which are considered doubtful or which have been classified as impaired, net of interest-in-suspense and after taking into consideration any collaterals held by the Group and the Bank. The carrying amount of the accounts is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

When an account is classified as impaired, interest is suspended and forms part of the individual assessment impairment allowances.

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

(e) Financial assets (cont'd.)

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

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

(b) Amount due from brokers and clients (cont'd.)

Clients' accounts are classified as impaired as follows:

Types of accounts	Criteria for classification as impaired
Margin financing	When the account's equity value falls below 130% of its outstanding balance.
Contra losses	When the account remains outstanding for 5 calendar days or more from the date of contra transaction.
Overdue purchase contracts	When the account remains outstanding from T+5 market days onwards.

(c) Other receivables

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the profit and loss.

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

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

(2) Financial investments Held-to-Maturity ("HTM")

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

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

(3) Financial investments Available-For-Sale ("AFS")

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

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

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

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

(3) Financial investments Available-For-Sale ("AFS") (cont'd.)

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

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

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

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

(vi) Reclassification of financial assets *(policy applicable before 1 January 2018)*

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

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

2. Accounting policies (cont'd.)

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

(e) Financial assets (cont'd.)

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

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

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

(vii) Reclassification of financial assets *(policy applicable from 1 January 2018)*

From 1 January 2018, reclassification of financial assets is permissable 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

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

(f) Financial liabilities

(i) 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, purchase or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2. Accounting policies (cont'd.)

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

(f) Financial liabilities (cont'd.)

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

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

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

Financial liabilities at FVTPL include financial liabilities HFT and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities HFT include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria. Gains or losses on financial liabilities HFT are recognised in the profit or loss. The Group and the Bank have not designated any financial liabilities at FVTPL.

(2) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits and placements from a financial institution, payables, amount due to brokers and clients, and other liabilities excluding provisions and accruals.

(a) Deposits and placements from a financial institution

Deposits and placements of a financial institution is recognised initially at placement values and subsequently measured at amortised cost using the effective interest method.

(b) Payables and amount due to brokers and clients

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

(c) 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.

2. Accounting policies (cont'd.)

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

(f) Financial liabilities (cont'd.)

(iii) 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 profit or loss.

(g) 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 39.

(h) 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, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. 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 property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of 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 equipment, furniture and fittings	10% - 25%
Data processing equipment	25%
Office renovation	20%
Motor vehicles	25%

2. Accounting policies (cont'd.)

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

(h) 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 profit or loss.

Details of property, plant and equipment of the Group and of the Bank are disclosed in Note 14.

(i) Cash and cash equivalents

Cash and short-term funds in the statements of financial position comprise cash and bank balances and deposit placements with financial institution 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 other financial institution, with the original maturity of three (3) months or less.

(j) Other assets

Other 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.

(k) 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. Where 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.

In assessing value in use, 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.)

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that the 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 or CGU'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 profit or loss.

(l) 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.

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 increase in the provision due to the passage of time is recognised in the profit or loss.

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 profit or loss.

(m) Foreign currencies

(i) 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.

2. Accounting policies (cont'd.)

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

(m) Foreign currencies (cont'd.)

(ii) 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 ruling 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 profit or loss 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 exchange fluctuation reserve in equity.

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 profit or loss 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 directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

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

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

2. Accounting policies (cont'd.)

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

(m) Foreign currencies (cont'd.)

(iii) 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 under exchange fluctuation reserve in equity, is reclassified from equity to the profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

(n) Operating lease - 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 are amortised on a straight-line basis over the lease term.

(o) Income and deferred taxes and zakat

(i) 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 expense is determined according to the tax laws of each jurisdiction in which the Bank and the Bank's subsidiaries operate and generate taxable income.

Current tax expense relating to items recognised directly in equity, is recognised in other comprehensive income or in equity and not in the profit or loss.

Details of income taxes for the Group and the Bank are disclosed in Note 27.

(ii) 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.

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

2. Accounting policies (cont'd.)

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

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

(ii) Deferred tax (cont'd.)

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

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

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

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

(iii) Zakat

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

(p) Recognition of interest, profit and expense

(i) Interest income and expense is recognised using the effective interest method.

(ii) Interest income on impaired financial assets continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iii) Profit income and expense from IBS operations is recognised on an accrual basis in accordance with the principles of Shariah.

(q) Fair value measurement

The Group and the Bank measure financial instruments, such as, financial assets at FVTPL, financial assets at FVOCI and derivative financial instruments, at fair value at each reporting date.

2. Accounting policies (cont'd.)

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

(q) Fair value measurement (cont'd.)

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

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

The principal or the most advantageous market must be accessible to the Group and the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

2. Accounting policies (cont'd.)

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

(q) Fair value measurement (cont'd.)

The fair value of financial instruments traded in active market at the reporting date is based on their quoted (unadjusted) market prices or dealer price quotations.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

(r) Recognition of fee and other income

(i) Brokerage income is recognised upon execution of trade contracts.

(ii) Arranger fees, upfront fees, placement fees, underwriting commission and other fee income are recognised based on the contractual arrangements.

(iii) Corporate advisory fees earned from the capital market activities are accrued over the period of services rendered.

(iv) Trading income include results arising from trading activities and gains and losses from changes in fair value for financial assets at FVTPL and financial liabilities at FVTPL.

(v) Dividend income is recognised when the Group's and the Bank's right to receive the payment is established.

(s) Interest/profit income and expense

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

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

2. Accounting policies (cont'd.)

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

(t) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the profit or loss 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 profit or loss 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 profit or loss when the absences occur.

(ii) Defined contribution plan

As required by law, the Bank and its Malaysia subsidiaries make contributions to the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the profit or loss when incurred.

(iii) Share-based compensation

(1) Employees' Share Grant Plan of the Maybank Group ("ESGP Shares")

The ESGP Shares is awarded and vested to the eligible Executive Directors and employees of the participating Maybank Group. 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 Maybank Group Employees’ Share Grant Plan Committee. The total fair value of ESGP Shares granted to senior management employees is recognised as 'personnel expenses' under caption of "ESS Expense" 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 vesting conditions upon which the ESGP Shares were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

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

The CESGP is awarded and vested to eligible 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.

2. Accounting policies (cont'd.)

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

(t) Employee benefits (cont'd.)

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

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

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

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

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

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

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

2. Accounting policies (cont'd.)

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

(t) Employee benefits (cont'd.)

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

(4) Restricted share units ("RSU")

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

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

(5) Cash-settled Performance-based Scheme (“CESS”)

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

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

2. Accounting policies (cont'd.)

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

(u) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contracted obligation to transfer cash on other financial assets. Transaction cost 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.

(v) 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 discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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 of 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.

(w) Earnings per share ("EPS")

The Group presents basic and diluted (where applicable) EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the year. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, which has been adjusted for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(x) 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 the person or a group of people that is responsible to allocate resources to and assess the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

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

2. Accounting policies (cont'd.)

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

(y) 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 participating members 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. Accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations

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

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

The nature and impact of these amendments to MFRSs are disclosed below:

MFRS 9 *Financial Instruments* ("MFRS 9")

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

The financial effects of adoption of MFRS 9 to the statement of financial position of the Group and of the Bank is disclosed in Note 41.

MFRS 15 *Revenue from Contracts with Customers* ("MFRS 15")

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

2. Accounting policies (cont'd.)

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

(a) New and amended standards and interpretations (cont'd.)

The nature and impact of these amendments to MFRSs are disclosed below (cont'd.):

MFRS 15 *Revenue from Contracts with Customers* ("MFRS 15") (cont'd.)

The five-step model that applies to revenue recognition under MFRS 15 is as follows:

(1) Identify the contract(s) with a customer;

(2) Identify the performance obligations in the contract;

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract; and

(5) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

2. Accounting policies (cont'd.)

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

(b) Standards and annual improvements to standards issued but not yet effective

The following are standards and annual improvements to standards 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 and annual improvements to standards, if applicable, when they become effective:

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)	To be announced by MASB
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
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

Adoption of the above standards and annual improvements to standards is not expected to have any material impact on the financial statements of the Group and of the Bank in the period of initial application, except for those discussed below:

MFRS 16 *Leases* ("MFRS 16")

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 *Leases* ("MFRS 117"). The standard will supersede 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*.

2. Accounting policies (cont'd.)

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

(b) Standards and annual improvements to standards issued but not yet effective (cont'd.)

MFRS 16 *Leases* ("MFRS 16") (cont'd.)

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

3. Significant changes in regulatory requirements

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

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

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

The Group and the Bank have presented the regulatory reserves in the Statement of Changes in Equity.

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

The Group presented these information in Note 30.

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

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

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

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

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

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

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

4. Significant accounting judgements, estimates and assumptions

(a) Fair value estimation of financial assets at FVTPL (Note 7(i)), financial assets at FVOCI (Note 7(ii)) and derivative financial instruments (Note 9)

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.

(b) Impairment of financial investments portfolio (Note 7)

The Group and the Bank review their financial investments at FVOCI and financial investments AC under MFRS 9 which required to recognise the ECL at each reporting date to reflect change in credit risk of the financial instruments. MFRS 9 incorporates forward looking and historical, current and forecasted information into ECL estimation.

4. Significant accounting judgements, estimates and assumptions (cont'd.)

(b) Impairment of financial investments portfolio (Note 7) (cont'd.)

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.

(c) Impairment losses on loans and advances (Note 8(vii))

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.

(d) Impairment of investment in subsidiaries (Note 12) and investment in a joint venture (Note 13)

The Group and the Bank assess whether there is any indication that an investment in joint ventures may be impaired at each reporting date.

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

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

(i) The Group and the Bank determine 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

4. Significant accounting judgements, estimates and assumptions (cont'd.)

(d) Impairment of investment in subsidiaries (Note 12) and investment in a joint venture (Note 13) (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 (cont'd.):

(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 outcome based on certain past trends.

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

(e) Deferred tax (Note 16) and income taxes (Note 27)

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

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.

5. Cash and short-term funds

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances with financial institutions	254,289	240,105	248,316	233,926
Deposit and placements maturing within one month	579,947	463,557	546,926	429,237
	834,236	703,662	795,242	663,163

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM312,325,000 (2017: RM266,353,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

6. Deposits and placements with a financial institution

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed bank	858,974	807,279	858,954	807,259

7. Financial investments portfolio

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Financial assets at fair value through profit or loss (Note (i))	587,472	390,177
Financial assets at fair value through other comprehensive income (Note (ii))	1,130	-
Financial assets at amortised cost (Note (iii))	33	-
Financial investments available-for-sale (Note (iv))	-	39,445
Financial investments held-to-maturity (Note (v))	-	33
	588,635	429,655

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

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
At fair value		
Quoted financial assets:		
Shares in Malaysia	172,823	214,202
Shares outside Malaysia	159,803	144,433
	332,626	358,635

7. Financial investments portfolio

(i) Financial assets at fair value through profit or loss (cont'd.)

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Unquoted financial assets:		
Loan stock in Malaysia	39,245	-
Structured product	215,601	31,542
	587,472	390,177

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

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Unquoted financial assets:		
Shares in Malaysia	1,130	-

(iii) Financial assets at amortised cost

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
At amortised cost less accumulated impairment loss		
Unquoted financial assets:		
Private debt securities in Malaysia	33	-

(iv) Financial investments available-for-sale

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial investments:		
Shares and loan stocks in Malaysia	-	39,445

7. Financial investments portfolio (cont'd.)

(v) Financial investments held-to-maturity

Indicative fair value of financial investments held-to-maturity is as follows:

	Group and Bank 2018 RM'000	2017 RM'000
At amortised cost less accumulated impairment loss		
Unquoted financial investments:		
Private debt securities in Malaysia	-	33

The maturity profile of financial assets at amortised cost/financial investments held-to-maturity is as follows:

	Group and Bank 2018 RM'000	2017 RM'000
More than five years	-	33

8. Loans and advances

	Group and Bank 2018 RM'000	2017 RM'000
Term loans:		
- Other term loans	89,290	109,256
Amount due from brokers and clients:		
- Margin accounts (Note a)	256,553	340,987
Staff loans	23,390	22,032
Gross loans and advances	369,233	472,275
Less: Allowance for impairment losses		
ECL allowances:		
- Stage 1 - 12 Months ECL	(322)	-
- Stage 3 - Lifetime ECL credit impaired	(265)	-
Individual allowance	-	(273)
Collective allowance	-	(642)
Net loans and advances	368,646	471,360

8. Loans and advances (cont'd.)

(a) Amount due from brokers and clients relate to outstanding purchase contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

The trade credit terms for margin accounts are set in accordance with the terms of the respective margin agreements.

(i) Loans and advances analysed by type of customer are as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Domestic business enterprises:		
- Small and medium enterprises	32,442	58,827
- Others	105,750	125,019
Individuals	230,567	281,910
Foreign entities	474	6,519
Gross loans and advances	369,233	472,275

(ii) Loans and advances analysed by interest rate sensitivity are as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Fixed rate:		
- Housing loans	12,400	11,489
- Hire purchase receivables	10,800	10,280
- Other fixed rate loans	190	263
Variable rate:		
- Base lending rate (BLR)-plus	256,553	340,987
- Cost plus	89,290	109,256
Gross loans and advances	369,233	472,275

(iii) Loans and advances analysed by economic purpose are as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Purchase of securities	256,553	340,987
Purchase of transport vehicles	10,800	10,280
Purchase of residential landed property	12,400	11,489
Personal use	190	263
Others	89,290	109,256
Gross loans and advances	369,233	472,275

8. Loans and advances (cont'd.)

(iv) The maturity profile of loans and advances are as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Within one year	346,429	435,710
More than one year to three years	3,810	3,947
More than three years to five years	6,688	21,258
More than five years	12,306	11,360
Gross loans and advances	369,233	472,275

(v) Movements in impaired loans and advances are as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	641	7,083
Impaired during the year	-	15
Recovered/regularised during the year	(15)	(6,457)
Gross impaired loans and advances	626	641
Less: - Stage 3 - Lifetime ECL credit impaired	(265)	-
- Individual allowance	-	(273)
Net impaired loans and advances as at 31 December	361	368
Ratio of net impaired loans and advances as a percentage of gross loans and advances less Stage 3 - Lifetime ECL credit impaired/individual allowance	0.10%	0.08%

(vi) Impaired loans and advances analysed by economic purpose are as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Purchase of securities	-	15
Purchase of transport vehicles	159	159
Purchase of residential landed property	467	467
Gross impaired loans and advances	626	641

8. Loans and advances (cont'd.)

(vii) Movements in the allowance for impairment losses are as follows:

Group and 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 ECL RM'000
At 1 January 2018				
- as previously stated	642	-	273	915
- effect of adopting MFRS 9 (Note 41)	(289)	-	-	(289)
At 1 January 2018, as restated	353	-	273	626
Amount written-back (Note 26)	(31)	-	(8)	(39)
At 31 December 2018	322	-	265	587

	Group and Bank 2018 RM'000	 2017 RM'000
Individual allowance		
At 1 January		
- as previously stated	273	6,270
- effect of adopting MFRS 9	(273)	-
At 1 January, as restated	-	6,270
Allowance made (Note 26)	-	7
Amount written-off	-	(6,004)
At 31 December	-	273
Collective allowance		
At 1 January		
- as previously stated	642	104
- effect of adopting MFRS 9	(642)	-
At 1 January, as restated	-	104
Allowance made (Note 26)	-	538
At at 31 December	-	642

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

- Margin accounts and other term loans decreased mainly arising from settlements during the year which correspondingly resulted in a drop in ECL allowances.

- Increase in staff loans as a result of new loans disbursed during the year.

9. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	2018		2017	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Hedging derivatives				
Equity-related derivatives:				
Equity swaps				
- Less than one year	234,872	35,623	118,129	8,855

(ii) Derivative liabilities

	Group and Bank			
	2018		2017	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Hedging derivatives				
Equity-related derivatives:				
Equity options				
- Less than one year	222,927	219,584	151,143	81,445
Equity swaps				
- Less than one year	65,494	8,798	145,972	21,283
	288,421	228,382	297,115	102,728

(iii) The Group and the Bank have recognised the fair value changes on the derivative assets and derivative liabilities as follows (Note 23):

	Group and Bank	
	2018 RM'000	2017 RM'000
Equity-related derivatives:		
Index futures	(1,153)	5
Equity options	(158,663)	(26,279)
Equity swaps	39,237	(27,975)
	(120,579)	(54,249)

10. Other assets

	Group 2018 RM'000	Group 2017 RM'000
Amount due from brokers and clients		
- Non-margin accounts (Note a)	480,451	783,594
Amount due from ultimate holding company	6,903	25,609
Other debtors, deposits and prepayments	359,734	160,497
	847,088	969,700
Less: Allowance for impairment losses (Note b)	(19,953)	(17,708)
	827,135	951,992

	Bank 2018 RM'000	Bank 2017 RM'000
Amount due from brokers and clients		
- Non-margin accounts (Note a)	480,451	783,594
Amount due from ultimate holding company	6,903	25,609
Other debtors, deposits and prepayments	353,219	156,689
	840,573	965,892
Less: Allowance for impairment losses (Note b)	(16,643)	(13,980)
	823,930	951,912

(a) Amount due from brokers and clients relate to outstanding purchase contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

The trade settlement is 3 market days in accordance to the Bursa Malaysia Securities Berhad Fixed Delivery and Settlement System ("FDSS") trading rules.

Included in the amount due from brokers and clients are gross balances of impaired accounts as follows:

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Classified as impaired	2,068	3,138

10. Other assets (cont'd.)

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

Changes in the gross carrying amount of the other assets that contributed to the changes in the loss allowances were mainly due to additional allowances made for other receivables.

Group **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**
At 1 January 2018	-	-	17,708	17,708
Net remeasurement of allowances (Note 26)	-	-	2,271	2,271
Amount written-off	-	-	(26)	(26)
At 31 December 2018	-	-	19,953	19,953

Bank **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**
At 1 January 2018	-	-	13,980	13,980
Net remeasurement of allowances (Note 26)	-	-	2,689	2,689
Amount written-off	-	-	(26)	(26)
At 31 December 2018	-	-	16,643	16,643

As at 31 December 2017	**Group** **RM'000**	**Bank** **RM'000**
At 1 January 2017	14,848	11,145
Allowance made during the year, net (Note 26)	2,860	2,835
At 31 December 2017	17,708	13,980

10. Other assets (cont'd.)

(c) Included in the allowance for impairment losses above is the provision relating to interest portion of the impaired accounts, which movements are as follows:

	Group and Bank 2018 RM'000	2017 RM'000
At 1 January	332	353
Net interest suspended/(reversed) during the year	34	(21)
At 31 December	366	332

The provision made is in compliance with Rule 12.04 of Bursa Malaysia Securities Berhad in relation to interest-in-suspense.

11. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit maintained with Bank Negara Malaysia is in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

12. Investment in subsidiaries

	Bank 2018 RM'000	2017 RM'000
Unquoted shares in Malaysia, at cost	233,259	233,259
Less: Accumulated impairment losses	(30,000)	(30,000)
	203,259	203,259

12. Investment in subsidiaries (cont'd.)

Name of subsidiaries	Country of incorporation/ Principal place of business	Percentage of ownership interest held (%) 2018	2017	Principal activities
Held by the Bank:				
BinaFikir Sdn Bhd	Malaysia	100	100	Advisory services
Maybank Securities Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee services
Maybank Securities Nominees (Asing) Sdn Bhd	Malaysia	100	100	Nominee services
Maysec Sdn Bhd	Malaysia	100	100	Investment holding
Held through Maysec Sdn Bhd:				
Phileo Allied Securities (Philippines) Inc.*	Philippines	100	100	In voluntarily liquidation

* Audited by other member firms of Ernst & Young Global

13. Investment in a joint venture

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Unquoted shares, at cost	21,935	21,935	21,935	21,935
Share of post-acquisition reserves, net of dividends	(11,183)	(8,250)	-	-
	10,752	13,685	21,935	21,935
Less: Accumulated impairment losses	(7,939)	(7,939)	(21,935)	(15,939)
	2,813	5,746	-	5,996
Represented by the Group's and the Bank's share of:				
Net assets	3,107	6,039	-	-

13. Investment in a joint venture (cont'd.)

(a) Details of the joint venture are as follows:

Name of joint venture	Country of incorporation/ Principal place of business	Percentage of ownership interest held (%) 2018	2017	Principal activities
Anfaal Capital	Kingdom of Saudi Arabia	35.33	35.33	Investment banking

The joint venture has the same reporting period as the Group and is accounted for using the equity method.

(b) The summarised financial information of the joint venture is as follows:

	2018 RM'000	2017 RM'000
Statements of financial position		
Current assets	11,645	19,856
Non-current assets	11	300
Total assets	11,656	20,156
Current liabilities	1,718	1,727
Non-current liabilities	1,146	1,335
Total liabilities	2,864	3,062
Net assets	8,792	17,094
Statements of comprehensive income		
Revenue	97	4,703
Loss after taxation	(8,674)	(24,037)

(c) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in a joint venture is as follows:

	2018 RM'000	2017 RM'000
Net assets at 1 January	17,094	45,568
Loss for the year	(8,674)	(24,037)
Foreign exchange reserve	372	(4,437)
Net assets at 31 December	8,792	17,094
Interest in a joint venture	35.33%	35.33%
Group's interest in a joint venture	3,107	6,039

As at the reporting date, the joint venture has no contingent liabilities or capital commitments. The joint venture cannot distribute its profits until it obtains the consent from another major venture partner.

14. Property, plant and equipment

Group	**Office equipment, furniture and fittings RM'000**	**Data processing equipment RM'000**	**Office renovation RM'000**	**Motor vehicles RM'000**	**Total RM'000**
31 December 2018					
Cost					
At 1 January 2018	22,828	16,420	24,440	1,218	64,906
Additions	125	904	393	-	1,422
Disposals	(1,992)	(48)	(1,237)	-	(3,277)
At 31 December 2018	20,961	17,276	23,596	1,218	63,051
Less: Accumulated depreciation					
At 1 January 2018	20,157	12,142	16,820	876	49,995
Charge for the year (Note 25)	930	2,306	3,331	134	6,701
Disposals	(1,992)	(48)	(1,237)	-	(3,277)
At 31 December 2018	19,095	14,400	18,914	1,010	53,419
Net carrying amount					
At 31 December 2018	1,866	2,876	4,682	208	9,632

14. Property, plant and equipment (cont'd.)

Group	**Office equipment, furniture and fittings RM'000**	**Data processing equipment RM'000**	**Office renovation RM'000**	**Motor vehicles RM'000**	**Total RM'000**
31 December 2017					
Cost					
At 1 January 2017	22,671	15,780	23,094	1,218	62,763
Additions	157	640	1,346	-	2,143
At 31 December 2017	22,828	16,420	24,440	1,218	64,906
Less: Accumulated depreciation					
At 1 January 2017	19,089	9,830	14,063	633	43,615
Charge for the year (Note 25)	1,068	2,312	2,757	243	6,380
At 31 December 2017	20,157	12,142	16,820	876	49,995
Net carrying amount					
At 31 December 2017	2,671	4,278	7,620	342	14,911

14. Property, plant and equipment (cont'd.)

Bank	**Office equipment, furniture and fittings RM'000**	**Data processing equipment RM'000**	**Office renovation RM'000**	**Motor vehicles RM'000**	**Total RM'000**
31 December 2018					
Cost					
At 1 January 2018	22,828	16,420	24,026	1,218	64,492
Additions	125	904	393	-	1,422
Disposals	(1,992)	(48)	(1,237)	-	(3,277)
At 31 December 2018	20,961	17,276	23,182	1,218	62,637
Less: Accumulated depreciation					
At 1 January 2018	20,157	12,142	16,421	876	49,596
Charge for the year (Note 25)	930	2,306	3,331	134	6,701
Disposals	(1,992)	(48)	(1,237)	-	(3,277)
At 31 December 2018	19,095	14,400	18,515	1,010	53,020
Net carrying amount					
At 31 December 2018	1,866	2,876	4,667	208	9,617

14. Property, plant and equipment (cont'd.)

Bank	**Office equipment, furniture and fittings RM'000**	**Data processing equipment RM'000**	**Office renovation RM'000**	**Motor vehicles RM'000**	**Total RM'000**
31 December 2017					
Cost					
At 1 January 2017	22,671	15,780	22,680	1,218	62,349
Additions	157	640	1,346	-	2,143
At 31 December 2017	22,828	16,420	24,026	1,218	64,492
Less: Accumulated depreciation					
At 1 January 2017	19,089	9,830	13,664	633	43,216
Charge for the year (Note 25)	1,068	2,312	2,757	243	6,380
At 31 December 2017	20,157	12,142	16,421	876	49,596
Net carrying amount					
At 31 December 2017	2,671	4,278	7,605	342	14,896

15. Intangible assets

	Group and Bank		
	License RM'000	**Computer software RM'000**	**Total RM'000**
Cost			
At 1 January 2018	1,963	39,759	41,722
Additions	-	3,758	3,758
At 31 December 2018	1,963	43,517	45,480
Less: Accumulated amortisation			
At 1 January 2018	-	25,410	25,410
Charge for the year (Note 25)	-	5,049	5,049
At 31 December 2018	-	30,459	30,459
Net carrying amount			
At 31 December 2018	1,963	13,058	15,021
Cost			
At 1 January 2017	1,963	35,800	37,763
Additions	-	3,959	3,959
At 31 December 2017	1,963	39,759	41,722
Less: Accumulated amortisation			
At 1 January 2017	-	21,076	21,076
Charge for the year (Note 25)	-	4,334	4,334
At 31 December 2017	-	25,410	25,410
Net carrying amount			
At 31 December 2017	1,963	14,349	16,312

16. Deferred taxation

	Group and Bank	
	2018 RM'000	**2017 RM'000**
At 1 January	19,603	14,465
Recognised in profit or loss (Note 27)	(3,225)	5,138
At 31 December	16,378	19,603

Presented after appropriate offsetting as follows:

Deferred tax assets	18,473	22,436
Deferred tax liabilities	(2,095)	(2,833)

16. Deferred taxation (cont'd.)

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 tax authority.

The components and movements of deferred tax assets and deferred tax liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and of the Bank:

	Provision for liabilities RM'000
At 1 January 2018	22,436
Recognised in profit or loss	(3,963)
At 31 December 2018	18,473
At 1 January 2017	17,348
Recognised in profit or loss	5,088
At 31 December 2017	22,436

Deferred tax liabilities of the Group and of the Bank:

	Accelerated capital allowance RM'000
At 1 January 2018	(2,833)
Recognised in profit or loss	738
At 31 December 2018	(2,095)
At 1 January 2017	(2,883)
Recognised in profit or loss	50
At 31 December 2017	(2,833)

17. Deposits and placements from a financial institution

	Group and Bank	
	2018 RM'000	**2017 RM'000**
Licensed bank	1,003,316	743,958

18. Other liabilities

	Group	
	2018	**2017**
	RM'000	**RM'000**
Provisions and accruals	89,842	113,736
Amount due to brokers and clients (Note a)	469,644	745,988
Deposits and other creditors	1,160,801	1,020,434
Amount due to (Note 30 (b)):		
- Holding company	23,159	45,662
- Related companies	6,323	21,220
	1,749,769	1,947,040

	Bank	
	2018	**2017**
	RM'000	**RM'000**
Provisions and accruals	89,667	113,553
Amount due to brokers and clients (Note a)	469,644	745,988
Deposits and other creditors	1,156,613	1,019,290
Amount due to (Note 30 (b)):		
- Holding company	23,159	45,662
- Related companies	6,323	21,220
- Subsidiaries	171,474	171,474
	1,916,880	2,117,187

(a) Amount due to brokers and clients represents net amount payable to margin and non-margin clients, which includes outstanding sales contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

The trade settlement is 3 market days according to the Bursa Malaysia Securities Berhad Fixed Delivery and Settlement System ("FDSS") trading rules.

19. Share capital

	Group and Bank			
	Number of shares of RM1 each		Amount	
	2018	**2017**	**2018**	**2017**
	Units'000	**Units'000**	**RM'000**	**RM'000**
Issued and fully paid	50,116	50,116	222,785	222,785

20. Reserves

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-distributable:				
Regulatory reserve (Note a)	34,777	5,022	34,777	5,022
Exchange fluctuation reserve	(396)	(380)	-	-
Fair value through other comprehensive income	930	-	930	-
	35,311	4,642	35,707	5,022
Distributable:				
Retained earnings (Note b)	342,229	416,961	331,046	407,457
	377,540	421,603	366,753	412,479

(a) Regulatory reserve

The regulatory reserve is maintained in compliance with the revised Bank Negara Malaysia guidelines on classification and impairment provisions for loans/financing policy in which the Bank is required to maintain, in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(b) Retained earnings

The Bank may distribute dividends out of its entire retained earnings as at 31 December 2018 under the single-tier system.

21. Interest income

	Group		Bank	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Loans and advances				
- Interest income other than on impaired loans	30,976	33,362	30,976	33,362
- Interest income on impaired loans	91	86	91	86
Money at call and deposits and placements with financial institutions	38,940	26,700	37,829	25,654
Others	4,298	1,406	4,298	1,406
Total interest income	74,305	61,554	73,194	60,508

22. Interest expense

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Deposits and placements from a financial institution	19,488	14,136
Derivative financial instruments	31,659	19,534
	51,147	33,670

23. Non-interest income

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fee and commission income:				
Arranger and upfront fees	34,747	74,907	34,747	74,907
Brokerage income	161,792	173,995	161,792	173,995
Corporate advisory fees	14,157	55,337	9,564	53,249
Placement and related fees	5,957	15,221	5,957	15,221
Underwriting commissions	622	2,861	622	2,861
Others	10,914	13,548	10,914	13,548
	228,189	335,869	223,596	333,781
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(31,324)	42,985	(31,324)	42,985
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	142,615	77,841	142,615	77,841
Realised gain/(loss) from sale of derivative financial instruments, net	58,573	(55,812)	58,573	(55,812)
Unrealised loss on revaluation of derivative financial instruments, net (Note 9(iii))	(120,579)	(54,249)	(120,579)	(54,249)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	7,904	2,505	7,904	2,505
- Quoted outside Malaysia	869	481	869	481
Subsidiary	-	-	4,550	-
	58,058	13,751	62,608	13,751

23. Non-interest income (cont'd.)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other income:				
Foreign exchange gain, net	6,485	5,653	6,485	5,653
Others	4,673	4,514	4,673	4,511
	11,158	10,167	11,158	10,164
Total non-interest income	297,405	359,787	297,362	357,696

24. Direct costs

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Dealers' incentive	18,056	25,078
Trade-related charges	13,072	12,657
	31,128	37,735

25. Overhead expenses

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Personnel expenses				
- Salaries, allowances and bonuses	211,541	199,667	211,541	199,667
- Pension costs - defined contribution plan	19,076	18,534	19,076	18,534
- Employees' Share Scheme expenses	486	4,982	486	4,982
- Other staff-related expenses	11,866	13,645	11,865	13,644
	242,969	236,828	242,968	236,827

25. Overhead expenses (cont'd.)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Establishment costs				
- Depreciation of property, plant and equipment (Note 14)	6,701	6,380	6,701	6,380
- Amortisation of computer software (Note 15)	5,049	4,334	5,049	4,334
- Rental	10,037	10,557	10,037	10,557
- Repairs and maintenance of property, plant and equipment	9,882	10,616	9,881	10,613
- Information technology expenses	17,099	15,293	17,099	15,293
- Others (Note (i))	(28,348)	(27,519)	(30,817)	(30,465)
	20,420	19,661	17,950	16,712
Marketing costs				
- Advertisement and publicity	11,609	9,761	11,609	9,761
- Others	5,930	6,612	5,939	6,642
	17,539	16,373	17,548	16,403
Administration and general expenses				
- Fee and brokerage	2,037	4,002	1,945	3,922
- Administrative expenses	3,601	3,743	3,542	3,709
- General expenses	3,957	3,631	3,957	3,631
	9,595	11,376	9,444	11,262
Total overhead expenses	290,523	284,238	287,910	281,204

Note (i): Included in other establishment costs of the Group and of the Bank are service chargeback amounting to approximately RM30,000,000 and RM33,000,000 respectively (2017: RM29,000,000 and RM32,000,000 respectively).

25. Overhead expenses (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Included in overhead expenses are the following:				
Directors' remuneration (Note 28)	1,650	1,047	1,650	1,047
Rental of premises	8,676	9,092	8,676	9,092
Hire of equipment	8,656	8,613	8,656	8,613
Auditors' remuneration:				
Statutory audit:				
- Ernst & Young Malaysia	565	515	543	493
- Other member firms of Ernst & Young Global	13	13	-	-
Assurance and compliance related services:				
- Reporting accountants, review engagements and regulatory-related services	87	58	87	58
Non-audit services:				
- Other services	177	156	171	148

26. Allowance for impairment on loans and advances and other assets, net

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Stage 1 - 12 month ECL (Note 8(vii))	31	-	31	-
- Stage 3 - Lifetime ECL credit impaired (Note 8(vii))	8	-	8	-
- Individual allowance (Note 8 (vii))	-	(7)	-	(7)
- Collective allowance (Note 8 (vii))	-	(538)	-	(538)
Bad debts recovered	693	1,224	693	1,224
Allowance for impairment on other assets, net (Note 10(b))	(2,271)	(2,860)	(2,689)	(2,835)
	(1,539)	(2,181)	(1,957)	(2,156)

27. Taxation and zakat

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expense:				
Malaysian income tax	8,303	41,029	8,091	40,837
Underprovision in prior year	587	582	587	582
	8,890	41,611	8,678	41,419
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences, net	3,225	(5,138)	3,225	(5,138)
Tax expense for the year	12,115	36,473	11,903	36,281
Zakat	656	981	656	981
Underprovision of zakat in prior years	-	162	-	162
Tax expense and zakat for the year	12,771	37,616	12,559	37,424

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation and zakat	45,975	140,152	44,084	140,543
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	11,034	33,636	10,580	33,730
Income not subject to tax	(3,198)	(717)	(3,198)	(717)
Expenses not deductible for tax purposes	3,692	2,972	3,934	2,686
Underprovision of tax expense in prior year	587	582	587	582
Tax expense for the year	12,115	36,473	11,903	36,281
Zakat	656	981	656	981
Underprovision of zakat in prior years	-	162	-	162
Tax expense and zakat for the year	12,771	37,616	12,559	37,424

28. Directors' remuneration

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Directors of the Bank		
Non-Executive Directors:		
Fees	1,650	1,047
Total (excluding benefits-in-kind) (Note 25)	1,650	1,047

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

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Non-Executive Directors:		
Datuk Mohaiyani Binti Shamsudin	237	171
Goh Ching Yin	264	237
Hans Johan Patrik Sandin	298	241
Dato' Muzaffar Bin Hisham*	215	69
Dato' Abdul Hamid Bin Sh. Mohamed	263	24
Dato' Sri Sharifah Sofianny Binti Syed Hussain	258	10
Lee Siang Korn @ Lee Siang Chin	75	195
Datuk Abdul Farid Bin Alias*	-	100
Che Zakiah Binti Che Din	40	-
	1,650	1,047

* Classified as Executive Director under the new Corporate Governance guidelines issued by Bank Negara Malaysia with effect from 3 August 2016.

29. Earnings per share

The basic and diluted earnings per share ("EPS") of the Group is calculated by dividing the profit for the year by the number of ordinary shares in issue during the financial year.

	Group	
	2018	**2017**
Profit for the year (RM'000)	33,204	102,536
Number of ordinary shares in issue ('000)	50,116	50,116
Basic and diluted EPS (sen)	66	205

30. 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 either directly or indirectly. The key management personnel is the chief executive officer of the Group and of the Bank.

The Group and the Bank have related party relationship with their substantial shareholder, 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) Transactions with holding company, subsidiaries and related companies:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Holding company:				
Income:				
Interest on deposits and placements	7,771	7,899	7,591	7,653
Other income	41,256	50,107	41,256	50,107
Expenditure:				
Interest on deposits and placements	19,478	14,129	19,478	14,129
Rental of premises	3,090	3,090	3,090	3,090
Other expenses	11,421	15,181	11,421	15,181
Subsidiaries:				
Income:				
Other income	-	-	1,469	2,946
Related companies:				
Income:				
Interest on deposits and placements	942	860	62	59
Other income	8,566	21,733	8,566	21,733
Expenditure:				
Other expenses	16,296	18,432	16,296	18,432

30. 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) Transactions with holding company, subsidiaries and related companies: (cont'd.)

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

	Group and Bank		
	Malaysia	**Singapore**	**Total**
2018	**RM'000**	**RM'000**	**RM'000**
Rental	4,098	-	4,098
Research fee	-	12,198	12,198
Commission	10,970	-	10,970
Others	451	-	451
	15,519	12,198	27,717

	Group and Bank		
	Malaysia	**Singapore**	**Total**
2017	**RM'000**	**RM'000**	**RM'000**
Rental	4,098	-	4,098
Research fee	-	14,334	14,334
Commission	14,736	-	14,736
Others	445	-	445
	19,279	14,334	33,613

(b) Balances with holding company, subsidiaries and related companies:

	Group		**Bank**	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Holding company:				
Amount due from:				
Current accounts and deposits	1,136,035	1,005,330	1,129,104	996,501
Other debtors	6,903	25,609	6,903	25,609
Amount due to:				
Current accounts and deposits	1,003,316	742,683	1,003,316	742,683
Other creditors (Note 18)	23,159	45,662	23,159	45,662
Subsidiaries:				
Amount due from:				
Other debtors	-	-	959	1,217

30. 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) Balances with holding company, subsidiaries and related companies: (cont'd.)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Subsidiaries: (cont'd.)				
Amount due to:				
Interest payable on deposits				
Other creditors (Note 18)	-	-	171,474	171,474
Related companies:				
Amount due from:				
Current accounts and deposits	23,337	35,552	22,698	34,790
Other debtors	7,066	22,722	7,066	22,722
Amount due to:				
Other creditors (Note 18)	6,323	21,220	6,323	21,220

(c) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government-linked entity is a substantial shareholder of the Bank's holding company with direct shareholding and indirect shareholding via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at the reporting date. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to 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 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 advances, which are independent or whether the counterparties are government-related entities or not.

30. Significant related party transactions and balances (cont'd.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows: (cont'd.)

(c) Government-related entities (cont'd.)

Collectively, but not individually significant, transactions with government-related entities are summarised below:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Income:		
Fee and commission income	10,055	44,080
Brokerage income	177	21,774

(d) Key management personnel compensation

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Short-term employee benefits		
- Salary and other remuneration, including allowances	3,047	2,801
- Pension costs - defined contribution plan	475	435
- Benefits-in-kind	70	73
Share-based payment		
- Employees' Share Scheme expenses	1,341	687
	4,933	3,996

(e) Credit exposures arising from credit transactions with connected parties:

There are no credit exposures arising from credit transactions with connected parties based on requirement of Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties as at the end of the current and previous financial years.

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 its 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;

30. Significant related party transactions and balances (cont'd.)

(e) Credit exposures arising from credit transactions with connected parties: (cont'd.)

Based on these guidelines, a connected party refers to the following: (cont'd.)

(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 above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

31. Commitments and contingencies

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 as at the reporting date are as follows:

	2018			2017		
Group and Bank	**Notional amount RM'000**	**Credit equivalent amount* RM'000**	**Risk-weighted amount* RM'000**	**Principal amount RM'000**	**Credit equivalent amount* RM'000**	**Risk-weighted amount* RM'000**
Commitments						
Revocable commitments to extend credit:						
- Maturity within one year	1,168,779	-	-	1,052,235	-	-
- Maturity exceeding one year	322	161	161	897	449	449
	1,169,101	161	161	1,053,132	449	449
Derivative financial instruments						
Equity-related contracts						
- Less than one year	523,293	-	-	415,244	-	-
Total commitments and contingencies	1,692,394	161	161	1,468,376	449	449

* The credit equivalent amount and the risk-weighted amount are derived at using the credit evaluation conversion factors and risk weights respectively as specified by BNM for regulatory capital adequacy purposes.

31. Commitments and contingencies (cont'd.)

Contingent liabilities

The Group and the Bank are defending all of the claims under litigation, through their solicitors, the outcomes of which are subject matter for the Courts to eventually determine.

Case 1

On 5 November 2012, four (4) holders of a bond ("Bondholders") issued by a company filed a claim against the Bank and five (5) other defendants to recover their losses arising from the limited recovery made by the Bondholders following the default of the company's bonds. The claims by the Bondholders, inter alia, include the sum of RM156.3 million or any other sum that the Court deems fit.

Following an order in terms of a joinder application by two (2) applicants to be added as 5th and 6th plaintiffs to the suit, the quantum of the claim increased from RM156.3 million to RM177.3 million to reflect the 5th and 6th plaintiffs' respective claims. On 17 September 2014, a 7th plaintiff was added and joined to the suit with no change to the quantum claimed of RM177.3 million.

On 4 September 2015, the trial of the matter concluded. On 17 February 2016 and 24 February 2016, parties attended Court for oral submissions.

On 24 July 2017, the High Court found in favour of the Bondholders for the sum of RM177,248,747.31 against the Defendants in the following proportion:

(a) 1st , 2nd and 3rd Defendants – 100% liable;
(b) The Bank (4th Defendant) – 50% liable;
(c) The 5th Defendant – 30% liable; and
(d) The 6th Defendant – 20% liable.

On 5 October 2017, upon hearing further clarification and submissions on the judgment sum, applicable interest and costs, the High Court held:

(a) The Judgment against the Defendants is for the sum of RM177,248,747.31;
(b) The total damages that the Bondholders can recover from the Defendants shall not exceed the aggregate sum of RM177,248,747.31;
(c) Interest shall be calculated on the reduced sum of RM148,653,953.20 at the rate of 5% per annum from 1 November 2011 until full and final settlement; and
(d) Costs as awarded against the Defendants in favour of the Plaintiffs:
    (i) 1^{st} – 3^{rd} Defendants : RM350,000;
    (ii) The 3^{rd} Defendant to pay costs of RM100,000 for the dismissal of his counterclaim;
    (iii) The Bank to pay costs of RM300,000;
    (iv) The 5^{th} Defendant to pay costs of RM150,000; and
    (v) The 6^{th} Defendant to pay costs of RM200,000 and reimburse the Plaintiffs' expert witness costs of RM250,000.

31. Commitments and contingencies (cont'd.)

Contingent liabilities (cont'd.)

Case 1 (cont'd.)

The Bank and the other Defendants have filed their separate and respective appeals to the Court of Appeal (“the Appeals”).

The Court of Appeal heard the Appeals on 12, 13, 15, 22, 23, 27 – 29 November 2018. The Appeals are now pending decision and clarification at a date to be notified by the Court of Appeal.

The Bank's solicitors are optimistic of the Bank's chances of succeeding in its appeal to the Court of Appeal.

Case 2

The Bank and four (4) other financial institutions (collectively known as “the Banks”) are holders of 48.54% of the Redeemable Convertible Secured Notes (“the Notes”) issued by a company (“the Borrower”). The Notes are secured by various security including charges over lands granted by the Borrower and other 3rd parties in favour of the trustee for the Banks (“the Trustee”). Upon the Borrower’s default of its payment obligations, the Banks commenced action to recover the sums due under the Notes.

Subsequently, a company (“the 1st Defendant”) and an individual (“the 2nd Defendant”) (collectively known as “the Defendants”) agreed to resolve the claims of the Banks with the 1st Defendant agreeing to purchase from the Banks all the Notes held by the Banks at a total purchase price of RM146,458,246.20. The Banks and the 1st Defendant entered into a Sale and Purchase Agreement in August 2014 (“the SPA”) and the 2nd Defendant executed a guarantee in favour of the Banks guaranteeing all sums due under the SPA.

The Defendants subsequently defaulted on their payment obligations under the SPA and on 5 June 2015, the Banks commenced action against the Defendants for specific performance of the SPA or in the alternative, damages for breach of the SPA (as against the 1st Defendant) and for the balance purchase price (as against the 2nd Defendant).

On 22 July 2015, by way of a counterclaim against the Banks and the Trustee, the Defendants prayed for 11 declarations against the Banks and the Trustee and among other prayers, claimed that the Defendants are entitled to the restoration of the sums of RM14,645,824.62 (10% deposit payment) and RM1 million (ex-gratia payment) paid by the 1st and 2nd Defendants respectively, being the sums forfeited by the Banks upon breach of the SPA as well as for interest, costs and damages to be assessed.

31. Commitments and contingencies (cont'd.)

Contingent liabilities (cont'd.)

Case 2 (cont'd.)

The Banks filed an application for summary judgement against the Defendants and an application to strike out the Defendants' counterclaim. The Defendants had on 19 August 2015 filed an injunction application to restrain the Trustee from proceeding with foreclosure proceedings and the Bank from enforcing the Put Option Judgement pending disposal of the counterclaim action against the Banks and the Trustee.

The Banks opposed the injunction application and on 3 September 2015, the court dismissed the injunction application with costs ('High Court Order'). The Defendants appealed to the Court of Appeal against the High Court Order ("Appeal") and in the interim applied to the Court of Appeal for an interim injunction pending disposal of the Appeal. On 8 September 2015, the Court of Appeal dismissed the motion for interim injunction with costs.

On 5 October 2015, the High Court allowed the Banks' application for summary judgement and application to strike out the counterclaim with costs. Accordingly, the Defendants' counterclaim against the Banks have been struck out ("Striking Out Order") and judgement has been entered against the Defendants for the balance purchase price under the SPA ("Summary Judgement").

On 23 October 2015, the Defendants filed their respective appeals to the Court of Appeal against the Striking Out Order and the Summary Judgement ("the Appeals").

On 6 December 2016, the Court of Appeal unanimously dismissed the Appeals with costs of RM20,000 to be paid by the Defendants to the Banks for each of the Appeals ("COA Decision").

On 30 December 2016 and 5 January 2017, the 1st Defendant and 2nd Defendant filed their respective applications to the Federal Court for leave to appeal to the Federal Court against the COA Decision ("FC Leave Application"). On 26 April 2017, the Federal Court allowed the FC Leave Application ("FC Appeal"). On 15 March 2018, the Federal Court unanimously dismissed the FC Appeal with costs of RM20,000 for each appeal respectively ("Federal Court Decision"). Million Westlink and the Guarantor filed their respective motions to the Federal Court for the Federal Court to review the Federal Court Decision, set the same aside and for a rehearing of the FC Appeal ("FC Review Application"). On 28 January 2019, the Federal Court dismissed the FC Review Application with costs of RM30,000.

31. Commitments and contingencies (cont'd.)

Contingent liabilities (cont'd.)

Case 2 (cont'd.)

Separately, in respect of the suit filed by another noteholder against the Trustee, and the Banks to seek various declarations on or in respect of resolutions relating to the recovery of outstanding amounts owed under the Notes, the suit is now pending hearing of the appeal to the Federal Court on 1 March 2019. The Guarantor also obtained an ex parte Receiving Order on the grounds that there is a purported scheme of arrangement for the creditors' consideration. The Banks successfully set aside the Receiving Order on 17 May 2017. The Guarantor has appealed to the Court of Appeal against the setting aside of the Receiving Order.

The above matters are currently pending hearings before/decision from the respective Courts.

The Bank's solicitors are of the view that the Bank has a fairly good chance in succeeding before the Federal Court.

32. Capital commitments

Capital expenditure approved by the directors but not provided for in the financial statements are as follows:

	Group and Bank	
	2018	2017
	RM'000	RM'000
Property, plant and equipment:		
- Approved and contracted for	153	107
- Approved but not contracted for	4,111	6,787
	4,264	6,894

33. Capital adequacy

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 2 February 2018 respectively. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirement for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total risk-weighted assets respectively.

The detailed disclosures on the risk-weighted assets, as set out in Notes 33(a), (b), (c), (d), (e), (f) and (g) are presented in accordance with Paragraph 4.3 of Bank Negara Malaysia's Guidelines - Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

(a) The capital adequacy ratios of the Group and of the Bank as at financial year end are as follows:

	Group %	Bank %
<u>31 December 2018</u>		
Capital ratios		
CET1 capital ratio	24.574	22.976
Tier 1 capital ratio	24.574	22.976
Total capital ratio	26.198	24.616
<u>31 December 2017</u>		
Capital ratios		
CET1 capital ratio	31.322	29.674
Tier 1 capital ratio	31.322	29.674
Total capital ratio	31.525	29.674

33. Capital adequacy (cont'd.)

(b) The components of capital of the Group and of the Bank are as follows:

	Group RM'000	Bank RM'000
31 December 2018		
Paid-up share capital	222,785	222,785
Other reserves	342,763	331,976
CET1 capital before regulatory adjustments	565,548	554,761
Less: Deferred tax assets	(16,378)	(16,378)
Intangible assets	(15,021)	(15,021)
Investment in subsidiaries and joint venture[1]	(2,813)	(31,784)
CET1 capital/Tier 1 capital	531,336	491,578
Tier 2 capital		
General provisions	35,099	35,099
Tier 2 capital	35,099	35,099
Total capital	566,435	526,677

31 December 2017	Group RM'000	Bank RM'000
Paid-up share capital	222,785	222,785
Other reserves	416,581	407,457
CET1 capital before regulatory adjustments	639,366	630,242
Less: Deferred tax assets	(19,603)	(19,603)
Intangible assets	(16,312)	(16,312)
Investment in subsidiaries and joint venture[1]	(4,597)	(32,758)
CET1 capital/Tier 1 capital	598,854	561,569
Tier 2 capital		
Regulatory reserves	5,022	5,022
Less: Regulatory adjustment applied in Tier 2 capital	(1,149)	(5,022)
Tier 2 capital	3,873	-
Total capital	602,727	561,569

[1] Excludes the cost of investment in a subsidiary, Maysec Sdn. Bhd. of RM171,475,000 as its business, assets and liabilities had been transferred to the Bank on 30 December 2006.

33. Capital adequacy (cont'd.)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

Group **31 December 2018**	**Gross credit exposures RM'000**	**Net credit exposures RM'000**	**Risk-weighted assets RM'000**	**Capital requirements RM'000**
Exposure class				
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/ Central banks	492,339	492,339	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,739,668	1,739,668	690,438	55,235
Corporates	138,225	75,269	75,269	6,022
Regulatory retail	232,748	120,882	116,043	9,283
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	595,058	595,058	346,334	27,707
Total on-balance sheet exposures	3,238,413	3,063,591	1,288,647	103,092
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
Total off-balance sheet exposures	1,169,101	1,169,101	161	13
Total on and off-balance sheet exposures	4,407,514	4,232,692	1,288,808	103,105
(ii) Market Risk				
Equity position risk	-	-	4,038	323
Foreign currency risk	-	-	106,003	8,480
Options risk	-	-	15,212	1,217
Total	-	-	125,253	10,020
(iii) Operational Risk	-	-	748,111	59,849
Total RWA and capital requirements	4,407,514	4,232,692	2,162,172	172,974

33. Capital adequacy (cont'd.)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

	Group **31 December 2017**	**Gross credit exposures RM'000**	**Net credit exposures RM'000**	**Risk-weighted assets RM'000**	**Capital requirements RM'000**
	Exposure class				
(i)	Credit Risk				
	On-balance sheet exposures:				
	Sovereigns/ Central banks	415,652	415,652	-	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,399,983	1,399,983	535,897	42,872
	Corporates	184,052	98,545	98,545	7,884
	Regulatory retail	287,564	112,698	107,567	8,605
	Higher risk assets	39,445	39,445	59,168	4,733
	Other assets	379,562	379,562	221,484	17,719
	Total on-balance sheet exposures	2,706,258	2,445,885	1,022,661	81,813
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	1,053,132	1,053,132	449	36
	Total off-balance sheet exposures	1,053,132	1,053,132	449	36
	Total on and off-balance sheet exposures	3,759,390	3,499,017	1,023,110	81,849
(ii)	Market Risk				
	Interest rate risk	-	-	550	44
	Equity position risk	-	-	14,488	1,159
	Foreign currency risk	-	-	66,778	5,342
	Options risk	-	-	43,087	3,447
	Total	-	-	124,903	9,992
(iii)	Operational Risk	-	-	763,899	61,112
	Total RWA and capital requirements	3,759,390	3,499,017	1,911,912	152,953

33. Capital adequacy (cont'd.)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

	Bank 31 December 2018	**Gross credit exposures RM'000**	**Net credit exposures RM'000**	**Risk-weighted assets RM'000**	**Capital requirements RM'000**
	Exposure class				
(i)	Credit Risk				
	On-balance sheet exposures:				
	Sovereigns/ Central banks	492,339	492,339	-	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,700,698	1,700,698	682,644	54,612
	Corporates	138,225	75,269	75,269	6,022
	Regulatory retail	232,748	120,882	116,043	9,283
	Higher risk assets	40,375	40,375	60,563	4,845
	Other assets	591,797	591,797	343,075	27,445
	Total on-balance sheet exposures	3,196,182	3,021,360	1,277,594	102,207
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
	Total off-balance sheet exposures	1,169,101	1,169,101	161	13
	Total on and off-balance sheet exposures	4,365,283	4,190,461	1,277,755	102,220
(ii)	Market Risk				
	Equity position risk	-	-	4,038	323
	Foreign currency risk	-	-	101,335	8,107
	Options risk	-	-	15,212	1,217
	Total	-	-	120,585	9,647
(iii)	Operational Risk	-	-	741,195	59,296
	Total RWA and capital requirements	4,365,283	4,190,461	2,139,535	171,163

33. Capital adequacy (cont'd.)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

	Bank 31 December 2017	Gross credit exposures RM'000	Net credit exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
	Exposure class				
(i)	Credit Risk				
	On-balance sheet exposures:				
	Sovereigns/ Central banks	415,652	415,652	-	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,359,507	1,359,507	527,801	42,224
	Corporates	184,052	98,545	98,545	7,884
	Regulatory retail	287,564	112,698	107,566	8,605
	Higher risk assets	39,445	39,445	59,168	4,733
	Other assets	379,430	379,430	221,353	17,708
	Total on-balance sheet exposures	2,665,650	2,405,277	1,014,433	81,154
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	1,053,132	1,053,132	449	36
	Total off-balance sheet exposures	1,053,132	1,053,132	449	36
	Total on and off-balance sheet exposures	3,718,782	3,458,409	1,014,882	81,190
(ii)	Market Risk				
	Interest rate risk	-	-	550	44
	Equity position risk	-	-	14,488	1,159
	Foreign currency risk	-	-	61,911	4,953
	Options risk	-	-	43,087	3,447
	Total	-	-	120,036	9,603
(iii)	Operational Risk	-	-	757,556	60,604
	Total RWA and capital requirements	3,718,782	3,458,409	1,892,474	151,397

33. Capital adequacy (cont'd.)

(d) The breakdown of exposures by risk weights are as follows:

Group 31 December 2018 Risk weights	Sovereigns & central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting & credit risk mitigation RM'000	Total risk-weighted assets RM'000
	<------------ Exposures after netting and credit risk mitigation ------------>							
0%	492,339	-	-	-	-	38,567	530,906	-
20%	-	597,987	-	-	-	114,934	712,921	142,584
50%	-	1,141,681	-	53	-	240,057	1,381,791	690,894
75%	-	-	-	20,580	-	-	20,580	15,435
100%	-	-	75,269	99,585	-	197,857	372,711	372,711
150%	-	-	-	664	40,375	3,643	44,682	67,023
Total exposures	492,339	1,739,668	75,269	120,882	40,375	595,058	3,063,591	1,288,647
Risk-weighted assets by exposures	-	690,438	75,269	116,043	60,563	346,334	1,288,647	
Average risk weights	0%	40%	100%	96%	150%	58%	42%	

33. Capital adequacy (cont'd.)

(d) The breakdown of exposures by risk weights are as follows: (cont'd.)

Group 31 December 2017 Risk weights	Sovereigns & central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting & credit risk mitigation RM'000	Total risk-weighted assets RM'000
	<------------ Exposures after netting and credit risk mitigation ------------>							
0%	415,652	-	-	-	-	16,445	432,097	-
20%	-	546,983	-	-	-	178,959	725,942	145,189
50%	-	853,000	-	62	-	-	853,062	426,531
75%	-	-	-	21,637	-	-	21,637	16,228
100%	-	-	98,545	90,382	-	181,088	370,015	370,015
150%	-	-	-	617	39,445	3,070	43,132	64,698
Total exposures	415,652	1,399,983	98,545	112,698	39,445	379,562	2,445,885	1,022,661
Risk-weighted assets by exposures	-	535,897	98,545	107,567	59,168	221,484	1,022,661	
Average risk weights	0%	38%	100%	95%	150%	58%	42%	

33. Capital adequacy (cont'd.)

(d) The breakdown of exposures by risk weights are as follows: (cont'd.)

Bank 31 December 2018 Risk weights	Sovereigns & central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting & credit risk mitigation RM'000	Total risk-weighted assets RM'000
	<------------ Exposures after netting and credit risk mitigation ------------>							
0%	492,339	-	-	-	-	38,567	530,906	-
20%	-	559,017	-	-	-	114,934	673,951	134,790
50%	-	1,141,681	-	53	-	240,057	1,381,791	690,896
75%	-	-	-	20,580	-	-	20,580	15,435
100%	-	-	75,269	99,585	-	194,596	369,450	369,450
150%	-	-	-	664	40,375	3,643	44,682	67,023
Total exposures	492,339	1,700,698	75,269	120,882	40,375	591,797	3,021,360	1,277,594
Risk-weighted assets by exposures	-	682,644	75,269	116,043	60,563	343,075	1,277,594	
Average risk weights	0%	40%	100%	96%	150%	58%	42%	

33. Capital adequacy (cont'd.)

(d) The breakdown of exposures by risk weights are as follows: (cont'd.)

Bank 31 December 2017 Risk weights	<------------ Exposures after netting and credit risk mitigation ------------> Sovereigns & central banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory retail RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting & credit risk mitigation RM'000	Total risk-weighted assets RM'000
0%	415,652	-	-	-	-	16,445	432,097	-
20%	-	506,507	-	-	-	178,959	685,466	137,093
50%	-	853,000	-	62	-	-	853,062	426,531
75%	-	-	-	21,637	-	-	21,637	16,228
100%	-	-	98,545	90,382	-	180,956	369,883	369,883
150%	-	-	-	617	39,445	3,070	43,132	64,698
Total exposures	415,652	1,359,507	98,545	112,698	39,445	379,430	2,405,277	1,014,433
Risk-weighted assets by exposures	-	527,801	98,545	107,566	59,168	221,353	1,014,433	
Average risk weights	0%	39%	100%	95%	150%	58%	42%	

33. Capital adequacy (cont'd.)

(e) The breakdown of credit risk exposures by risk weights are as follows:

	Group		Bank	
	Principal amount RM'000	**Risk-weighted assets RM'000**	**Principal amount RM'000**	**Risk-weighted assets RM'000**
31 December 2018				
0%	530,906	-	530,906	-
20%	712,921	142,584	673,951	134,790
50%	1,381,791	690,894	1,381,791	690,896
75%	20,580	15,435	20,580	15,435
100%	372,711	372,711	369,450	369,450
150%	44,682	67,023	44,682	67,023
Risk-weighted assets for credit risk	3,063,591	1,288,647	3,021,360	1,277,594
Risk-weighted assets for market risk	106,915	125,253	102,250	120,585
Total risk-weighted assets	3,170,506	1,413,900	3,123,610	1,398,179
31 December 2017				
0%	432,097	-	432,097	-
20%	725,942	145,189	685,466	137,093
50%	853,062	426,531	853,062	426,531
75%	21,637	16,228	21,637	16,228
100%	370,015	370,015	369,883	369,883
150%	43,132	64,698	43,132	64,698
Risk-weighted assets for credit risk	2,445,885	1,022,661	2,405,277	1,014,433
Risk-weighted assets for market risk	50,365	124,903	45,501	120,036
Total risk-weighted assets	2,496,250	1,147,564	2,450,778	1,134,469

33. Capital adequacy (cont'd.)

(f) Disclosure on off-balance sheet exposures and related counterparty credit risk of the Group and of the Bank are as follows:

Group and Bank	2018 Principal amount RM'000	2018 Credit equivalent amount RM'000	2018 Risk-weighted assets RM'000	2017 Principal amount RM'000	2017 Credit equivalent amount RM'000	2017 Risk-weighted assets RM'000
Credit-related exposures:						
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provided for automatic cancellation due to deterioration in a borrower's credit worthiness	1,169,101	161	161	1,053,132	449	449

(g) The risk-weighted assets and capital requirements for the various categories of market risk are as follows:

	2018 Risk-weighted assets equivalent RM'000	2018 Capital required RM'000	2017 Risk-weighted assets equivalent RM'000	2017 Capital required RM'000
Group				
Interest rate risk	-	-	550	44
Equity position risk	4,038	323	14,488	1,159
Foreign currency risk	106,003	8,480	66,778	5,342
Options risk	15,212	1,217	43,087	3,447
Total	125,253	10,020	124,903	9,992
Bank				
Interest rate risk	-	-	550	44
Equity position risk	4,038	323	14,488	1,159
Foreign currency risk	101,335	8,107	61,911	4,953
Options risk	15,212	1,217	43,087	3,447
Total	120,585	9,647	120,036	9,603

34. Segment information

Segment information is presented in respect of the Group's business segments.

The business segments are prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to the public.

Segment revenue, results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The Group's business segments are defined and categorised as follows:

(i) Pillar 1 - Investment banking and advisory

Investment banking and advisory focus 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 and debt restructuring advisory services.

(ii) Pillar 2 - Equities

Equities primarily engage in the shares and futures broking services, derivative financial instruments, custodian and nominees services.

(iii) Others

Others include share of results from investment in a joint venture.

34. Segment information (cont'd.)

The following table provides analysis of the Group's revenue, results, assets, liabilities and other information by business segments.

Group **31 December 2018**	**Pillar 1 RM'000**	**Pillar 2 RM'000**	**Others RM'000**	**Total RM'000**
Revenue				
Net interest income	325	22,833	-	23,158
Income from Islamic Banking Scheme operations	46,702	4,964	-	51,666
Non-interest income	60,816	236,589	-	297,405
Direct costs	-	(31,128)	-	(31,128)
Total revenue	107,843	233,258	-	341,101
Results				
Segment results	107,843	233,258	-	341,101
Overhead expenses	(105,335)	(185,188)	-	(290,523)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(1,627)	88	-	(1,539)
Share of results of a joint venture	-	-	(3,064)	(3,064)
Profit/(loss) before taxation	881	48,158	(3,064)	45,975
Taxation and zakat				(12,771)
Profit for the year				33,204
Other segment information				
Depreciation of property, plant and equipment	282	3,220	3,199	6,701
Amortisation of computer software	424	2,923	1,702	5,049

34. Segment information (cont'd.)

Group **31 December 2017**	**Pillar 1** **RM'000**	**Pillar 2** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Revenue				
Net interest income	1,219	26,665	-	27,884
Income from Islamic Banking Scheme operations	79,809	5,295	-	85,104
Non-interest income	161,377	198,410	-	359,787
Direct costs	-	(37,735)	-	(37,735)
Total revenue	242,405	192,635	-	435,040
Results				
Segment results	242,405	192,635	-	435,040
Overhead expenses	(138,740)	(145,498)	-	(284,238)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(2,655)	474	-	(2,181)
Share of results of a joint venture	-	-	(8,469)	(8,469)
Profit/(loss) before taxation	101,010	47,611	(8,469)	140,152
Taxation and zakat				(37,616)
Profit for the year				102,536
Other segment information				
Depreciation of property, plant and equipment	376	3,121	2,883	6,380
Amortisation of computer software	424	2,638	1,272	4,334

35. Dividends

	Group and Bank 2018 RM'000	2017 RM'000
In respect of the financial year ended 31 December 2017:		
A single-tier final dividend of approximately RM1.47 on 50,116,000 ordinary shares	73,900	-
In respect of the financial year ended 31 December 2018:		
A single-tier interim dividend of approximately RM0.09 on 50,116,000 ordinary shares	4,500	-
	78,400	-

The Directors do not recommend the payment of final dividend in respect of the current financial year ended 31 December 2018.

36. The operations of Islamic Banking Scheme ("IBS")

Statements of financial position as at 31 December 2018

	Note	Group and Bank 2018 RM'000	2017 RM'000
Assets			
Cash and short-term funds	(a)	17,582	2,757
Other assets	(b)	417,245	371,079
Total assets		434,827	373,836
Liabilities			
Other liabilities	(c)	225,008	162,214
Provision for taxation and zakat	(d)	2,661	10,157
Total liabilities		227,669	172,371
Islamic banking fund			
Islamic banking capital fund		5,000	5,000
Retained earnings		202,158	196,465
		207,158	201,465
Total liabilities and Islamic banking fund		434,827	373,836

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

Statements of comprehensive income for the year ended 31 December 2018

		Group and Bank	
		2018	**2017**
	Note	**RM'000**	**RM'000**
Income derived from investment of Islamic banking capital fund	(e)	51,666	85,104
Direct costs		(3,462)	(4,816)
Net income attributable to the Group and the Bank		48,204	80,288
Overhead expenses	(f)	(39,632)	(41,676)
Operating profit		8,572	38,612
Allowance for impairment on other assets		(218)	(380)
Profit before taxation and zakat		8,354	38,232
Taxation	(g)	(2,005)	(9,176)
Zakat	(g)	(656)	(1,143)
Profit for the year, representing total comprehensive income for the year, attributable to equity holder of the Bank		5,693	27,913

Statements of changes in equity for the year ended 31 December 2018

	Group and Bank		
	Islamic banking fund RM'000	**Distributable retained earnings RM'000**	**Total RM'000**
At 1 January 2018	5,000	196,465	201,465
Total comprehensive income for the year	-	5,693	5,693
At 31 December 2018	5,000	202,158	207,158
At 1 January 2017	5,000	168,552	173,552
Total comprehensive income for the year	-	27,913	27,913
At 31 December 2017	5,000	196,465	201,465

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

Statements of cash flows for the year ended 31 December 2018

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	8,354	38,232
Increase in receivables	(46,166)	(44,792)
Increase in payables	62,794	7,229
Taxation and zakat paid, net	(10,157)	(792)
Net cash generated from/(used in) operating activities	14,825	(123)
Net increase/(decrease) in cash and cash equivalents	14,825	(123)
Cash and cash equivalents at beginning of the year	2,757	2,880
Cash and cash equivalents at end of the year	17,582	2,757

(a) Cash and short-term funds

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Cash and bank balances with financial institutions	17,582	2,757

(b) Other assets

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Debtors and prepayments	417,245	371,079

(c) Other liabilities

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Provisions and accruals*	225,008	162,214

* Include prohibited sources/means to charitable causes amounting to RM1,497 (2017: RM432).

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

(d) Provision for taxation and zakat

	Group and Bank	
	2018	2017
	RM'000	RM'000
Taxation	2,005	9,176
Zakat	656	981
	2,661	10,157

(e) Income derived from investment of Islamic banking capital fund

	Group and Bank	
	2018	2017
	RM'000	RM'000
Profit income from financial assets at fair value through profit or loss	3	212
Realised gain from sale of financial assets at fair value through profit or loss, net	1,443	10,220
Fee and commission income from:		
- Arranger and upfront fees	33,236	37,890
- Brokerage income	4,965	5,295
- Corporate advisory fees	1,020	16,235
- Placement fees	3,250	750
- Others	7,752	14,517
Foreign exchange loss, net	(3)	(15)
	51,666	85,104

(f) Overhead expenses

	Group and Bank	
	2018	2017
	RM'000	RM'000
Personnel expenses	32,025	32,271
Establishment costs (Note (i))	2,139	3,836
Marketing expenses	2,287	2,317
Administration and general expenses	3,181	3,252
	39,632	41,676

Note (i): Included in establishment costs is service chargeback amounting to approximately RM3,900,000 (2017: RM3,600,000).

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

(g) Taxation and zakat

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Tax expense:		
Malaysian income tax	2,005	9,176
Zakat	656	981
Underprovision of zakat in prior years	-	162
Tax expense and zakat for the year	2,661	10,319

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation and zakat 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 and Bank	
	2018	**2017**
	RM'000	**RM'000**
Profit before taxation and zakat	8,354	38,232
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	2,005	9,176
Zakat	656	981
Underprovision of zakat in prior years	-	162
Tax expense and zakat for the year	2,661	10,319

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

(h) Capital adequacy

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets), which are issued by Bank Negara Malaysia. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirement for CET1, Tier 1 and Total Capital are 3.5%, 4.5% and 8.0% of total risk-weighted assets respectively.

The detailed disclosures on the risk-weighted assets, as set out in Notes 36(h)(i), (h)(ii), (h)(iii) and (h)(iv) are presented in accordance with Paragraph 4.3 of Bank Negara Malaysia's Guidelines - Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

(i) The capital adequacy ratios of the Group and of the Bank as at financial year end are as follows:

	Group and Bank	
	2018	**2017**
	%	**%**
CET1 capital ratio	84.647	85.860
Tier 1 capital ratio	84.647	85.860
Total capital ratio	84.647	85.860

(ii) The components of capital of the Group and of the Bank are as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Islamic Banking fund	5,000	5,000
Retained earnings	202,158	196,465
CET1 capital/Tier 1 capital/Total capital	207,158	201,465

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

(h) Capital adequacy (cont'd.)

(iii) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

IBS **31 December 2018** **Exposure class**	**Gross credit exposures RM'000**	**Net credit exposures RM'000**	**Risk-weighted assets RM'000**	**Capital requirements RM'000**
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/ Central banks	16,051	16,051	-	-
Banks, DFIs and MDBs	1,530	1,530	306	24
Other assets	575,496	575,496	147,194	11,776
Total on-balance sheet exposures	593,077	593,077	147,500	11,800
Total on and off-balance sheet exposures (Note 36(h)(v))	593,077	593,077	147,500	11,800
(ii) Market Risk				
Foreign currency risk	-	-	3	-
(iii) Operational Risk	-	-	97,228	7,778
Total RWA and capital requirements	593,077	593,077	244,731	19,578

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

(h) Capital adequacy (cont'd.)

(iii) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

IBS 31 December 2017 Exposure class	Gross credit exposures RM'000	Net credit exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/ Central banks	2,323	2,323	-	-
Banks, DFIs and MDBs	431	431	86	7
Other assets	530,193	530,193	138,878	11,110
Total on-balance sheet exposures	532,947	532,947	138,964	11,117
Total on and off-balance sheet exposures (Note 36(h)(v))	532,947	532,947	138,964	11,117
(ii) Market Risk				
Foreign currency risk	-	-	3	-
(iii) Operational Risk	-	-	95,677	7,654
Total RWA and capital requirements	532,947	532,947	234,644	18,771

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

(h) Capital adequacy (cont'd.)

(iv) The breakdown of credit risk exposures by risk weights for the financial year end are as follows:

IBS 31 December 2018 Risk weights	**Sovereigns/ central banks RM'000**	**Banks, DFIs, and MDBs RM'000**	**Other assets RM'000**	**Total exposures after netting and credit risk mitigation RM'000**
0%	16,051	-	-	16,051
20%	-	1,530	535,378	536,908
100%	-	-	40,118	40,118
Total Exposures	16,051	1,530	575,496	593,077
Risk-weighted assets by exposures	-	306	147,194	147,500
Average risk weight	0%	20%	26%	25%
IBS 31 December 2017 Risk weights				
0%	2,323	-	-	2,323
20%	-	431	489,144	489,575
100%	-	-	41,049	41,049
Total Exposures	2,323	431	530,193	532,947
Risk-weighted assets by exposures	-	86	138,878	138,964
Average risk weight	0%	20%	26%	26%

(v) There are no off-balance sheet exposures and related counterparty credit risk of the Group and of the Bank.

36. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Yield/profit rate risk on IBS portfolio

The Group and the Bank are exposed to various risks 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 Group and the Bank to protect the income from IBS operations.

The table below summarises the Group's and the Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective yield/profit rates as at the balance sheet date and the years in which the financial instruments reprice or mature, whichever is earlier.

Group and Bank 31 December 2018	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
Assets								
Cash and short-term funds	-	-	-	-	-	17,582	17,582	-
Other assets	-	-	-	-	-	417,245	417,245	-
Total assets	-	-	-	-	-	434,827	434,827	

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(15938-H)
(Incorporated in Malaysia)

36. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Yield/profit rate risk on IBS portfolio (cont'd.)

Group and Bank 31 December 2018 (cont'd.)	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
Liabilities and Islamic Banking Fund								
Other liabilities	-	-	-	-	-	225,008	225,008	-
Provision for taxation and zakat	-	-	-	-	-	2,661	2,661	-
Total liabilities	-	-	-	-	-	227,669	227,669	
Reserves	-	-	-	-	-	207,158	207,158	-
Total Islamic Banking Fund	-	-	-	-	-	207,158	207,158	
Total liabilities and Islamic Banking Fund	-	-	-	-	-	434,827	434,827	
Total yield/profit rate sensitivity gap	-	-	-	-	-	-	-	
Cumulative yield/profit rate sensitivity gap	-	-	-	-	-	-		

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36. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Yield/profit rate risk on IBS portfolio (cont'd.)

Group and Bank 31 December 2017	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
Assets								
Cash and short-term funds	-	-	-	-	-	2,757	2,757	-
Other assets	-	-	-	-	-	371,079	371,079	-
Total assets	-	-	-	-	-	373,836	373,836	
Liabilities and Islamic Banking Fund								
Other liabilities	-	-	-	-	-	162,214	162,214	-
Provision for taxation and zakat	-	-	-	-	-	10,157	10,157	-
Total liabilities	-	-	-	-	-	172,371	172,371	
Reserves	-	-	-	-	-	201,465	201,465	-
Total Islamic Banking Fund	-	-	-	-	-	201,465	201,465	
Total liabilities and Islamic Banking Fund	-	-	-	-	-	373,836	373,836	
Total yield/profit rate sensitivity gap	-	-	-	-	-	-	-	
Cumulative yield/profit rate sensitivity gap	-	-	-	-	-	-		

36. The operations of Islamic Banking Scheme ("IBS") (cont'd.)

(j) Fair values of financial assets and liabilities

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date, which are considered short-term in maturity, approximate their carrying amounts as shown in the statements of financial position.

(k) 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 Bank Negara Malaysia 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 institution in calculating and deriving the rate of return for the depositors.

(l) Shariah committee

The operation of IBS is governed by Sections 28 and 29 of 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 the 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 and the Bank’s Shariah Committee are to advise on the overall Islamic Banking Scheme operations of the Group's and the Bank’s business in order to ensure compliance with the Shariah requirements.

The roles of the Shariah Committee in monitoring the Group's and the Bank’s activities include:

(i) To advise the Board on Shariah matters in its business operations;

(ii) To endorse Shariah Compliance Manual;

(iii) To endorse and validate relevant documentations;

(iv) To assist related parties on Shariah matters for advice upon request;

(v) To advise on matters to be referred to the SAC;

(vi) To provide written Shariah opinion; and

(vii) To assist the SAC on reference for advise.

The Group and the Bank presently have seven Shariah Members.

37. Fair values

This note provides fair value measurement information for both financial and non-financial instruments and is structured as follows:

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(d) Financial instruments not measured at fair value;
(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 judgment 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 and the Bank have also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group and the Bank follow methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group and the Bank continuously enhance their design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

For disclosure purposes, the level in the hierarchy within which the instruments is 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

  Refers to 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.

37. Fair values (cont'd.)

(a) Valuation principles (cont'd.)

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

- 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 market inputs. The valuation technique is consistent with the Level 2. The chosen valuation technique incorporates the Group's and the Bank's own assumptions and data. Examples of Level 3 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 instruments that are not determined by reference to quoted prices (Level 1), are described below:

Derivative financial instruments

The fair values of the Group's and of the Bank's derivative financial instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

Financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments held-for-trading and financial investments available for sale.

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

37. Fair values (cont'd.)

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarized in the table below:

	Valuation techniques using			
	Quoted market price (Level 1) RM'000	**Observable inputs (Level 2) RM'000**	**Un-observable inputs (Level 3) RM'000**	**Total RM'000**
Group and Bank				
2018				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	332,626	254,846	-	587,472
Derivative assets	-	35,623	-	35,623
	332,626	290,469	-	623,095
Financial liabilities measured at fair values:				
Derivative liabilities	6,213	222,169	-	228,382
2017				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	358,635	31,542	-	390,177
Derivative assets	-	8,855	-	8,855
	358,635	40,397	-	399,032
Financial liabilities measured at fair values:				
Derivative liabilities	21,530	81,198	-	102,728

There have been no transfers between Level 1 and Level 2 for the Group and the Bank during the current and prior year.

37. Fair values (cont'd.)

(d) 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 investment in subsidiaries, investment in a joint venture, property, plant and equipment and provision for current and deferred taxation. For a portion of the Group's and of the Bank's financial instruments, including loans and advances, 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 judgments 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 portion of the Group's and of the Bank's financial instruments, including loans and advances, 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 statements of financial position, except for the financial assets as stated below.

	2018		2017	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Group and Bank				
Financial assets				
Financial investments available-for-sale (Note 7(iv))	-	-	39,445	-*
Loans and advances (Note 8)	368,646	365,126 (Level 3)	471,360	469,444 (Level 3)

* It is not practical to estimate the fair value for certain unquoted equity instruments due to absence of an active market. However, the directors do not anticipate the carrying amount recorded as at the reporting date to be significantly different from the value that would eventually be received.

37. Fair values (cont'd.)

(d) Financial instruments not measured at fair value (cont'd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and short-term funds

The carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

(ii) Deposits and placements with a financial institution

The carrying amount of those financial instruments with remaining maturities of less than one year approximates their fair value due to the relatively short maturity of these instruments. For deposits and placements with maturities of more than one year, the fair values are estimated based on the discounted cash flows using applicable prevailing market rates of similar instruments as at the reporting date.

(iii) Financial assets at fair value through other comprehensive income and financial assets 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.

(iv) Loans and advances

The fair values of variable rate loans are estimated to approximate their carrying amount. For fixed rate loans, 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.

(v) Deposits and placements from a financial institution

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values 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. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding years based on the actual profits generated from the assets invested.

38. Financial risk management objectives and policies

(a) Financial risk management overview

Risk management is a critical pillar of the Group's and the Bank'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 and the Bank.

The risk governance model provides a formalised, transparent and effective structure which promotes active involvement of the Board of Directors and Senior Management in the risk management process to ensure a uniform approach of risk across the organisation. A dedicated Board-level Risk Management Committee provides oversight of risk exposures as well as oversight on the effective implementation of risk management strategies, frameworks, policies, tolerance and risk appetite limits. At the Management-level, Management Risk Committee ensures all key risks are managed in line with their respective Terms of Reference.

The Group's and the Bank's approach to risk management is premised on the following seven (7) principles which serve as the foundation in driving risk management practices and processes:

(i) Establishment of a risk appetite and strategy which articulates the nature, type and level of risk the Group and the Bank 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 and the Bank 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 and the Bank;

(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 and the Bank; and

(vii) Ensure sufficient resources and systems infrastructure are in place to enable effective risk management.

38. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category

Group **31 December 2018**	**Fair value through profit or loss RM'000**	**Fair value through other comprehensive income RM'000**	**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	-	-	834,236	834,236	-	834,236
Deposits and placements with a financial institution	-	-	858,974	858,974	-	858,974
Financial investments portfolio	587,472	1,130	33	588,635	-	588,635
Loans and advances	-	-	368,646	368,646	-	368,646
Derivative assets	35,623	-	-	35,623	-	35,623
Other assets	-	-	827,135	827,135	-	827,135
Tax recoverable	-	-	-	-	25,250	25,250
Statutory deposit with Bank Negara Malaysia	-	-	105	105	-	105
Investment in a joint venture	-	-	-	-	2,813	2,813
Property, plant and equipment	-	-	-	-	9,632	9,632
Intangible assets	-	-	-	-	15,021	15,021
Deferred tax assets	-	-	-	-	16,378	16,378
TOTAL ASSETS	623,095	1,130	2,889,129	3,513,354	69,094	3,582,448

	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 and placements from a financial institution	-	1,003,316	1,003,316	-	1,003,316
Derivative liabilities	228,382	-	228,382	-	228,382
Other liabilities	-	1,659,927	1,659,927	89,842	1,749,769
Provision for zakat	-	-	-	656	656
TOTAL LIABILITIES	228,382	2,663,243	2,891,625	90,498	2,982,123

38. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category (cont'd.)

Group 31 December 2017	Fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Cash and short-term funds	-	-	-	703,662	703,662	-	703,662
Deposits and placements with a financial institution	-	-	-	807,279	807,279	-	807,279
Financial investments portfolio	390,177	39,445	33	-	429,655	-	429,655
Loans and advances	-	-	-	471,360	471,360	-	471,360
Derivative assets	8,855	-	-	-	8,855	-	8,855
Other assets	-	-	-	951,992	951,992	-	951,992
Tax recoverable	-	-	-	-	-	9,615	9,615
Statutory deposit with Bank Negara Malaysia	-	-	-	105	105	-	105
Investment in a joint venture	-	-	-	-	-	5,746	5,746
Property, plant and equipment	-	-	-	-	-	14,911	14,911
Intangible assets	-	-	-	-	-	16,312	16,312
Deferred tax assets	-	-	-	-	-	19,603	19,603
TOTAL ASSETS	399,032	39,445	33	2,934,398	3,372,908	66,187	3,439,095

Liabilities	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Deposits and placements from a financial institution	-	743,958	743,958	-	743,958
Derivative liabilities	102,728	-	102,728	-	102,728
Other liabilities	-	1,833,304	1,833,304	113,736	1,947,040
Provision for zakat	-	-	-	981	981
TOTAL LIABILITIES	102,728	2,577,262	2,679,990	114,717	2,794,707

38. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category (cont'd.)

Bank 31 December 2018	Fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	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	-	-	795,242	795,242	-	795,242
Deposits and placements with a financial institution	-	-	858,954	858,954	-	858,954
Financial investments portfolio	587,472	1,130	33	588,635	-	588,635
Loans and advances	-	-	368,646	368,646	-	368,646
Derivative assets	35,623	-	-	35,623	-	35,623
Other assets	-	-	823,930	823,930	-	823,930
Tax recoverable	-	-	-	-	23,362	23,362
Statutory deposit with Bank Negara Malaysia	-	-	105	105	-	105
Investment in subsidiaries	-	-	-	-	203,259	203,259
Property, plant and equipment	-	-	-	-	9,617	9,617
Intangible assets	-	-	-	-	15,021	15,021
Deferred tax assets	-	-	-	-	16,378	16,378
TOTAL ASSETS	623,095	1,130	2,846,910	3,471,135	267,637	3,738,772

	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 and placements from a financial institution	-	1,003,316	1,003,316	-	1,003,316
Derivative liabilities	228,382	-	228,382	-	228,382
Other liabilities	-	1,827,213	1,827,213	89,667	1,916,880
Provision for zakat	-	-	-	656	656
TOTAL LIABILITIES	228,382	2,830,529	3,058,911	90,323	3,149,234

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38. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category (cont'd.)

Bank

31 December 2017	Fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Cash and short-term funds	-	-	-	663,163	663,163	-	663,163
Deposits and placements with a financial institution	-	-	-	807,259	807,259	-	807,259
Financial investments portfolio	390,177	39,445	33	-	429,655	-	429,655
Loans and advances	-	-	-	471,360	471,360	-	471,360
Derivative assets	8,855	-	-	-	8,855	-	8,855
Other assets	-	-	-	951,912	951,912	-	951,912
Tax recoverable	-	-	-	-	-	7,743	7,743
Statutory deposit with Bank Negara Malaysia	-	-	-	105	105	-	105
Investment in subsidiaries	-	-	-	-	-	203,259	203,259
Investment in a joint venture	-	-	-	-	-	5,996	5,996
Property, plant and equipment	-	-	-	-	-	14,896	14,896
Intangible assets	-	-	-	-	-	16,312	16,312
Deferred tax assets	-	-	-	-	-	19,603	19,603
TOTAL ASSETS	399,032	39,445	33	2,893,799	3,332,309	267,809	3,600,118

Liabilities	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Deposits and placements from a financial institution	-	743,958	743,958	-	743,958
Derivative liabilities	102,728	-	102,728	-	102,728
Other liabilities	-	2,003,634	2,003,634	113,553	2,117,187
Provision for zakat	-	-	-	981	981
TOTAL LIABILITIES	102,728	2,747,592	2,850,320	114,534	2,964,854

38. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management

(1) Credit risk management overview

Risk appetite for credit risk is an expression of the amount of risk that the Group and the Bank are willing to take in pursuing its strategic objectives. It reflects the Group's and the Bank's capacity to sustain potential losses arising from a range of potential consequences under different stress scenarios. This is defined in terms of both impact to earnings and maintenance of minimum regulatory capital requirements.

<u>Credit risk definition</u>

Credit risk arises as a result of customers' or counterparties' failure or unwillingness to fulfill their financial and contractual obligations as and when they arise. These obligations arise from the Group's and the Bank's principal activities. As the Group's and the Bank's primary business is in investment banking and provision of stockbroking, the Group's and the Bank's exposure to credit risk is primarily from its lending activities, underwriting commitments and provision of stockbroking services. Other activities such as futures trading, derivatives transactions, holding and settlement of equity or debt securities also exposes the Group and the Bank to credit and counterparty risk.

(2) Management of credit risk

Management of credit risk includes credit origination by Business Units as the risk taking units, pre-approval evaluation by Credit Management Department, independent comments from Credit Risk Management and credit approval by Approving Authority and Credit and Underwriting Committee. Various risk management tools such as Enterprise Risk Management System ("ERMS") and Group Exposure Management System ("GEMS") are used to monitor the Group's and the Bank's overall exposures and limits.

To manage counterparty concentration exposures, the Group and the Bank have in place, amongst others, the following limits and related guidelines to avoid undue concentration of credit risk in its business portfolio:

- Single counterparty exposure; and
- Single counter exposure.

38. Financial risk management objectives and policies (cont'd.)

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

(3) Credit Risk Management ("CRM") Policies

The CRM Policies includes comprehensive credit risk policies, tools and methodologies for identification, measurement, monitoring and control of credit risk on a consistent basis. Components of the CRM Policies constitute:

- Strong emphasis in creating and enhancing credit risk awareness;
- Comprehensive selection and training of lending personnel in the management of credit risk; and
- Leveraging on knowledge sharing tools including e-learning courses to enhance credit skills within the Group and the Bank.

The Group's and the Bank's credit approving process encompass pre-approval evaluation and approval. CRM is responsible for developing, enhancing and communicating an effective and consistent credit risk policies across the Group and the Bank to ensure appropriate credit policies are in place to identify, measure, control and monitor such risks.

(4) Maximum exposure to credit risk

The following analysis represents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial assets, without taking into account of 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 financial assets, the maximum exposure to credit risk is the maximum amount that the Group and the Bank 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.

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38. Financial risk management objectives and policies (cont'd.)

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

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

	Group			
	2018		2017	
	Maximum exposure RM'000	Financial effect of collateral %	Maximum exposure RM'000	Financial effect of collateral %
Credit exposure for on-balance sheet assets:				
Cash and short-term funds	834,236	-	703,662	-
Deposits and placements with a financial institution	858,974	-	807,279	-
Financial assets at fair value through other comprehensive income	1,130	-	-	-
Financial assets at amortised cost	33	-	-	-
Financial investments available-for-sale	-	-	39,445	-
Financial investments held-to-maturity	-	-	33	-
Loans and advances	368,646	85%	471,360	84%
Other assets	827,135	58%	951,992	82%
Statutory deposit with Bank Negara Malaysia	105	-	105	-
	2,890,259		2,973,876	
Credit exposure for off-balance sheet financial assets:				
Revocable commitments to extend credit	1,169,101	-	1,053,132	-
	1,169,101		1,053,132	
Total maximum credit risk exposure that are subject to impairment	4,059,360		4,027,008	

38. Financial risk management objectives and policies (cont'd.)

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

	Bank			
	2018		2017	
	Maximum exposure RM'000	Financial effect of collateral %	Maximum exposure RM'000	Financial effect of collateral %
Credit exposure for on-balance sheet financial assets:				
Cash and short-term funds	795,242	-	663,163	-
Deposits and placements with a financial institution	858,954	-	807,259	-
Financial assets at fair value through other comprehensive income	1,130	-	-	-
Financial assets at amortised cost	33	-	-	-
Financial investments available-for-sale	-	-	39,445	-
Financial investments held-to-maturity	-	-	33	-
Loans and advances	368,646	85%	471,360	84%
Other assets	823,930	58%	951,912	82%
Statutory deposit with Bank Negara Malaysia	105	-	105	-
	2,848,040		2,933,277	
Credit exposure for off-balance sheet financial assets:				
Revocable commitments to extend credit	1,169,101	-	1,053,132	-
	1,169,101		1,053,132	
Total maximum credit risk exposure that are subject to impairment	4,017,141		3,986,409	

38. Financial risk management objectives and policies (cont'd.)

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

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

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Credit exposure for on-balance financial assets that are not subject to impairment:		
Financial assets at fair value through profit or loss	587,472	390,177
Derivative assets	35,623	8,855
	623,095	399,032

(5) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- For margin and non-margin accounts - Cash/Fixed Deposits/Quoted Shares
- For other loans - Quoted Shares
- For derivative assets - Cash/Fixed Deposits/Quoted Shares
- For mortgages to staff and ex-staff - Properties
- For auto loans to staff and ex-staff - Vehicles

(6) Credit quality of financial assets

For the purposes of disclosure relating to MFRS 7, the Bank will apply a three-stage approach based on the change in credit quality of all financial assets since initial recognition consistent with MFRS 9:

3 Stage Approach	**Stage 1** Performing	**Stage 2** Under-performing	**Stage 3** Non-performing
Expected Credit Loss ("ECL") Approach	12 month ECL	Lifetime ECL	Lifetime ECL
Criterion [1]	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets

[1] *Criterion for classification differs from one financial asset to another and it is based on the Bank's Classification and Impairment Policy.*

38. Financial risk management objectives and policies (cont'd.)

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

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

The following table sets out information about the credit quality of financial assets measured at amortised costs and fair value through other comprehensive income ("FVOCI"). Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	Group 2018		
	Stage 1	Stage 2	Stage 3
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000
At amortised cost			
Amount due from brokers and clients			
- Margin accounts	248,511	5,354	2,688
- Non-margin accounts	478,383	-	2,068
Other term loans	89,290	-	-
Other assets	349,022	-	17,615
Staff loans	22,764	-	626
Gross carrying amount	1,187,970	5,354	22,997
Loss allowance	(322)	-	(20,218)
Net carrying amount	1,187,648	5,354	2,779
At FVOCI			
Financial assets at fair value through other comprehensive income	1,130	-	-

38. Financial risk management objectives and policies (cont'd.)

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

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

The following table sets out information about the credit quality of financial assets measured at amortised costs and fair value through other comprehensive income ("FVOCI"). Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	Bank 2018 Stage 1	Stage 2	Stage 3
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000
At amortised cost			
Amount due from brokers and clients			
- Margin accounts	248,511	5,354	2,688
- Non-margin accounts	478,383	-	2,068
Other term loans	89,290	-	-
Other assets	345,813	-	14,309
Staff loans	22,764	-	626
Gross carrying amount	1,184,761	5,354	19,691
Loss allowance	(322)	-	(16,908)
Net carrying amount	1,184,439	5,354	2,783
At FVOCI			
Financial assets at fair value through other comprehensive income	1,130	-	-

Cash and short-term funds, deposits and placements with a financial institution, financial investments portfolio and statutory deposits with Bank Negara Malaysia are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Before the implementation of MFRS 9 effective 1 January 2018, MFRS 7 disclosure on financial assets were categorised into the following:

- neither past due nor impaired
- past due but not impaired
- past due and impaired

38. Financial risk management objectives and policies (cont'd.)

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

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

(i) Financial assets that are neither past due nor impaired (cont'd.)

Financial assets that are neither past due nor impaired are identified into the following grades (cont'd.):

- "Good grade" refers to loans and advances which are neither past due nor have undergone any rescheduling and/or restructuring exercise and were never impaired in the last six months.

- "Satisfactory grade" refers to loans and advances which may have been past due or have undergone any rescheduling and/or restructuring exercise or were impaired in the last six months.

	Group 2017		
	Good RM'000	**Satisfactory RM'000**	**Total RM'000**
Amount due from brokers and clients			
- Margin accounts	340,987	-	340,987
- Non-margin accounts	781,342	-	781,342
Staff loans	20,485	-	20,485
Derivative assets	8,855	-	8,855
Other assets	115,277	-	115,277
	1,266,946	-	1,266,946

	Bank 2017		
	Good RM'000	**Satisfactory RM'000**	**Total RM'000**
Amount due from brokers and clients			
- Margin accounts	340,987	-	340,987
- Non-margin accounts	781,342	-	781,342
Staff loans	20,485	-	20,485
Derivative assets	8,855	-	8,855
Other assets	115,540	-	115,540
	1,267,209	-	1,267,209

38. Financial risk management objectives and policies (cont'd.)

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

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

(ii) Financial assets that are past due but not impaired

Financial assets that are past due but not impaired are those loans and advances where the customer has failed to make a principal or interest payment when due one or more days after the contractual due date but is less than 3 months. These loans and advances are secured in nature.

	Group 2017	
	Past due within 90 days but not impaired RM'000	**Total RM'000**
Staff loans	906	906
Other assets	52,696	52,696
	53,602	53,602

	Bank 2017	
	Past due within 90 days but not impaired RM'000	**Total RM'000**
Staff loans	906	906
Other assets	52,353	52,353
	53,259	53,259

(iii) Impaired financial assets

For all financial assets that are considered individually significant, the Group and the Bank assess on a case to case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria that the Group and the Bank use to determine that there is objective evidence of impairment include:

- any significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- high probability of bankruptcy or other financial reorganisation of the borrower; and
- the viability of the customer's business operations and its capability to trade successfully out of financial difficulties and to generate sufficient cash flow to service its debt obligations.

38. Financial risk management objectives and policies (cont'd.)

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

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

(iii) Impaired financial assets

	Group 2017 Impaired RM'000	Individual assessment allowance RM'000	Total RM'000
Staff loans	641	(273)	368
Amount due from brokers and clients			
- Non-margin accounts	3,138	(461)	2,677
Other assets	9,699	(9,699)	-
	13,478	(10,433)	3,045

	Bank 2017 Impaired RM'000	Individual assessment allowance RM'000	Total RM'000
Staff loans	641	(273)	368
Amount due from brokers and clients			
- Non-margin accounts	3,138	(461)	2,677
Other assets	6,143	(6,143)	-
	9,922	(6,877)	3,045

38. Financial risk management objectives and policies (cont'd.)

(d) Market risk management

(1) Market risk management overview

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from changes in the level of volatility of market rates or prices such as interest rates/profit rates, foreign exchange rates, commodity prices and equity prices. The primary categories of market risk for the Group and the Bank are:

(i) Interest rate risk: arising from changes in yield curves and credit spreads;

(ii) Foreign exchange risk: arising from adverse movements in the exchange rates of two currencies; and

(iii) Equity price risk: arising from changes in prices of equities, equity indices and equity baskets.

The Group and the Bank recognise market risk as the risk of losses for on and off balance sheet financial instruments arising from movements in market prices. Market risk arises through the Group's and Bank's trading and balance sheet activities. The primary categories of market risk for the Group and the Bank are:

(i) Interest rate risk: arising from changes in yield curves and credit spreads;

(ii) Foreign exchange risk: arising from changes in exchange rates; and

(iii) Equity price risk: arising from changes in prices of equities, equity indices and equity baskets.

(2) Management of market risk

The Risk Management Committee ("RMC") approves the Group's and the Bank's Market Risk Management Framework and Risk Appetite, taking into account business volumes, targeted returns, market volatility and range of products and services.

The Management Risk Committee (“MRC”) is the Management Committee that recommends frameworks and policies to identify, measure, monitor, manage and control the material risks to RMC for approval and ensures that the approved market risk policies and limits are implemented effectively.

38. Financial risk management objectives and policies (cont'd.)

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

(2) Management of market risk (cont'd.)

Market Risk Management ("MRM") as an independent risk control unit ensures efficient implementation of market risk management frameworks and risk controls to support business growth. Its primary objective is to facilitate risk/return decisions, reduce volatility in earnings, highlight transparent market risk profile to senior management, RMC, Board of Directors, Maybank Group and regulators.

(3) Market Risk Management ("MRM") framework

The MRM framework serves as the base for overall and consistent management of market risk. It covers key risk management activities such as identification, measurement, monitoring, control and reporting of market risk exposures, which are benchmarked against industry leading practices and regulatory requirements. This framework facilitates the Group and the Bank to manage its market risk exposures in a systematic and consistent manner.

<u>Measurement and monitoring</u>

The Group's and the Bank's traded market risk exposures are primarily from proprietary trading, derivative financial instruments and underwriting commitments. The risk measurement techniques employed by the Group and the Bank comprise of both quantitative and qualitative measures.

(i) Valuation

All trading positions are marked-to-market on a consistent and daily basis using quoted prices within active markets. If this is not possible, positions are marked-to-model using models, which have been independently validated. The valuations are reviewed on a regular basis and there are adjustments made to incorporate counterparty risk, bid/ask spreads and market liquidity, which is in line with MFRS 9 standards. The Group and the Bank also perform Independent Price Verification (“IPV”) to ensure the consistency and accuracy of the valuations of all trading positions.

38. Financial risk management objectives and policies (cont'd.)

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

(3) Market Risk Management ("MRM") framework (cont'd.)

(ii) Stress testing

The Group and the Bank perform stress testing to assess its ability to withstand any changes/stress economic and financial conditions that could have unfavourable effects on the Group's and the Bank's profitability and capital base. By evaluating the size of the unexpected losses, the Group and the Bank are able to understand the risk profiles and potential exposures to unlikely but plausible events in abnormal markets using multiple scenarios and undertake the appropriate measures. Scenarios are updated dynamically and may be refined on an ongoing basis to reflect current market conditions.

(iii) Other risk control

The business strategies to manage risk include transferring the risk to another party such as entering into a back-to-back deal with external counterparties, avoiding the risk, reducing the negative effect or probability of the risk through offsetting positions, or even accepting some or all of the consequences of a particular risk. The Group's and the Bank's policies, processes and controls are designed to achieve a balance between exploiting trading opportunities and managing earnings volatility within a framework of sound and prudent practices.

(iv) Qualitative measures

The goal of the risk measurement process is to attempt to quantify the risk exposures. However, not all risks are quantifiable. Where risk quantification is not an effective option, qualitative/judgmental measures are applied, e.g. notification alert upon 75% utilisation of risk limits, monitoring of large ticket items, etc.

38. Financial risk management objectives and policies (cont'd.)

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

(4) 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 Asset and Liability Management Committee ("ALCO") to protect total net interest income from changes in market interest rates.

The table below summarises the Group's and the Bank's exposure to interest rate risk. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

Group 31 December 2018	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 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	581,658	-	-	-	-	252,578	-	834,236	3.18
Deposits and placements with a financial institution	-	326,537	529,959	-	-	2,478	-	858,974	3.28
Financial assets at FVTPL	-	-	-	-	-	-	587,472	587,472	-
Financial assets at FVOCI	-	-	-	-	-	1,130	-	1,130	-
Financial assets at amortised cost	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	345,563	8	56	1,209	11,458	9,991	-	368,285	6.85
- impaired*	-	-	-	-	-	361	-	361	-
Other assets	-	-	-	-	-	827,135	-	827,135	-
Derivative assets	-	-	-	-	-	-	35,623	35,623	-
Other non-interest sensitive balances	-	-	-	-	-	69,199	-	69,199	-
Total assets	927,221	326,545	530,015	1,209	11,458	1,162,905	623,095	3,582,448	

* This is arrived at after deducting Stage 3- Lifetime ECL credit impaired from gross impaired loans.

38. Financial risk management objectives and policies (cont'd.)

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

(4) Interest rate risk (cont'd.)

Group (cont'd.) 31 December 2018	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading books RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and equity									
Deposits and placements from a financial institution	400,576	442,366	158,634	-	-	1,740	-	1,003,316	3.40
Derivative liabilities	-	-	-	-	-	-	228,382	228,382	-
Other liabilities	-	-	-	-	-	1,749,769	-	1,749,769	-
Other non-interest sensitive balances	-	-	-	-	-	656	-	656	-
Total liabilities	400,576	442,366	158,634	-	-	1,752,165	228,382	2,982,123	
Share capital	-	-	-	-	-	222,785	-	222,785	-
Reserves	-	-	-	-	-	377,540	-	377,540	-
Total equity	-	-	-	-	-	600,325	-	600,325	
Total liabilities and equity	400,576	442,366	158,634	-	-	2,352,490	228,382	3,582,448	
On-balance sheet interest sensitivity gap	526,645	(115,821)	371,381	1,209	11,458	(1,189,585)	394,713	-	
Total interest sensitivity gap	526,645	(115,821)	371,381	1,209	11,458	(1,189,585)	394,713	-	
Cumulative interest rate sensitivity gap	526,645	410,824	782,205	783,414	794,872	(394,713)	-		

38. Financial risk management objectives and policies (cont'd.)

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

(4) Interest rate risk (cont'd.)

Group 31 December 2017	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 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	463,439	-	-	-	-	240,223	-	703,662	2.83
Deposits and placements with a financial institution	-	78,193	726,141	1,900	-	1,045	-	807,279	3.06
Financial assets at FVTPL	-	-	-	-	-	-	390,177	390,177	-
Financial investments AFS	-	-	-	-	-	39,445	-	39,445	-
Financial investments HTM	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	340,987	-	93,627	16,201	10,844	9,333	-	470,992	6.35
- impaired*	-	-	-	-	-	368	-	368	-
Other assets	-	-	-	-	-	951,992	-	951,992	-
Derivative assets	-	-	-	-	-	-	8,855	8,855	-
Other non-interest sensitive balances	-	-	-	-	-	66,292	-	66,292	-
Total assets	804,426	78,193	819,768	18,101	10,844	1,308,731	399,032	3,439,095	

* This is arrived at after deducting the individual allowance from gross impaired loans.

38. Financial risk management objectives and policies (cont'd.)

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

(4) Interest rate risk (cont'd.)

Group (cont'd.) **31 December 2017**	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading books RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and equity									
Deposits and placements from a financial institution	557,476	185,207	-	-	-	1,275	-	743,958	3.01
Derivative liabilities	-	-	-	-	-	-	102,728	102,728	-
Other liabilities	-	-	-	-	-	1,947,040	-	1,947,040	-
Other non-interest sensitive balances	-	-	-	-	-	981	-	981	-
Total liabilities	557,476	185,207	-	-	-	1,949,296	102,728	2,794,707	
Share capital	-	-	-	-	-	222,785	-	222,785	-
Reserves	-	-	-	-	-	421,603	-	421,603	-
Total equity	-	-	-	-	-	644,388	-	644,388	
Total liabilities and equity	557,476	185,207	-	-	-	2,593,684	102,728	3,439,095	
On-balance sheet interest sensitivity gap	246,950	(107,014)	819,768	18,101	10,844	(1,284,953)	296,304	-	
Total interest sensitivity gap	246,950	(107,014)	819,768	18,101	10,844	(1,284,953)	296,304	-	
Cumulative interest rate sensitivity gap	246,950	139,936	959,704	977,805	988,649	(296,304)	-		

38. Financial risk management objectives and policies (cont'd.)

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

(4) Interest rate risk (cont'd.)

Bank **31 December 2018**	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 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	549,157	-	-	-	-	246,085	-	795,242	3.17
Deposits and placements with a financial institution	-	326,517	529,959	-	-	2,478	-	858,954	3.28
Financial assets at FVTPL	-	-	-	-	-	-	587,472	587,472	-
Financial assets at FVOCI	-	-	-	-	-	1,130	-	1,130	-
Financial assets at amortised cost	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	345,563	8	56	1,209	11,458	9,991	-	368,285	6.85
- impaired*	-	-	-	-	-	361	-	361	-
Other assets	-	-	-	-	-	823,930	-	823,930	-
Derivative assets	-	-	-	-	-	-	35,623	35,623	-
Other non-interest sensitive balances	-	-	-	-	-	267,742	-	267,742	-
Total assets	894,720	326,525	530,015	1,209	11,458	1,351,750	623,095	3,738,772	

* This is arrived at after deducting Stage 3- Lifetime ECL credit impaired from gross impaired loans.

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38. Financial risk management objectives and policies (cont'd.)

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

(4) Interest rate risk (cont'd.)

Bank (cont'd.) 31 December 2018	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading books RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and equity									
Deposits and placements from a financial institution	400,576	442,366	158,634	-	-	1,740	-	1,003,316	3.40
Derivative liabilities	-	-	-	-	-	-	228,382	228,382	-
Other liabilities	-	-	-	-	-	1,916,880	-	1,916,880	-
Other non-interest sensitive balances	-	-	-	-	-	656	-	656	-
Total liabilities	400,576	442,366	158,634	-	-	1,919,276	228,382	3,149,234	
Share capital	-	-	-	-	-	222,785	-	222,785	-
Reserves	-	-	-	-	-	366,753	-	366,753	-
Total equity	-	-	-	-	-	589,538	-	589,538	
Total liabilities and equity	400,576	442,366	158,634	-	-	2,508,814	228,382	3,738,772	
On-balance sheet interest sensitivity gap	494,144	(115,841)	371,381	1,209	11,458	(1,157,064)	394,713	-	
Total interest sensitivity gap	494,144	(115,841)	371,381	1,209	11,458	(1,157,064)	394,713	-	
Cumulative interest rate sensitivity gap	494,144	378,303	749,684	750,893	762,351	(394,713)	-		

38. Financial risk management objectives and policies (cont'd.)

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

(4) Interest rate risk (cont'd.)

Bank **31 December 2017**	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 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	429,939	-	-	-	-	233,224	-	663,163	2.91
Deposits and placements with a financial institution	-	78,173	726,141	1,900	-	1,045	-	807,259	3.06
Financial assets at FVTPL	-	-	-	-	-	-	390,177	390,177	-
Financial investments AFS	-	-	-	-	-	39,445	-	39,445	-
Financial investments HTM	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	340,987	-	93,627	16,201	10,844	9,333	-	470,992	6.35
- impaired*	-	-	-	-	-	368	-	368	-
Other assets	-	-	-	-	-	951,912	-	951,912	-
Derivative assets	-	-	-	-	-	-	8,855	8,855	-
Other non-interest sensitive balances	-	-	-	-	-	267,914	-	267,914	-
Total assets	770,926	78,173	819,768	18,101	10,844	1,503,274	399,032	3,600,118	

* This is arrived at after deducting the individual allowance from gross impaired loans.

38. Financial risk management objectives and policies (cont'd.)

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

(4) Interest rate risk (cont'd.)

Bank (cont'd.) 31 December 2017	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading books RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and equity									
Deposits and placements from a financial institution	557,476	185,207	-	-	-	1,275	-	743,958	3.01
Derivative liabilities	-	-	-	-	-	-	102,728	102,728	-
Other liabilities	-	-	-	-	-	2,117,187	-	2,117,187	-
Other non-interest sensitive balances	-	-	-	-	-	981	-	981	-
Total liabilities	557,476	185,207	-	-	-	2,119,443	102,728	2,964,854	
Share capital	-	-	-	-	-	222,785	-	222,785	-
Reserves	-	-	-	-	-	412,479	-	412,479	-
Total equity	-	-	-	-	-	635,264	-	635,264	
Total liabilities and equity	557,476	185,207	-	-	-	2,754,707	102,728	3,600,118	
On-balance sheet interest sensitivity gap	213,450	(107,034)	819,768	18,101	10,844	(1,251,433)	296,304	-	
Total interest sensitivity gap	213,450	(107,034)	819,768	18,101	10,844	(1,251,433)	296,304	-	
Cumulative interest rate sensitivity gap	213,450	106,416	926,184	944,285	955,129	(296,304)	-		

38. Financial risk management objectives and policies (cont'd.)

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

(5) Sensitivity analysis for interest rate risk

The table below shows the Group's and the Bank's projected sensitivity profit before tax to an up and down 100 basis points parallel rate shock to interest rates across all maturities applied on the Group's and the Bank's interest sensitivity gap position as at the reporting date.

Impact to profit or loss 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.

	Impact to Profit or Loss	
	2018	**2017**
	RM'000	**RM'000**
Group and Bank		
+ 100 basis points (upwards)	318	(2,790)
- 100 basis points (downwards)	(318)	2,790

(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.

The table below analyses the net foreign exchange positions of the Group and of the Bank as at 31 December 2018 and 31 December 2017, by major currencies, which are mainly in Philippines Peso, Indonesia Rupiah, Saudi Arabian Riyal, Great Britain Pound and United States Dollar. The "Others" currencies include Singapore Dollar, Australian Dollar, Chinese Yuan Renminbi, Euro, Pound Sterling, Japanese Yen, Hong Kong Dollar and Thai Baht.

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38. Financial risk management objectives and policies (cont'd.)

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

(6) Foreign exchange risk (cont'd.)

Group 31 December 2018	Malaysian Ringgit RM'000	Philippines Peso RM'000	Indonesian Rupiah RM'000	Saudi Arabian Riyal RM'000	Great Britain Pound RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	787,515	4,902	-	-	528	36,531	4,760	834,236
Deposits and placements with a financial institution	759,002	-	-	-	18,974	72,873	8,125	858,974
Financial investments portfolio	410,347	74,576	69,202	-	1,730	29,758	3,022	588,635
Loans and advances	368,646	-	-	-	-	-	-	368,646
Derivative assets	17,778	-	-	-	-	17,845	-	35,623
Other assets	775,035	204	939	-	184	38,543	12,230	827,135
Tax recoverable	25,250	-	-	-	-	-	-	25,250
Statutory deposit with Bank Negara Malaysia	105	-	-	-	-	-	-	105
Investment in a joint venture	-	-	-	2,813	-	-	-	2,813
Property, plant and equipment	9,632	-	-	-	-	-	-	9,632
Intangible assets	15,021	-	-	-	-	-	-	15,021
Deferred tax assets	16,378	-	-	-	-	-	-	16,378
Total assets	3,184,709	79,682	70,141	2,813	21,416	195,550	28,137	3,582,448
Liabilities								
Deposits and placements from a financial institution	938,503	-	-	-	-	64,666	147	1,003,316
Derivative liabilities	198,432	-	-	-	1,730	24,982	3,238	228,382
Other liabilities	1,531,008	(6,278)	(898)	-	19,116	187,762	19,059	1,749,769
Provision for taxation and zakat	656	-	-	-	-	-	-	656
Total liabilities	2,668,599	(6,278)	(898)	-	20,846	277,410	22,444	2,982,123
Net position	516,110	85,960	71,039	2,813	570	(81,860)	5,693	600,325

38. Financial risk management objectives and policies (cont'd.)

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

(6) Foreign exchange risk (cont'd.)

Group **31 December 2017**	**Malaysian Ringgit RM'000**	**Philippines Peso RM'000**	**Indonesian Rupiah RM'000**	**Saudi Arabian Riyal RM'000**	**Great Britain Pound RM'000**	**United States Dollar RM'000**	**Others RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	637,418	5,048	-	-	4,426	53,742	3,028	703,662
Deposits and placements with a financial institution	752,432	-	-	-	8,733	46,114	-	807,279
Financial investments portfolio	281,081	134,040	9,193	-	609	4,615	117	429,655
Loans and advances	471,360	-	-	-	-	-	-	471,360
Derivative assets	1,341	-	-	-	-	7,514	-	8,855
Other assets	931,519	154	981	-	(1,499)	(3,986)	24,823	951,992
Tax recoverable	9,615	-	-	-	-	-	-	9,615
Statutory deposit with Bank Negara Malaysia	105	-	-	-	-	-	-	105
Investment in a joint venture	-	-	-	5,746	-	-	-	5,746
Property, plant and equipment	14,911	-	-	-	-	-	-	14,911
Intangible assets	16,312	-	-	-	-	-	-	16,312
Deferred tax assets	19,603	-	-	-	-	-	-	19,603
Total assets	3,135,697	139,242	10,174	5,746	12,269	107,999	27,968	3,439,095
Liabilities								
Deposits and placements from a financial institution	660,596	-	-	-	-	78,913	4,449	743,958
Derivative liabilities	98,704	-	-	-	609	3,415	-	102,728
Other liabilities	1,885,136	68	-	-	12,715	46,510	2,611	1,947,040
Provision for taxation and zakat	981	-	-	-	-	-	-	981
Total liabilities	2,645,417	68	-	-	13,324	128,838	7,060	2,794,707
Net position	490,280	139,174	10,174	5,746	(1,055)	(20,839)	20,908	644,388

38. Financial risk management objectives and policies (cont'd.)

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

(6) Foreign exchange risk (cont'd.)

Bank **31 December 2018**	**Malaysian Ringgit RM'000**	**Philippines Peso RM'000**	**Indonesian Rupiah RM'000**	**Saudi Arabian Riyal RM'000**	**Great Britain Pound RM'000**	**United States Dollar RM'000**	**Others RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	753,423	-	-	-	528	36,531	4,760	795,242
Deposits and placements with a financial institution	758,982	-	-	-	18,974	72,873	8,125	858,954
Financial investments portfolio	410,347	74,576	69,202	-	1,730	29,758	3,022	588,635
Loans and advances	368,646	-	-	-	-	-	-	368,646
Derivative assets	17,778	-	-	-	-	17,845	-	35,623
Other assets	771,937	97	939	-	184	38,543	12,230	823,930
Tax recoverable	23,362	-	-	-	-	-	-	23,362
Statutory deposit with Bank Negara Malaysia	105	-	-	-	-	-	-	105
Investment in subsidiaries	203,259	-	-	-	-	-	-	203,259
Investment in a joint venture	-	-	-	-	-	-	-	-
Property, plant and equipment	9,617	-	-	-	-	-	-	9,617
Intangible assets	15,021	-	-	-	-	-	-	15,021
Deferred tax assets	16,378	-	-	-	-	-	-	16,378
Total assets	3,348,855	74,673	70,141	-	21,416	195,550	28,137	3,738,772
Liabilities								
Deposits and placements from a financial institution	938,503	-	-	-	-	64,666	147	1,003,316
Derivative liabilities	198,432	-	-	-	1,730	24,982	3,238	228,382
Other liabilities	1,698,296	(6,455)	(898)	-	19,116	187,762	19,059	1,916,880
Provision for taxation and zakat	656	-	-	-	-	-	-	656
Total liabilities	2,835,887	(6,455)	(898)	-	20,846	277,410	22,444	3,149,234
Net position	512,968	81,128	71,039	-	570	(81,860)	5,693	589,538

38. Financial risk management objectives and policies (cont'd.)

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

(6) Foreign exchange risk (cont'd.)

Bank **31 December 2017**	**Malaysian Ringgit RM'000**	**Philippines Peso RM'000**	**Indonesian Rupiah RM'000**	**Saudi Arabian Riyal RM'000**	**Great Britain Pound RM'000**	**United States Dollar RM'000**	**Others RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	601,967	-	-	-	4,426	53,742	3,028	663,163
Deposits and placements with a financial institution	752,412	-	-	-	8,733	46,114	-	807,259
Financial investments portfolio	281,081	134,040	9,193	-	609	4,615	117	429,655
Loans and advances	471,360	-	-	-	-	-	-	471,360
Derivative assets	1,341	-	-	-	-	7,514	-	8,855
Other assets	931,495	98	981	-	(1,499)	(3,986)	24,823	951,912
Tax recoverable	7,743	-	-	-	-	-	-	7,743
Statutory deposit with Bank Negara Malaysia	105	-	-	-	-	-	-	105
Investment in subsidiaries	203,259	-	-	-	-	-	-	203,259
Investment in a joint venture	-	-	-	5,996	-	-	-	5,996
Property, plant and equipment	14,896	-	-	-	-	-	-	14,896
Intangible assets	16,312	-	-	-	-	-	-	16,312
Deferred tax assets	19,603	-	-	-	-	-	-	19,603
Total assets	3,301,574	134,138	10,174	5,996	12,269	107,999	27,968	3,600,118
Liabilities								
Deposits and placements from a financial institution	660,596	-	-	-	-	78,913	4,449	743,958
Derivative liabilities	98,704	-	-	-	609	3,415	-	102,728
Other liabilities	2,055,351	-	-	-	12,715	46,510	2,611	2,117,187
Provision for taxation and zakat	981	-	-	-	-	-	-	981
Total liabilities	2,815,632	-	-	-	13,324	128,838	7,060	2,964,854
Net position	485,942	134,138	10,174	5,996	(1,055)	(20,839)	20,908	635,264

38. Financial risk management objectives and policies (cont'd.)

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

(7) Sensitivity analysis for foreign exchange risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group and of the Bank and the foreign exchange positions. Considering that other risk variables remain constant, the foreign exchange revaluation sensitivity for the Group and the Bank on their unhedged position are as follows:

	Impact to Profit or Loss	
	2018	**2017**
	RM'000	**RM'000**
Group		
+ 1% appreciation against MYR	1,060	668
- 1% depreciation against MYR	(1,060)	(668)

	Impact to Profit or Loss	
	2018	**2017**
	RM'000	**RM'000**
Bank		
+ 1% appreciation against MYR	1,013	619
- 1% depreciation against MYR	(1,013)	(619)

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions under an adverse movement in all foreign currencies against the functional currency (MYR). The result implies that the Group and the Bank may be subject to additional translation gains/(losses) if foreign currencies appreciate/depreciate against MYR and vice versa.

(8) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Bank's financial instruments will fluctuate because of changes in market prices (other than interest or foreign exchange rates).

The Group and the Bank are exposed to equity price risk arising from its market making activities in derivative financial instruments and its investment in quoted equity instruments. These instruments are classified as financial assets at fair value through profit or loss or financial investments available-for-sale.

38. Financial risk management objectives and policies (cont'd.)

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

(9) Sensitivity analysis for equity price risk

The impact to profit or loss analyses the impact on financial assets at fair value through profit or loss and derivative financial instruments, while the impact to equity analyses the impact on financial investments available-for-sale.

The following table summarises the Group's and the Bank's sensitivity to a 5% change in FTSE Bursa Malaysia KLCI Index ("FBMKLCI"), New York Stock Exchange ("NYSE") and Philipines Stock Exchange Index ("PSE") as at the reporting date.

Group and Bank	2018 RM'000	2017 RM'000
FBMKLCI		
+ 5% increase in index	(302)	(622)
- 5% decrease in index	418	(190)
HSI		
+ 5% increase in index	1	-
- 5% decrease in index	-	-
NASDAQ		
+ 5% increase in index	213	44
- 5% decrease in index	(175)	(46)
ASX		
+ 5% increase in index	3	-
- 5% decrease in index	(2)	-
PSE		
+ 5% increase in index	-	6
- 5% decrease in index	-	(4)

38. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management

(1) Liquidity risk management overview

Liquidity is the ability of the Group and of the Bank to fund increases in assets and meet obligations as they fall due, without incurring unacceptable losses.

Generally, there are two types of liquidity risk which are funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group and the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow needs without affecting either daily operations or the financial condition of the Group and of the Bank. Market liquidity risk is the risk that the Group and the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The Group and the Bank have taken BNM's Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure. The Group and the Bank 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 and of the Bank are monitored regularly against the established policies, procedures and limits.

<u>Sources of liquidity</u>

The Group and the Bank have a standby lines with Maybank Group to meet its funding requirements. The Group and the Bank also have in place customer deposits, interbank deposits, medium term funds, debt securities as well as strategic fund raising programmes on a need basis.

<u>Management of liquidity risk</u>

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 by maintaining a portfolio of highly liquid financial instruments on its statements of financial position that can be drawn upon when needed. These liquid financial instruments include cash, government bonds and high credit quality private debt securities that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow.

38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities

The table below analyses assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenures based on remaining contractual maturities. The disclosure is made in accordance with the requirement of revised BNM GP8 "Guidelines on Financial Reporting for Banking Institutions".

Group 31 December 2018	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 to 12 months 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	834,236	-	-	-	-	-	-	-	834,236
Deposits and placements with a financial instituition	-	326,538	285,313	244,646	-	-	-	2,477	858,974
Financial investments portfolio	-	-	-	-	-	-	-	588,635	588,635
Loans and advances	345,418	31	117	265	3,685	6,825	12,305	-	368,646
Derivative assets	-	-	24,555	11,068	-	-	-	-	35,623
Other assets	526,838	-	-	-	-	-	-	300,297	827,135
Tax recoverable	-	-	-	-	-	-	-	25,250	25,250
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in a joint venture	-	-	-	-	-	-	-	2,813	2,813
Property, plant and equipment	-	-	-	-	-	-	-	9,632	9,632
Intangible assets	-	-	-	-	-	-	-	15,021	15,021
Deferred tax assets	-	-	-	-	-	-	-	16,378	16,378
Total assets	1,706,492	326,569	309,985	255,979	3,685	6,825	12,305	960,608	3,582,448

38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities (cont'd.)

Group (cont'd.) 31 December 2018	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 to 12 months 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
Liabilities and equity									
Deposits and placements from a financial institution	400,577	442,365	158,634	-	-	-	-	1,740	1,003,316
Derivative liabilities	24,755	82,601	67,456	53,558	12	-	-	-	228,382
Other liabilities	469,644	-	-	-	-	-	-	1,280,125	1,749,769
Provision for taxation and zakat	-	-	-	-	-	-	-	656	656
Total liabilities	894,976	524,966	226,090	53,558	12	-	-	1,282,521	2,982,123
Net liquidity gap	811,516	(198,397)	83,895	202,421	3,673	6,825	12,305	(321,913)	600,325
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,169,101	1,169,101

38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities (cont'd.)

Group 31 December 2017	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 to 12 months 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	703,662	-	-	-	-	-	-	-	703,662
Deposits and placements with a financial instituition	-	78,194	139,237	586,904	1,900	-	-	1,044	807,279
Financial investments portfolio	-	-	-	-	-	-	33	429,622	429,655
Loans and advances	340,874	44	4,907	89,087	18,957	6,132	11,359	-	471,360
Derivative assets	-	-	7,151	1,703	1	-	-	-	8,855
Other assets	641,655	-	-	-	-	-	-	310,337	951,992
Tax recoverable	-	-	-	-	-	-	-	9,615	9,615
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in a joint venture	-	-	-	-	-	-	-	5,746	5,746
Property, plant and equipment	-	-	-	-	-	-	-	14,911	14,911
Intangible assets	-	-	-	-	-	-	-	16,312	16,312
Deferred tax assets	-	-	-	-	-	-	-	19,603	19,603
Total assets	1,686,191	78,238	151,295	677,694	20,858	6,132	11,392	807,295	3,439,095

38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities (cont'd.)

Group (cont'd.) 31 December 2017	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 to 12 months 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
Liabilities and equity									
Deposits and placements from a financial institution	557,477	185,206	-	-	-	-	-	1,275	743,958
Derivative liabilities	4,966	1,392	43,804	52,566	-	-	-	-	102,728
Other liabilities	745,988	-	-	-	-	-	-	1,201,052	1,947,040
Provision for taxation and zakat	-	-	-	-	-	-	-	981	981
Total liabilities	1,308,431	186,598	43,804	52,566	-	-	-	1,203,308	2,794,707
Net liquidity gap	377,760	(108,360)	107,491	625,128	20,858	6,132	11,392	(396,013)	644,388
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,053,132	1,053,132

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38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank 31 December 2018	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 to 12 months 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	795,242	-	-	-	-	-	-	-	795,242
Deposits and placements with a financial instituition	-	326,518	285,313	244,646	-	-	-	2,477	858,954
Financial investments portfolio	-	-	-	-	-	-	-	588,635	588,635
Loans and advances	345,418	31	117	265	3,685	6,825	12,305	-	368,646
Derivative assets	-	-	24,555	11,068	-	-	-	-	35,623
Other assets	526,838	-	-	-	-	-	-	297,092	823,930
Tax recoverable	-	-	-	-	-	-	-	23,362	23,362
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in subsidiaries	-	-	-	-	-	-	-	203,259	203,259
Property, plant and equipment	-	-	-	-	-	-	-	9,617	9,617
Intangible assets	-	-	-	-	-	-	-	15,021	15,021
Deferred tax assets	-	-	-	-	-	-	-	16,378	16,378
Total assets	1,667,498	326,549	309,985	255,979	3,685	6,825	12,305	1,155,946	3,738,772

38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank (cont'd.) 31 December 2018	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 to 12 months 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**
Liabilities and equity									
Deposits and placements from a financial institution	400,577	442,365	158,634	-	-	-	-	1,740	1,003,316
Derivative liabilities	24,755	82,601	67,456	53,558	12	-	-	-	228,382
Other liabilities	469,644	-	-	-	-	-	-	1,447,236	1,916,880
Provision for taxation and zakat	-	-	-	-	-	-	-	656	656
Total liabilities	894,976	524,966	226,090	53,558	12	-	-	1,449,632	3,149,234
Net liquidity gap	772,522	(198,417)	83,895	202,421	3,673	6,825	12,305	(293,686)	589,538
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,169,101	1,169,101

38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank 31 December 2017	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 to 12 months 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	663,163	-	-	-	-	-	-	-	663,163
Deposits and placements with a financial instituition	-	78,174	139,237	586,904	1,900	-	-	1,044	807,259
Financial investments portfolio	-	-	-	-	-	-	33	429,622	429,655
Loans and advances	340,874	44	4,907	89,087	18,957	6,132	11,359	-	471,360
Derivative assets	-	-	7,151	1,703	1	-	-	-	8,855
Other assets	641,527	-	-	-	-	-	-	310,385	951,912
Tax recoverable	-	-	-	-	-	-	-	7,743	7,743
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in subsidiaries	-	-	-	-	-	-	-	203,259	203,259
Investment in associates	-	-	-	-	-	-	-	5,996	5,996
Property, plant and equipment	-	-	-	-	-	-	-	14,896	14,896
Intangible assets	-	-	-	-	-	-	-	16,312	16,312
Deferred tax assets	-	-	-	-	-	-	-	19,603	19,603
Total assets	1,645,564	78,218	151,295	677,694	20,858	6,132	11,392	1,008,965	3,600,118

38. Financial risk management objectives and policies (cont'd.)

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

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank (cont'd.) 31 December 2017	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 to 12 months 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**
Liabilities and equity									
Deposits and placements from a financial institution	557,477	185,206	-	-	-	-	-	1,275	743,958
Derivative liabilities	4,966	1,392	43,804	52,566	-	-	-	-	102,728
Other liabilities	745,988	-	-	-	-	-	-	1,371,199	2,117,187
Provision for taxation and zakat	-	-	-	-	-	-	-	981	981
Total liabilities	1,308,431	186,598	43,804	52,566	-	-	-	1,373,455	2,964,854
Net liquidity gap	337,133	(108,380)	107,491	625,128	20,858	6,132	11,392	(364,490)	635,264
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,053,132	1,053,132

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38. Financial risk management objectives and policies (cont'd.)

(e) 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 by remaining contractual maturities as at the reporting period. 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.

Group **31 December 2018**	**Up to 1 month** **RM'000**	**> 1 to 3 months** **RM'000**	**> 3 to 6 months** **RM'000**	**> 6 to 12 months** **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**
Liabilities and equity									
Deposits and placements from a financial institution	401,559	442,966	158,634	-	-	-	-	1,740	1,004,899
Derivative liabilities	24,775	82,601	67,460	53,558	12	-	-	-	228,406
Other liabilities	469,644	-	-	-	-	-	-	1,280,125	1,749,769
Provision for taxation and zakat	-	-	-	-	-	-	-	656	656
Total liabilities	895,978	525,567	226,094	53,558	12	-	-	1,282,521	2,983,730
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,169,101	1,169,101

38. Financial risk management objectives and policies (cont'd.)

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

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group (cont'd.) **31 December 2017**	**Up to 1 month** **RM'000**	**> 1 to 3 months** **RM'000**	**> 3 to 6 months** **RM'000**	**> 6 to 12 months** **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**
Liabilities and equity									
Deposits and placements from a financial institution	557,846	185,907	-	-	-	-	-	1,275	745,028
Derivative liabilities	4,966	1,392	43,804	52,566	-	-	-	-	102,728
Other liabilities	745,988	-	-	-	-	-	-	1,201,052	1,947,040
Provision for taxation and zakat	-	-	-	-	-	-	-	981	981
Total liabilities	1,308,800	187,299	43,804	52,566	-	-	-	1,203,308	2,795,777
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,053,132	1,053,132

38. Financial risk management objectives and policies (cont'd.)

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

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank **31 December 2018**	**Up to 1 month** **RM'000**	**> 1 to 3 months** **RM'000**	**> 3 to 6 months** **RM'000**	**> 6 to 12 months** **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**
Liabilities and equity									
Deposits and placements from a financial institution	401,559	442,966	158,634	-	-	-	-	1,740	1,004,899
Derivative liabilities	24,775	82,601	67,460	53,558	12	-	-	-	228,406
Other liabilities	469,644	-	-	-	-	-	-	1,447,236	1,916,880
Provision for taxation and zakat	-	-	-	-	-	-	-	656	656
Total liabilities	895,978	525,567	226,094	53,558	12	-	-	1,449,632	3,150,841
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,169,101	1,169,101

38. Financial risk management objectives and policies (cont'd.)

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

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank (cont'd.) 31 December 2017	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 to 12 months 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**
Liabilities and equity									
Deposits and placements from a financial institution	557,846	185,907	-	-	-	-	-	1,275	745,028
Derivative liabilities	4,966	1,392	43,804	52,566	-	-	-	-	102,728
Other liabilities	745,988	-	-	-	-	-	-	1,371,199	2,117,187
Provision for taxation and zakat	-	-	-	-	-	-	-	981	981
Total liabilities	1,308,800	187,299	43,804	52,566	-	-	-	1,373,455	2,965,924
Commitments and contingencies									
Revocable commitments to extend credit	-	-	-	-	-	-	-	1,053,132	1,053,132

38. Financial risk management objectives and policies (cont'd.)

(f) Non Financial Risk Management

(1) Operational risk management

Operational Risk Management ("ORM") is a discipline of systematically identifying the causes of failures in the organisation’s day-to-day operations, assessing the risk of loss and taking the appropriate actions to minimise the impact of such loss. The Group's and Bank's operational risk is aligned to the Basel Committee definition as below:

"*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 four (4) causal categories are further elaborated below:

<u>People</u>
Risks resulting from staff defaulting in expected behaviour or the organisation being ineffective / inefficient in the management of its human capital.

<u>Processes</u>
Risks resulting from inadequate / failed internal business processes or transactions process flows.

<u>Systems</u>
Risks resulting from inadequate or defaulting IT / communication systems, or the unavailability or integrity of data.

<u>External Events</u>
Risks resulting from events and actions from outside the organisation’s immediate control having a negative impact on the business.

The nature and extent of operational risks can shift quickly in response to changes in people, organisational structure, processes, systems, products, customers or business environments. Hence, continuous review and monitoring of the risks and the control effectiveness is vital for an effective operational risk management.

To facilitate this process, specific tools and methodologies to identify, assess, control, monitor and report the operational risks that affect the Group and the Bank are established. The ORM Tools comprising Risk & Control Self-Assessment (‘RCSA’), Key Risk Indicator (‘KRI’) and Incident Management & Data Collection (‘IMDC’) complement each other for effective operational risk management.

The identification and reporting of operational risk incidents through IMDC provides the historical perspective of the key risk exposures and control effectiveness of the RCSA exercise which is subsequently tracked via KRI.

38. Financial risk management objectives and policies (cont'd.)

(f) Non Financial Risk Management (cont'd.)

(2) Business Continuity Management

Business Continuity Management (‘BCM’) is a holistic management process that provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities. This includes identifying potential threats to an organisation, the level of impact to business operations should those threats be realised and implementation of appropriate strategies for business recovery.

Comprehensive BCM programme and crisis management strategies have been developed, maintained and tested to ensure prompt recovery of critical business functions in the event of major systems and/or business disruptions.

To inculcate a strong risk culture in the Group and the Bank, operational risk awareness and BCM training programmes are conducted on a periodic basis.

39. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amounts are reported in the statements 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 not offset in the statements 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 and Bank				
				Amount not offset in the statements of financial position	
	Gross amounts of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statements of financial position RM'000	Amounts presented in the statements of financial position RM'000	Financial collateral received/pledged RM'000	Net amount RM'000
31 December 2018					
Derivative assets	35,623	-	35,623	-	35,623
Other assets					
- Amount due from brokers and clients	2,999,135	(2,518,684)	480,451	(480,451)	-
	3,034,758	(2,518,684)	516,074	(480,451)	35,623
Derivative liabilities	228,382	-	228,382	-	228,382
Other liabilities					
- Amount due from brokers and clients	2,988,328	(2,518,684)	469,644	-	469,644
	3,216,710	(2,518,684)	698,026	-	698,026

39. Offsetting of financial assets and financial liabilities (cont'd.)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (cont'd.)

	Group and Bank				
				Amount not offset in the statements of financial position	
	Gross amounts of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statements of financial position RM'000	Amounts presented in the statements of financial position RM'000	Financial collateral received/pledged RM'000	Net amount RM'000
31 December 2017					
Derivative assets	8,855	-	8,855	-	8,855
Other assets					
- Amount due from brokers and clients	2,945,065	(2,161,471)	783,594	(783,584)	-
	2,953,920	(2,161,471)	792,449	(783,584)	8,855
Derivative liabilities	102,728	-	102,728	-	102,728
Other liabilities					
- Amount due from brokers and clients	2,907,459	(2,161,471)	745,988	-	745,988
	3,010,187	(2,161,471)	848,716	-	848,716

40. 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 subsidiaries	**Name of Directors**
Held by the Bank:	
BinaFikir Sdn Bhd	Zain Azhari Zainul Bador Fad'l Bin Mohamed
Maybank Securities Nominees (Tempatan) Sdn Bhd	Mohamad Yasin Bin Abdullah Malique Firdauz Bin Ahmad Sidique (Appointed on 4 January 2018) Koh Swee Ong (Resigned on 5 January 2018)

40. 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 subsidiaries	Name of Directors
Held by the Bank: (cont'd.)	
Maybank Securities Nominees (Asing) Sdn Bhd	Mohamad Yasin Bin Abdullah Malique Firdauz Bin Ahmad Sidique (Appointed on 4 January 2018) Koh Swee Ong (Resigned on 5 January 2018)
Maysec Sdn Bhd	Mohamad Yasin Bin Abdullah Malique Firdauz Bin Ahmad Sidique (Appointed on 4 January 2018) Koh Swee Ong (Resigned on 5 January 2018)
Held through Maysec Sdn Bhd:	
Phileo Allied Securities (Philippines) Inc.*	Mohamad Yasin Bin Abdullah Hamidah Binti Moris Luis Manuel L. Gatmaitan Graciella Marie D. Baldos-Paz Ma. Alicia Picazo-San Juan

* Under members' voluntary liquidation

41. Financial effects arising from adoption of MFRS 9 Financial Instruments

(i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank:

	As at 31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	As at 1 January 2018 RM'000
Group				
Statements of Financial Position				
Assets				
Cash and short-term funds	703,662	-	-	703,662
Deposits and placements with a financial institution	807,279	-	-	807,279
Financial investments portfolio	429,655	918	-	430,573
Loans and advances	471,360	-	289	471,649
Derivative assets	8,855	-	-	8,855
Other assets	951,992	-	-	951,992
Tax recoverable	9,615	-	(70)	9,545
Statutory deposit with Bank Negara Malaysia	105	-	-	105
Investment in a joint venture	5,746	-	-	5,746
Property, plant and equipment	14,911	-	-	14,911
Intangible assets	16,312	-	-	16,312
Deferred tax assets	19,603	-	-	19,603
Total assets	3,439,095	918	219	3,440,232
Liabilities				
Deposits and placements from a financial institution	743,958	-	-	743,958
Derivative liabilities	102,728	-	-	102,728
Other liabilities	1,947,040	-	-	1,947,040
Provision for zakat	981	-	-	981
Total liabilities	2,794,707	-	-	2,794,707

41. Financial effects arising from adoption of MFRS 9 Financial Instruments (cont'd.)

(i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank (cont'd.):

	As at 31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	As at 1 January 2018 RM'000
Group (cont'd.)				
Statements of Financial Position (cont'd.)				
Equity attributable to equity holder of the Bank				
Share capital	222,785	-	-	222,785
Reserves	421,603	918	219	422,740
	644,388	918	219	645,525
Total liabilities and shareholder's equity	3,439,095	918	219	3,440,232
Bank				
Statements of Financial Position				
Assets				
Cash and short-term fund:	663,163	-	-	663,163
Deposits and placements with a financial institution	807,259	-	-	807,259
Financial investments portfolio	429,655	918	-	430,573
Loans and advances	471,360	-	289	471,649
Derivative assets	8,855	-	-	8,855
Other assets	951,912	-	-	951,912
Tax recoverable	7,743	-	(70)	7,673
Statutory deposit with Bank Negara Malaysia	105	-	-	105
Investment in a joint venture	203,259	-	-	203,259
Property, plant and	5,996	-	-	5,996
equipment	14,896	-	-	14,896
Intangible assets	16,312	-	-	16,312
Deferred tax assets	19,603	-	-	19,603
Total assets	3,600,118	918	219	3,601,255

41. Financial effects arising from adoption of MFRS 9 Financial Instruments (cont'd.)

(i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank (cont'd.):

	As at 31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	As at 1 January 2018 RM'000
<u>Bank (cont'd.)</u>				
Statements of Financial Position (cont'd.)				
Liabilities				
Deposits and placements from a financial institution	743,958	-	-	743,958
Derivative liabilities	102,728	-	-	102,728
Other liabilities	2,117,187	-	-	2,117,187
Provision for zakat	981	-	-	981
Total liabilities	2,964,854	-	-	2,964,854
Equity attributable to equity holder of the Bank				
Share capital	222,785	-	-	222,785
Reserves	412,479	918	219	413,616
	635,264	918	219	636,401
Total liabilities and shareholder's equity	3,600,118	918	219	3,601,255

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

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	Group RM'000	Bank RM'000
Regulatory reserve		
Closing balance as at 31 December 2017	5,022	5,022
Transfer from retained earnings	28,378	28,378
Opening balance as at 1 January 2018	33,400	33,400

41. Financial effects arising from adoption of MFRS 9 Financial Instruments (cont'd.)

(ii) The following table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Guidelines issued by BNM on the statements of changes in equity of the Group and of the Bank (cont'd.):

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	Group RM'000	**Bank RM'000**
Fair value through other comprehensive income reserve		
Closing balance as at 31 December 2017	-	-
Unrealised gain on financial assets at FVOCI	918	918
Opening balance as at 1 January 2018	918	918
Retained earnings		
Closing balance as at 31 December 2017	416,961	407,457
Transfer to regulatory reserve	(28,378)	(28,378)
Writeback of expected credit loss	289	289
Tax in respect of writeback of expected credit loss	(70)	(70)
Opening balance as at 1 January 2018	388,802	379,298

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

	As at 31 December 2017 RM'000	**Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines RM'000**	**As at 1 January 2018 RM'000**
Group			
CET1 capital	598,854	(27,241)	571,613
Tier 1 capital	598,854	(27,241)	571,613
Total capital	602,727	(27,241)	575,486
Risk-weighted assets	1,911,912	1,596	1,913,508
CET1 capital ratio (%)	31.322	(1.449)	29.873
Tier 1 capital ratio (%)	31.322	(1.449)	29.873
Total capital ratio (%)	31.525	(1.450)	30.075

41. Financial effects arising from adoption of MFRS 9 Financial Instruments (cont'd.)

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

	As at 31 December 2017 RM'000	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines RM'000	As at 1 January 2018 RM'000
Bank			
CET1 capital	561,569	(27,241)	534,328
Tier 1 capital	561,569	(27,241)	534,328
Total capital	561,569	(27,241)	534,328
Risk-weighted assets	1,892,474	1,596	1,894,070
CET1 capital ratio (%)	29.674	(1.463)	28.211
Tier 1 capital ratio (%)	29.674	(1.463)	28.211
Total capital ratio (%)	29.674	(1.463)	28.211