Leading Asia

Maybank

ANNUAL REPORT 2017

FINANCIAL STATEMENTS

- **RM7.52 billion**
  Net Profit
- **14.773%**
  Robust Common Equity
  Tier 1 Capital Ratio
- **RM765.30 billion**
  Strong Total Assets Base

DELIVERING VALUE ACROSS ASEAN

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DELIVERING VALUE ACROSS ASEAN

Maybank Group is a leading provider of financial services in Asia and an essential part of the ASEAN landscape for almost 60 years. Our strong foundation – robust financial strength, prudence, integrity, innovation and excellence - supports us in delivering our mission of Humanising Financial Services. This mission embodies our commitment to effectively deploy our five sources of capital; financial capital, intellectual capital, manufactured capital, human capital and social & relationship capital, to create value for our stakeholders.

We currently operate in over 2,400 branches across 20 countries including all 10 ASEAN countries. Our broad physical and digital reach enables us to offer an array of unique financial solutions and innovative services, based on cutting-edge technology and at fair terms and pricing, to our customers. And, to reach our goal of becoming the 'Digital Bank of Choice' in the region, we remain steadfast in our focus to deliver the next-generation customer experience to our growing clientele across ASEAN and around the world.

To ensure sustainability of the Maybank Group, we are cognisant of our commitment to environmental, social and governance (ESG) as we strive towards meeting our business targets and delivering on our mission. ESG best practices are embedded in our operations and our progress towards meeting our 20/20 Sustainability Plan is tracked and reported every year.

We also remain deeply committed to the communities where we operate. Maybank Foundation formulates and drives our corporate responsibility initiatives around the region. Through this foundation, Maybank Group and Maybankers actively support initiatives that address some of the region's most pressing environmental needs and most needy communities. These initiatives, which consist of social investments, volunteer efforts and long-term programmes, aim to make the biggest positive impact on its beneficiaries and further entrenches our position at the heart of the communities that we serve.

RM65 million

in community investment

We channel about 1% of net profit to community programmes through Maybank Foundation.

130,209

volunteer hours

Completed through our Cahaya Kasih (CK), which is our main employee volunteerism platform, as well as other external initiatives.

RM27 million

disbursed in scholarships

Supporting access to education across the region to foster academic and non-academic excellence.

11 million

registered M2U users

Moving towards embracing the Fourth Industrial Revolution (IR 4.0) with our regional customers. Also, our online crowd funding platform, Maybank Heart, has benefitted 61 beneficiaries and received public donations of over RM1 million.

RM124 million

spent on training & development

Upskilling of our employees to help ensure that we are future-proofing our people while promoting a culture of innovation and mobility for the sustainability of the organisation and our people.

HIGHLIGHTS OF 2017

55.0 sen

Total dividend per share

This translates to a dividend payout ratio (DPR) of 78.5%, well above our policy rate of 40.0% to 60.0%; with a cash component of 42%, the highest since we introduced the DRP in 2010.

Capital & Liquidity Management, page 43

Etiqa's highest PBT ever at

RM1.01 billion

Etiqa delivered its highest ever profit before tax (PBT) of RM1.01 billion for FY2017, driven by strong premiums growth.

Group Insurance & Takaful, page 64

14.773%

Common Equity Tier 1 (CET1) ratio

We remain one of the strongest capitalised financial services groups in the region with a CET1 ratio of 14.773%, up 78 bps YoY. Total Capital Ratio also improved to 19.383%.

Reflections from Our Chief Financial Officer, page 41

First to break

RM100 billion

market cap

Maybank is the first company on Bursa Malaysia to achieve a **market capitalisation of over RM100 billion.**

Key Awards & Recognition, page 149

Enhanced

Maybank2u app

Improved user friendliness and enhanced security features such as Secure2u and three biometric login options (face ID, voice ID and fingerprint). The first app to offer three personalised security features in Malaysia.

The Digital Bank of Choice, page 69

Empowering Women

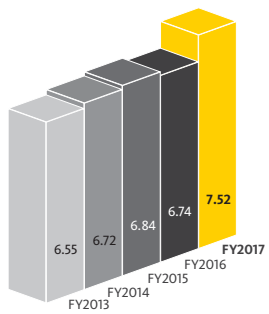
Our new Chairman, Datuk Mohaiyani, is the first woman to lead Maybank's Board. We are also the first bank to implement extended maternity leave for female employees.

Group Human Capital, page 86

CREATING SHAREHOLDER VALUE

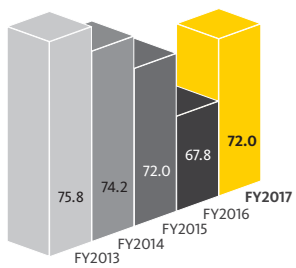
Net Profit (RM billion)

RM7.52 billion



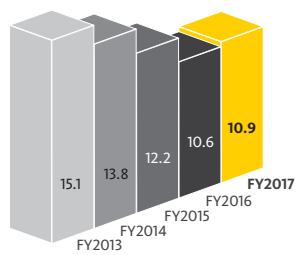
Earnings per Share (sen)

72.0 sen



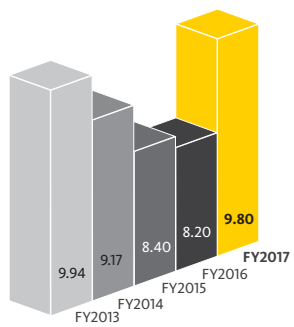
Return on Equity (%)

10.9%



Share Price (RM)

RM9.80



FINANCIAL PERFORMANCE

FIVE-YEAR GROUP FINANCIAL SUMMARY

	Group FY 31 Dec				
	2013	**2014**	**2015**	**2016**	**2017**
OPERATING RESULT (RM' million)					
Operating revenue	33,251	35,712	40,556	44,658	**45,580**
Pre-provisioning operating profit ("PPOP")[1]	9,610	9,419	10,953	11,686	**11,911**
Operating profit	8,730	8,948	8,940	8,671	**9,883**
Profit before taxation and zakat	8,870	9,112	9,152	8,844	**10,098**
Profit attributable to equity holders of the Bank	6,552	6,716	6,836	6,743	**7,521**
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)					
Total assets	560,319	640,300	708,345	735,956	**765,302**
Financial investments portfolio[2]	107,672	115,911	122,166	130,902	**154,373**
Loans, advances and financing	355,618	403,513	453,493	477,775	**485,584**
Total liabilities	512,576	585,559	644,831	665,481	**690,118**
Deposits from customers	395,611	439,569	478,151	485,524	**502,017**
Investment accounts of customers	–	–	17,658	31,545	**24,555**
Commitments and contingencies	433,829	551,960	719,952	766,439	**811,374**
Paid-up capital/Share capital[3]	8,862	9,319	9,762	10,193	**44,250**
Share Premium[3]	19,030	22,748	25,900	28,879	**–**
Shareholders' equity	45,997	52,975	61,695	68,516	**72,989**
SHARE INFORMATION					
Per share (sen)					
Basic earnings	75.8	74.2	72.0	67.8	**72.0**
Diluted earnings	75.7	74.1	72.0	67.8	**72.0**
Gross dividend	53.5	57.0	54.0	52.0	**55.0**
Net assets (sen)	519.0	568.5	632.0	672.2	**676.9**
Share price as at 31 Dec (RM)	9.94	9.17	8.40	8.20	**9.80**
Market capitalisation (RM' million)	88,088	85,455	81,999	83,584	**105,671**
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets	2.5	2.3	2.4	2.3	**2.4**
Net interest on average risk-weighted assets	4.2	3.9	4.1	4.1	**4.5**
Net return on average shareholders' funds	15.1	13.8	12.2	10.6	**10.9**
Net return on average assets	1.2	1.1	1.0	0.9	**1.0**
Net return on average risk-weighted assets	2.2	2.0	1.9	1.8	**2.0**
Cost to income ratio[4]	47.8	48.9	48.2	47.1	**48.7**
Domestic market share in:					
Loans, advances and financing	18.4	18.4	18.0	18.2	**18.3**
Deposits from customers – Savings Account	27.7	27.6	25.4	25.3	**25.7**
Deposits from customers – Current Account	20.4	21.1	19.9	20.4	**19.4**
CAPITAL ADEQUACY RATIOS (%)					
CET1 Capital Ratio	11.253	11.747	12.780	13.990	**14.773**
Tier 1 Capital Ratio	13.059	13.539	14.471	15.664	**16.459**
Total Capital Ratio	15.664	16.235	17.743	19.293	**19.383**
ASSET QUALITY RATIOS					
Net impaired loans (%)	0.95	1.04	1.43	1.60	**1.58**
Loan loss coverage (%)	107.5	95.6	72.0	72.0	**71.5**
Loan-to-deposit ratio (%)[5]	91.3	93.2	92.7	93.9	**93.8**
Deposits to shareholders' fund (times)[6]	8.6	8.3	8.0	7.5	**7.2**
VALUATIONS ON SHARE					
Gross dividend yield (%)	5.4	6.2	6.4	6.3	**5.6**
Dividend payout ratio (%)	71.9	78.5	76.3	78.1	**78.5**
Price to earnings multiple (times)	13.1	12.4	11.7	12.1	**13.6**
Price to book multiple (times)	1.9	1.6	1.3	1.2	**1.4**

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

2 Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

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

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

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

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

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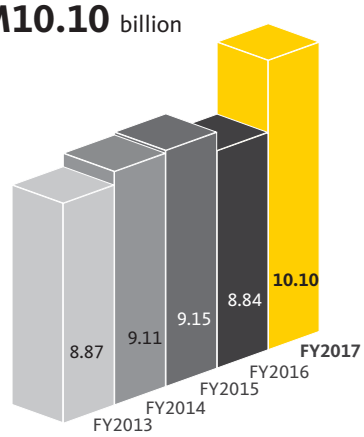
	Bank FY 31 Dec	
	2016	2017
	26,592	**24,841**
	9,275	**8,514**
	7,347	**7,353**
	7,347	**7,353**
	6,423	**6,123**
	496,063	**509,667**
	95,467	**114,947**
	295,020	**290,998**
	439,058	**447,414**
	331,878	**328,939**
	–	**–**
	721,130	**761,441**
	10,193	**44,250**
	28,879	**–**
	57,005	**62,253**
	64.6	**58.7**
	64.6	**58.6**
	52.0	**55.0**
	559.2	**577.3**
	–	**–**
	–	**–**
	1.8	**1.9**
	3.1	**3.3**
	12.1	**10.6**
	1.3	**1.2**
	2.4	**2.3**
	36.5	**40.9**
	18.2	**18.3**
	25.3	**25.7**
	20.4	**19.4**
	15.881	**15.853**
	18.232	**17.950**
	19.432	**19.313**
	1.57	**1.72**
	74.3	**72.3**
	90.5	**90.2**
	5.8	**5.3**
	–	**–**
	–	**–**
	–	**–**
	–	**–**

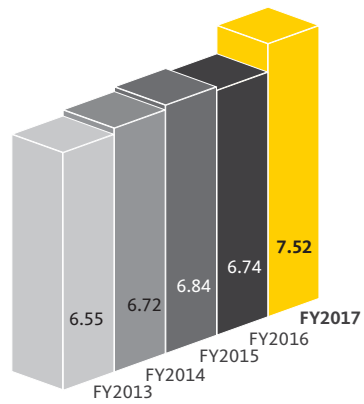
Profit Before Taxation and Zakat

RM10.10 billion



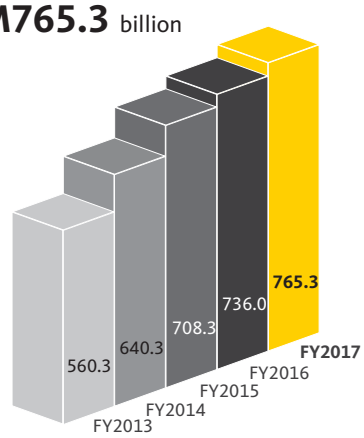
Profit Attributable to Equity Holders of the Bank

RM7.52 billion



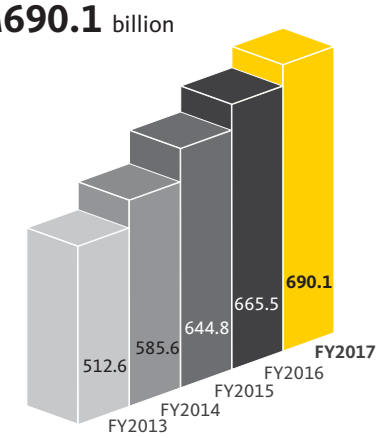
Total Assets

RM765.3 billion



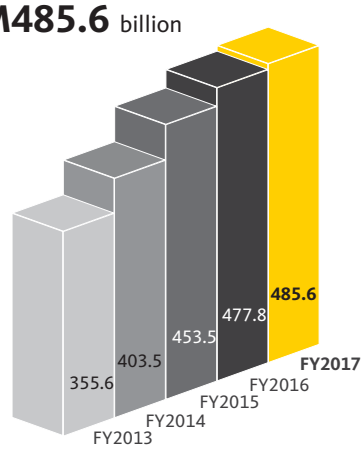
Total Liabilities

RM690.1 billion



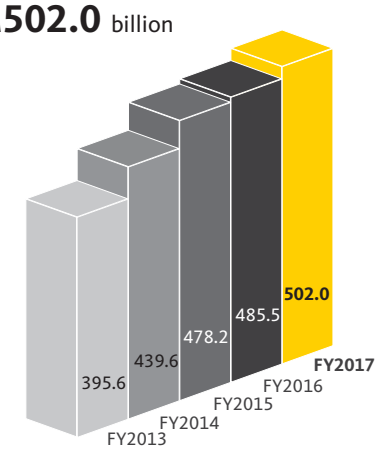
Loans, Advances and Financing

RM485.6 billion



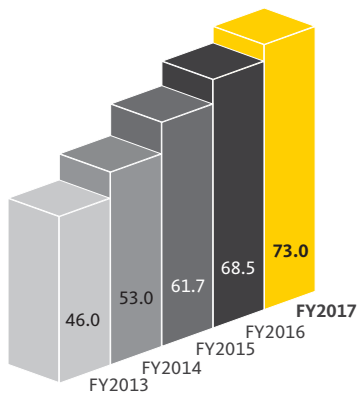
Deposits from Customers

RM502.0 billion



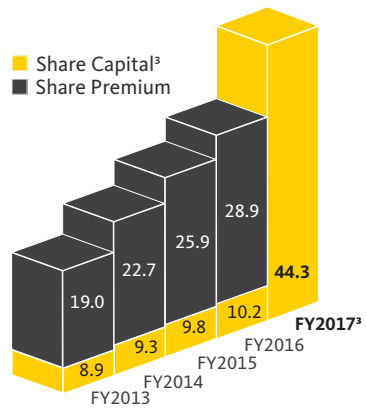
Shareholders' Equity

RM73.0 billion



Share Capital³/Share Premium

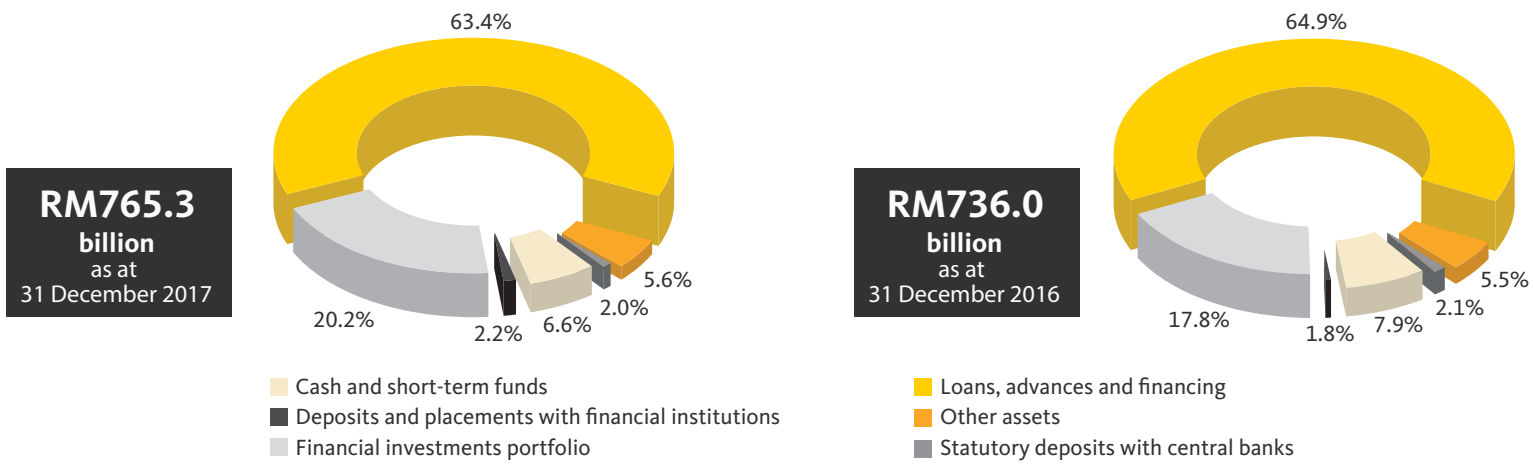
RM44.3 billion



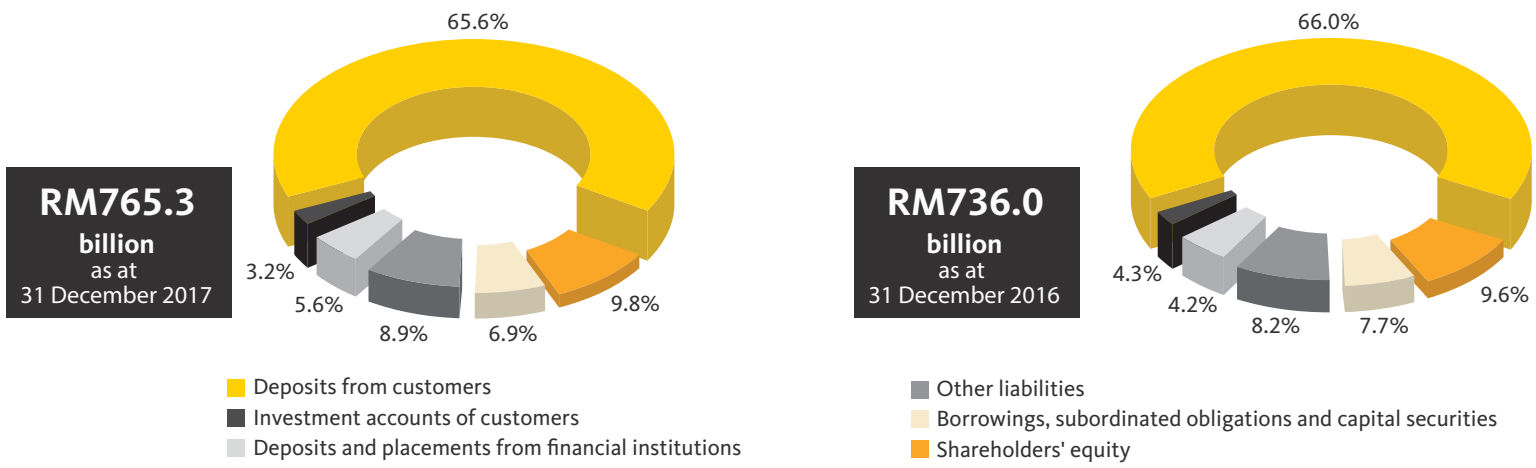
FINANCIAL PERFORMANCE

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

Total Assets



Total Liabilities & Shareholders' Equity



GROUP QUARTERLY FINANCIAL PERFORMANCE

	FY 31 Dec 2017				
RM' million	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
Operating revenue	**11,278**	**10,922**	**11,594**	**11,786**	**45,580**
Net interest income (including income from Islamic Banking Scheme operations)	**4,249**	**4,231**	**4,309**	**4,258**	**17,047**
Net earned insurance premiums	**1,254**	**1,256**	**1,307**	**1,434**	**5,251**
Other operating income	**1,405**	**1,527**	**1,497**	**1,598**	**6,027**
Total operating income	**6,908**	**7,014**	**7,113**	**7,290**	**28,325**
Operating profit	**2,208**	**2,179**	**2,602**	**2,894**	**9,883**
Profit before taxation and zakat	**2,249**	**2,245**	**2,678**	**2,926**	**10,098**
Profit attributable to equity holders of the Bank	**1,703**	**1,659**	**2,027**	**2,132**	**7,521**
Earnings per share (sen)	**16.7**	**16.1**	**19.2**	**19.9**	**72.0**
Dividend per share (sen)	**–**	**23.0**	**–**	**32.0**	**55.0**

	FY 31 Dec 2016				
RM' million	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
Operating revenue	11,182	10,941	11,288	11,247	44,658
Net interest income (including income from Islamic Banking Scheme operations)	3,856	3,793	3,822	4,077	15,548
Net earned insurance premiums	1,169	1,065	1,018	1,192	4,444
Other operating income	1,670	1,543	1,709	1,367	6,289
Total operating income	6,694	6,401	6,549	6,637	26,281
Operating profit	1,893	1,541	2,427	2,810	8,671
Profit before taxation and zakat	1,931	1,584	2,456	2,873	8,844
Profit attributable to equity holders of the Bank	1,427	1,160	1,796	2,360	6,743
Earnings per share (sen)	14.6	11.8	18.0	23.2	67.8
Dividend per share (sen)	–	20.0	–	32.0	52.0

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KEY INTEREST BEARING ASSETS AND LIABILITIES

	FY 31 Dec 2016			FY 31 Dec 2017		
	As at 31 December RM' million	Effective Interest Rate %	Interest Income/ Expense RM' million	As at 31 December RM' million	Effective Interest Rate %	Interest Income/ Expense RM' million
Interest earning assets						
Loans, advances and financing	477,775	4.80	22,888	**485,584**	**4.86**	**24,010**
Cash and short-term funds & deposits and placements with financial institutions	71,585	1.63	1,164	**67,323**	**2.26**	**1,265**
Financial assets at fair value through profit or loss	23,496	3.66	805	**25,117**	**3.70**	**964**
Financial investments available-for-sale	92,385	3.83	2,940	**109,070**	**3.28**	**3,372**
Financial investments held-to-maturity	15,022	4.98	550	**20,185**	**4.60**	**704**
Interest bearing liabilities						
Customers' funding:						
– Deposits from customers	485,524	1.81	9,709	**502,017**	**2.38**	**9,605**
– Investment accounts of customers	31,545	3.27	1,080	**24,555**	**2.05**	**913**
Deposits and placements from financial institutions	30,855	1.85	1,161	**42,598**	**2.25**	**1,644**
Borrowings	34,867	2.91	920	**34,506**	**3.20**	**1,097**
Subordinated obligations	15,901	4.45	940	**11,979**	**4.74**	**855**
Capital securities	6,200	6.18	388	**6,284**	**6.06**	**395**

STATEMENT OF VALUE ADDED

	FY 31 Dec 2016 RM'000	FY 31 Dec 2017 RM'000
Net interest income	11,358,470	**12,147,041**
Income from Islamic Banking Scheme operations	4,189,242	**4,900,251**
Net earned insurance premiums	4,444,057	**5,250,890**
Other operating income	6,289,283	**6,027,304**
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(4,107,909)	**(5,057,130)**
Overhead expenses excluding personnel expenses, depreciation and amortisation	(4,178,656)	**(4,536,456)**
Allowances for impairment losses on loans, advances and financing, net	(2,832,748)	**(1,959,060)**
Allowances for impairment losses on financial investments, net	(182,253)	**(68,762)**
Share of profits in associates and joint ventures	173,464	**214,620**
Value added available for distribution	15,152,950	**16,918,698**

DISTRIBUTION OF VALUE ADDED

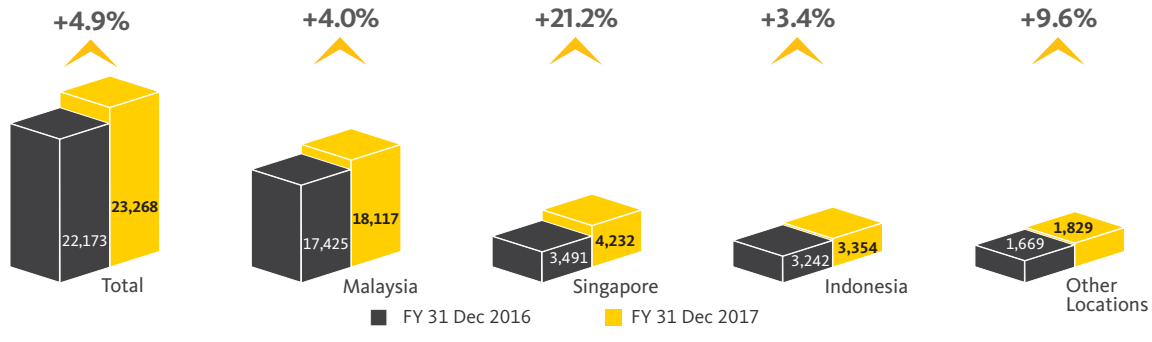
	FY 31 Dec 2016 RM'000	FY 31 Dec 2017 RM'000
To employees:		
Personnel expenses	5,638,874	**6,128,012**
To the Government:		
Taxation	1,880,558	**2,301,222**
To providers of capital:		
Dividends paid to shareholders	4,926,889	**5,708,543**
Non-controlling interests	220,900	**276,332**
To reinvest to the Group:		
Depreciation and amortisation	669,626	**692,590**
Retained profits	1,816,103	**1,811,999**
Value added available for distribution	15,152,950	**16,918,698**

FINANCIAL PERFORMANCE

SEGMENTAL INFORMATION

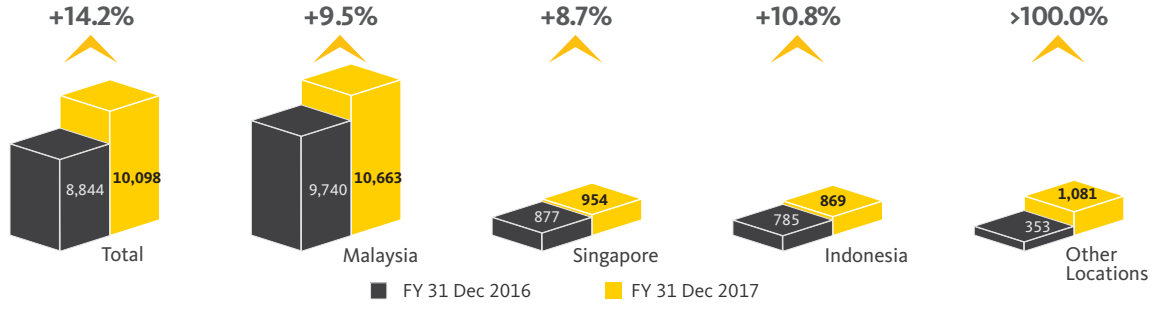
ANALYSIS BY GEOGRAPHICAL LOCATION

Net Operating Income (RM' million)



Note: Total net operating income includes inter-segment which are eliminated on consolidation of RM4,264 million for FY 31 December 2017 and RM3,654 million for FY 31 December 2016.

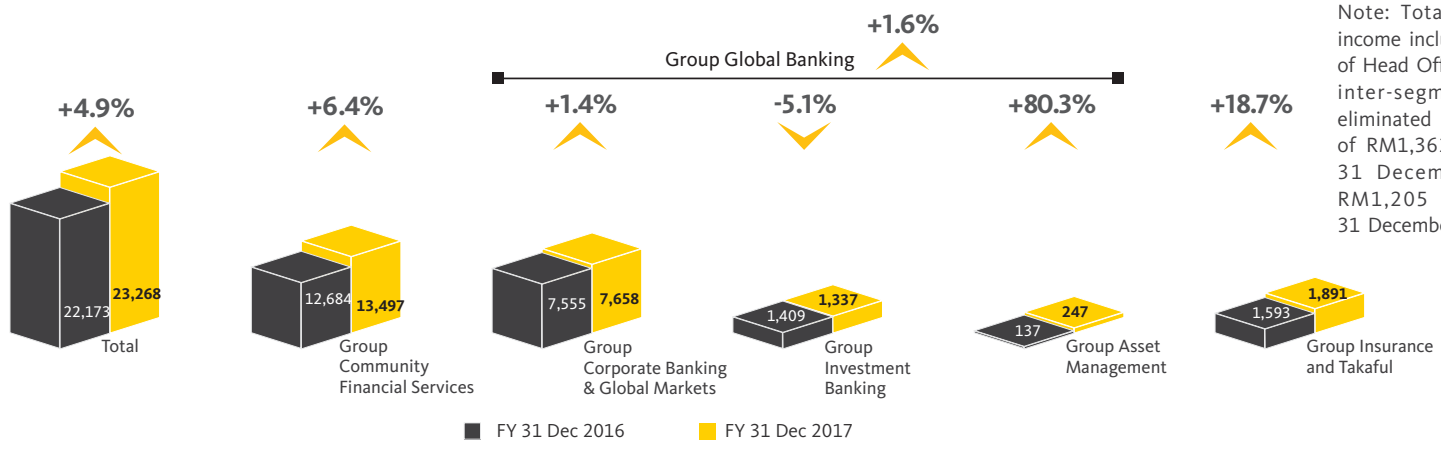
Profit Before Taxation and Zakat (RM' million)



Note: Total profit before taxation and zakat includes inter-segment which are eliminated on consolidation of RM3,469 million for FY 31 December 2017 and RM2,911 million for FY 31 December 2016.

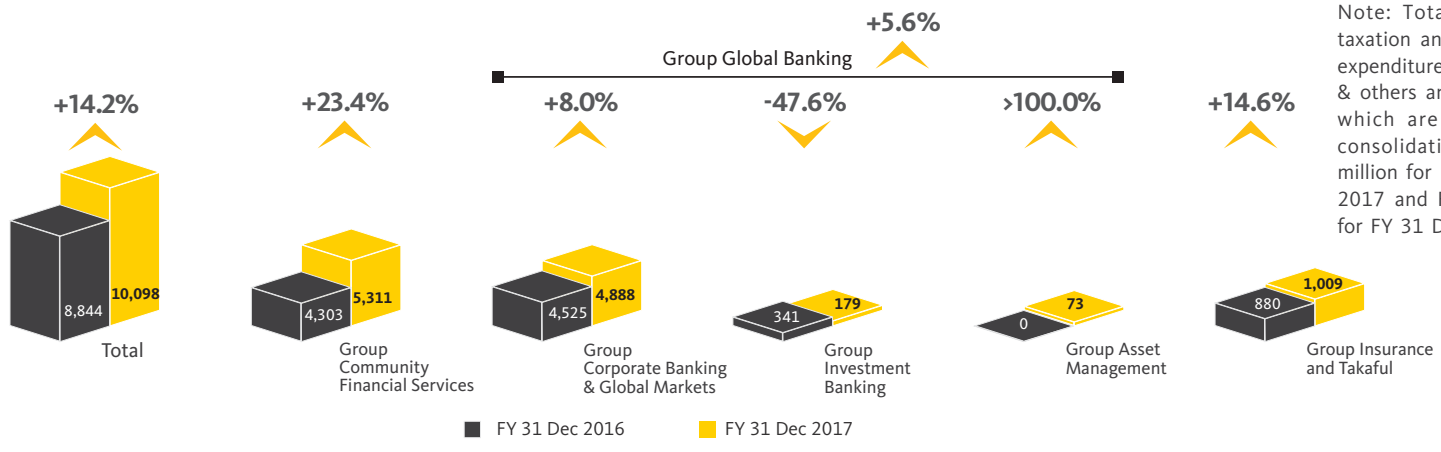
ANALYSIS BY BUSINESS SEGMENTS

Net Operating Income (RM' million)



Note: Total net operating income includes expenditure of Head Office & others and inter-segment which are eliminated on consolidation of RM1,362 million for FY 31 December 2017 and RM1,205 million for FY 31 December 2016.

Profit Before Taxation and Zakat (RM' million)



Note: Total profit before taxation and zakat includes expenditure of Head Office & others and inter-segment which are eliminated on consolidation of RM1,362 million for FY 31 December 2017 and RM1,205 million for FY 31 December 2016.

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

The directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Bank are prepared with reasonable accuracy from the accounting records of the Group and of the Bank so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended.

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

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

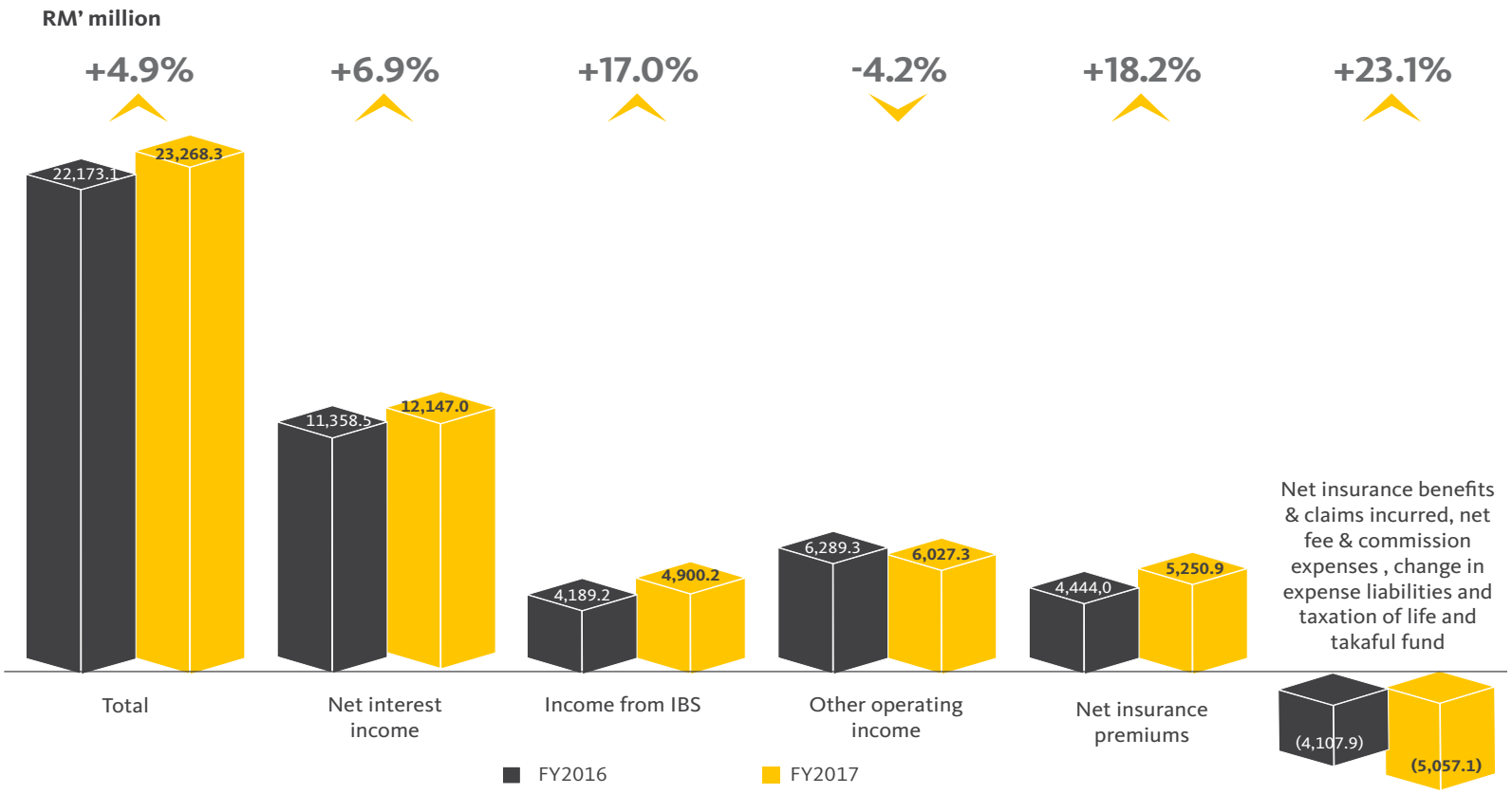
The directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.

ANALYSIS OF FINANCIAL STATEMENTS

REVIEW OF FY2017 FINANCIAL RESULTS

Profit before taxation and zakat of Maybank Group for FY2017 breached the RM10,098.1 million mark for the first time and representing an increase of 14.2% more than the RM8,844.5 million recorded a year earlier. Profit attributable to equity holders of the Bank ("net profit") also surpassed RM7.0 billion level for the first time rising a new high of RM7,520.5 million and resulting an increase of 11.5% from FY2016. The increase in net profit is supported by an increase in net operating income of RM1,095.2 million and decrease in allowances for impairment losses made for both loans, advances and financing and financial investments of RM873.7 million and RM113.5 million respectively.

NET OPERATING INCOME



NET INTEREST INCOME

Net interest income ("NII") for FY2017 rose by RM788.5 million or 6.9% mainly attributable to increase in interest income from financial investments portfolio and loans, advances and financing of RM570.9 million and RM399.2 million respectively. The growth is supported by an increase in financial investments portfolio of RM23.5 billion or 17.9% and gross loans, advances and financing of RM8.1 billion or 1.7%. Net interest margin ("NIM") improved by 9 bps to 2.36% in FY2017.

The increase in interest income is offset with increase in interest expense on deposits and placements from financial institutions of RM213.8 million and borrowings, subordinated notes and bonds and capital securities of RM118.1 million.

RM'million	FY2016	FY2017	Variance	% Change
Interest Income				
Loans, advances and financing	16,066.1	**16,465.3**	399.2	2.5
Money at call and deposits and placements with financial institutions	728.2	**781.9**	53.7	7.4
Financial investments porfolio	4,064.8	**4,635.7**	570.9	14.0
Other interest income	81.4	**173.4**	92.0	113.0
	20,940.5	**22,056.3**	1,115.8	5.3
Interest Expense				
Deposits and placements from financial institutions	457.3	**671.1**	213.8	46.8
Deposits from customers	6,794.2	**6,628.2**	(166.0)	(2.4)
Borrowings, subordinated notes and bonds and capital securities	2,091.6	**2,209.7**	118.1	5.6
Financial liabilities at fair value through profit or loss	46.8	**134.7**	87.9	187.8
Structured deposits	111.9	**108.8**	(3.1)	(2.8)
Other interest expense	80.2	**156.8**	76.6	95.5
	9,582.0	**9,909.3**	327.3	3.4
Net interest income	11,358.5	**12,147.0**	788.5	6.9

ANALYSIS OF FINANCIAL STATEMENTS

INCOME FROM ISLAMIC BANKING SCHEME OPERATIONS

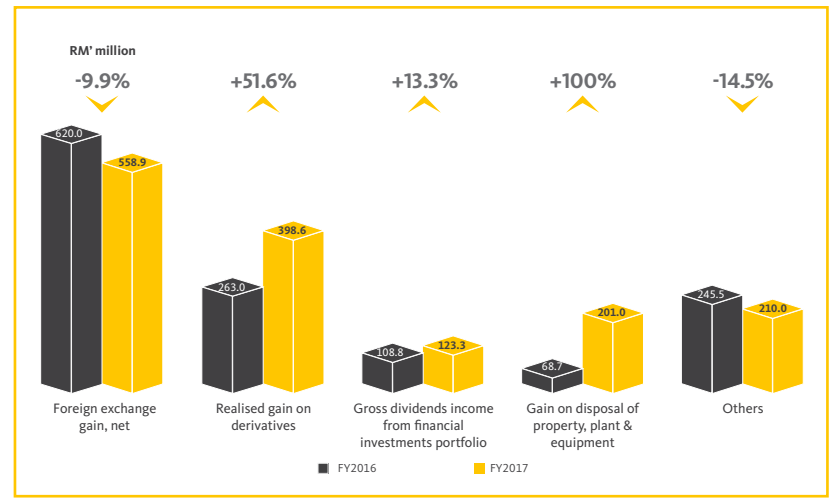
The growth in income from Islamic Banking Scheme Operations ("IBS") of RM711.0 million or 17.0% mainly driven by an increase in fund based income of RM764.8 million, whilst fee based income dipped by RM53.8 million. Year-on-year growth in fund based income is mainly attributable to increase in income from financing and advances of RM723.6 million and financial investments portfolio of RM174.3 million. These were offset by increase in profit distributed to depositors and investment account holders of RM140.5 million.

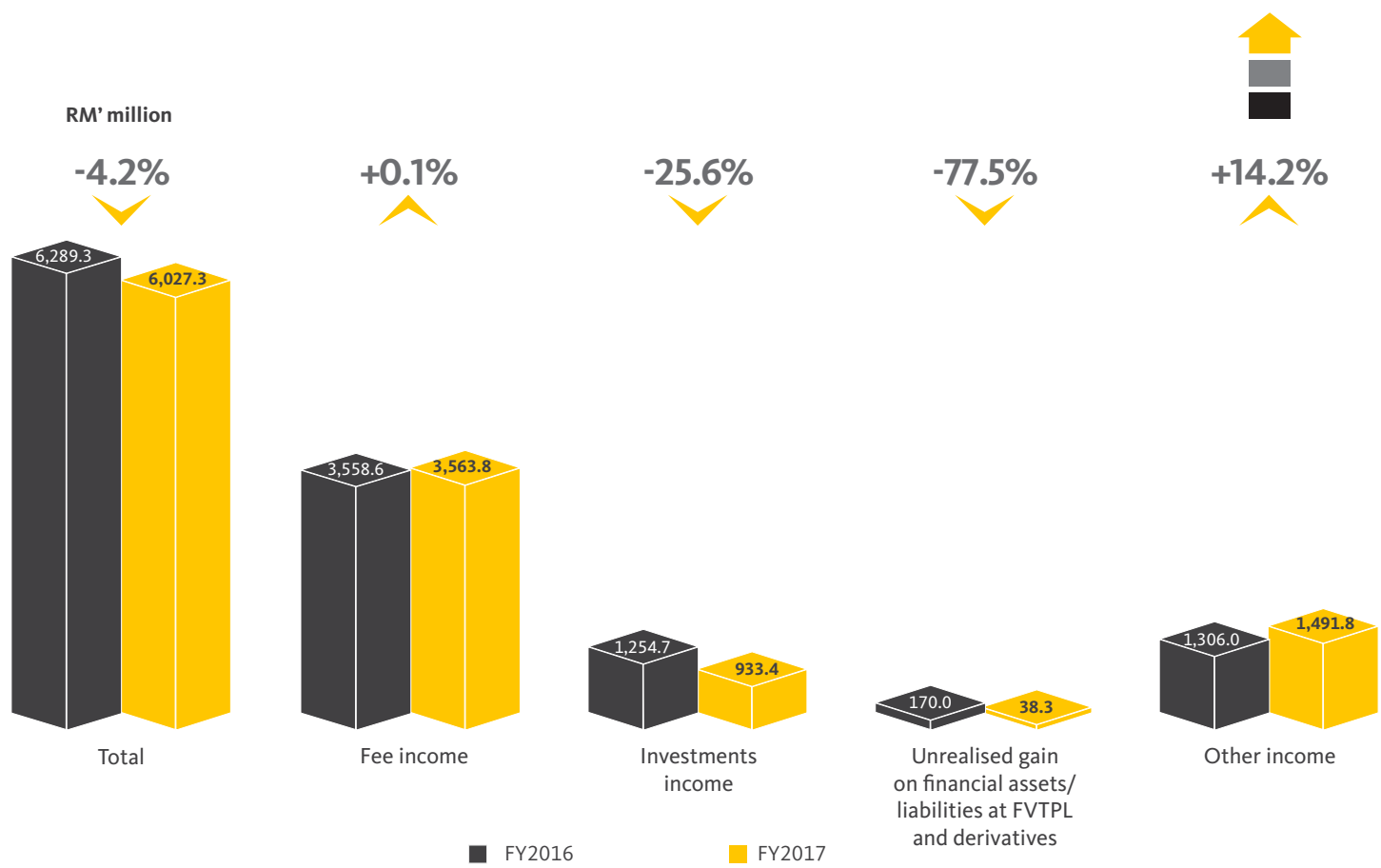
The decrease in fee based income is mainly due to loss on foreign exchange of RM11.8 million as compared to gain in a year earlier of RM76.2 million and lower gain on disposal of financial investments portfolio of RM13.8 million. The decreases were mitigated by an increase in fee income of RM41.1 million which attributable to increase in service charges and fees of RM28.5 million and commission income of RM10.5 million.

OTHER OPERATING INCOME

The Group's other operating income decreased by RM262.0 million or 4.2% to RM6,027.3 million in FY2017.

The decrease is mainly due to lower gain on disposal of financial investments portfolio of RM289.0 million and unrealised gain on financial liabilities at FVTPL of RM169.1 million. These were mitigated by an increase in realised gain on derivatives of RM135.7 million, gain on disposal of property, plant and equipment of RM132.3 million and fee income of RM5.2 million.





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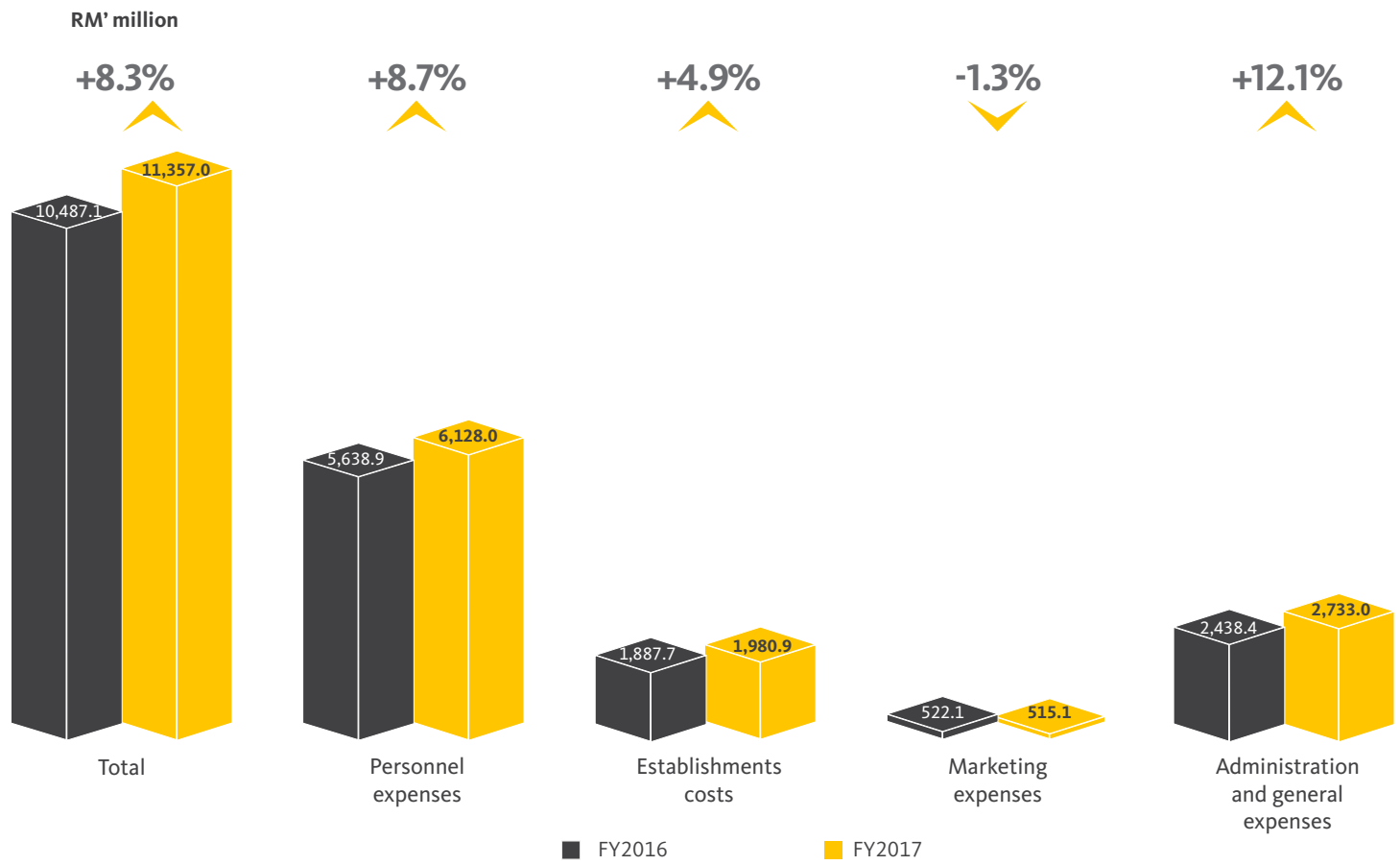
OVERHEAD EXPENSES

The Group's overhead expenses increased by RM869.9 million which resulted in an increase in cost to income ratio of 48.7% from 47.1% in FY2016. The increase in overhead expenses is mainly attributable to increase in personnel expenses of RM489.1 million, administration and general expenses of RM294.6 million and establishments costs of RM93.2 million. However, these were mitigated by decrease in marketing expenses of RM7.0 million.



Personnel expenses recorded an increase of RM489.1 million mainly due to an increase in salaries, allowances and bonuses of RM403.8 million, pension costs of RM53.0 million and staff incentives of RM33.2 million.

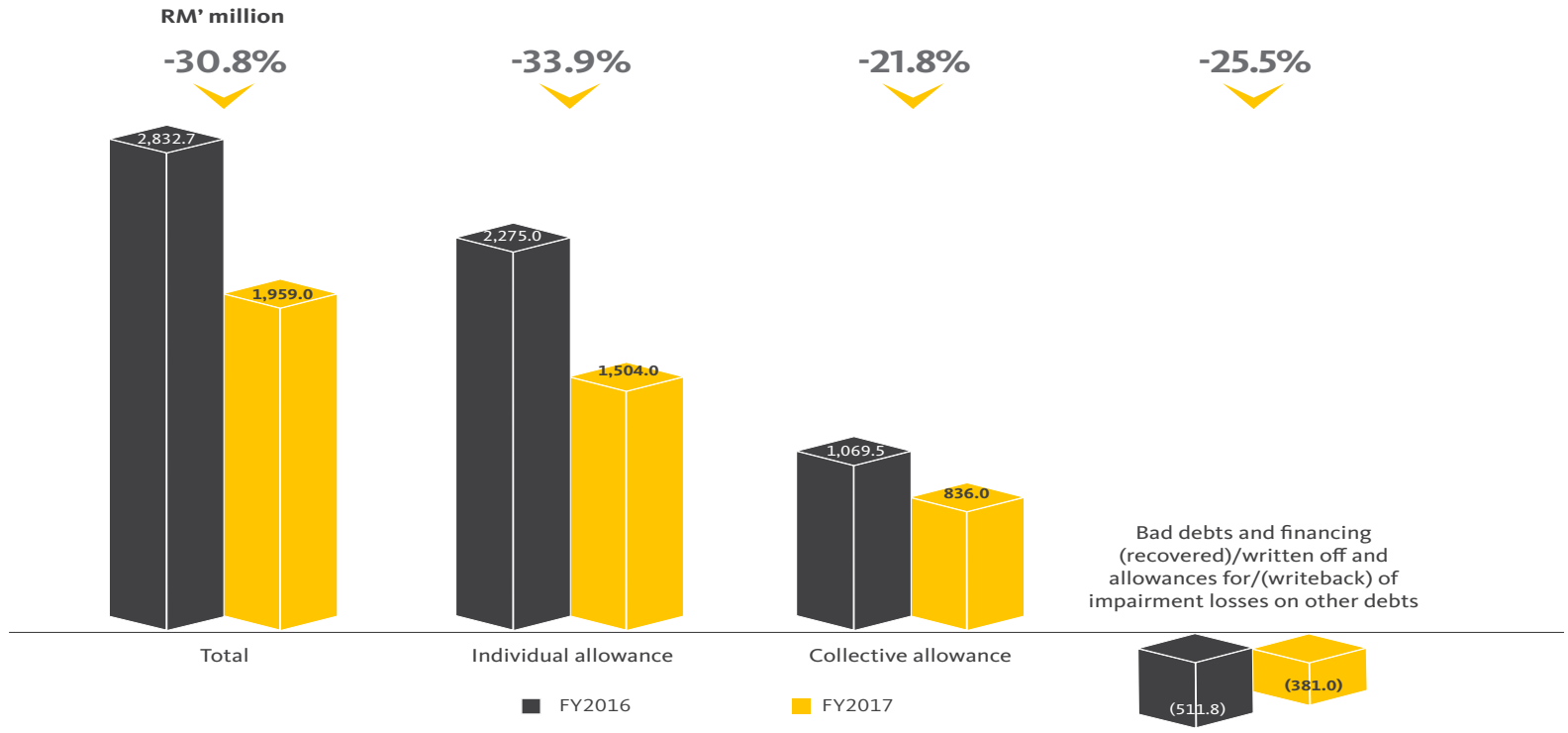
Administration and general expenses grew by RM294.6 million which mainly due to an increase in fees and brokerage of RM163.2 million, provision for contingencies of RM81.7 million and subscription for services and club membership of RM26.9 million.

Establishments costs increased by RM93.2 million mainly attributable to loss of fair value adjustment on investment properties of RM60.2 million in FY2017, increase in depreciation charges of RM39.8 million and rental of leasehold land and premises of RM14.4 million. These were mitigated by decrease in information technology expenses of RM27.4 million and amortisation of intangible assets of RM16.8 million.

ANALYSIS OF FINANCIAL STATEMENTS

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

The Group's allowances for impairment losses on loans, advances, financing and other debts decreased by RM873.7 million to RM1,959.0 million for FY2017. The decrease was mainly due to lower individual allowance made and collective allowance made in FY2017 of RM771.0 million and RM233.5 million respectively. These were offset with decrease in bad debts and financing recovered of RM113.1 million.



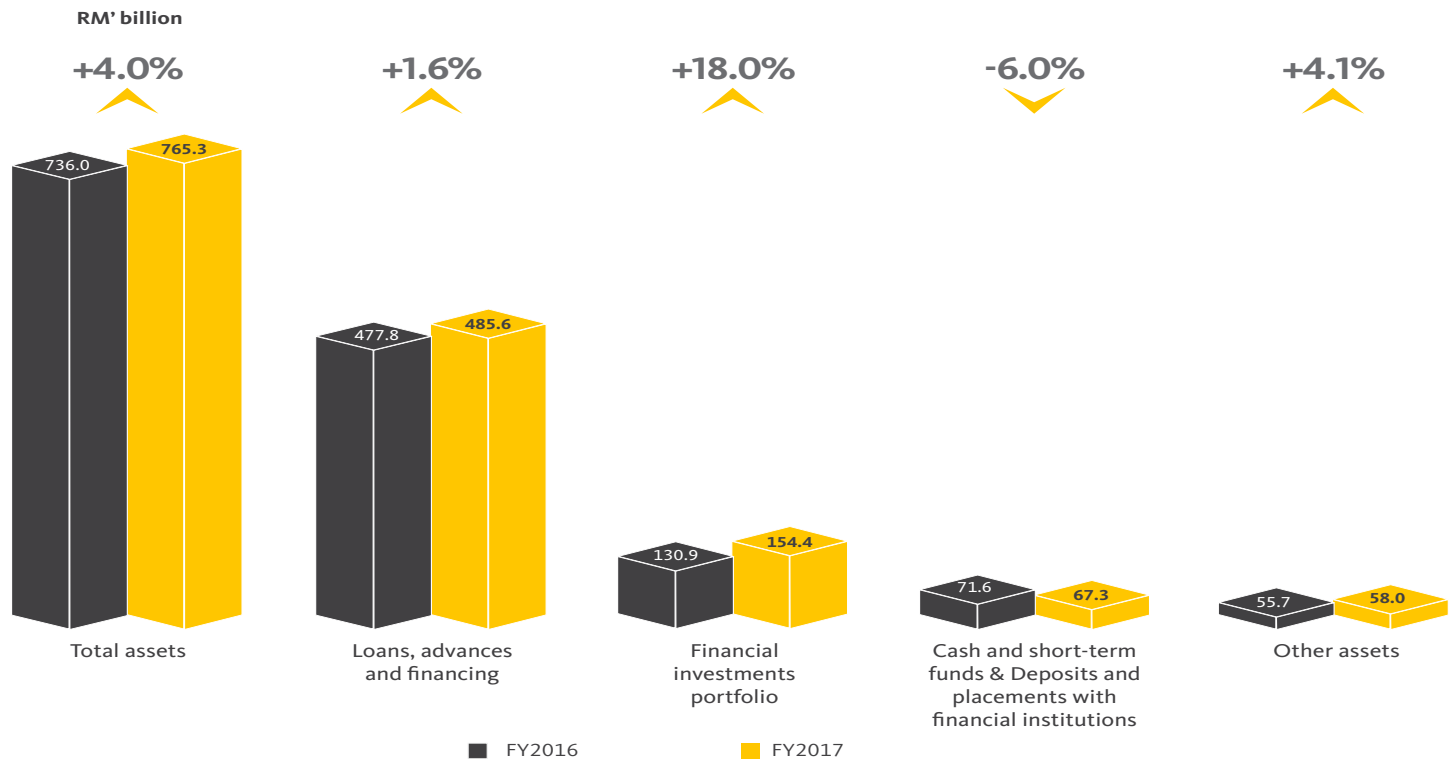
ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

The Group's allowances for impairment losses on financial investments decreased from RM182.3 million in FY2016 to RM68.8 million in FY2017.

REVIEW OF FY2017 FINANCIAL POSITION

TOTAL ASSETS

The Group's total assets rose by RM29.3 billion to RM765.3 billion as at 31 December 2017. The growth is mainly attributable to increase in financial investments portfolio and net loans, advances and financing of RM23.5 billion and RM7.8 billion respectively. These were offset by decrease in cash and short-term funds and deposits and placements with financial institutions of RM4.3 billion.



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LOANS, ADVANCES AND FINANCING

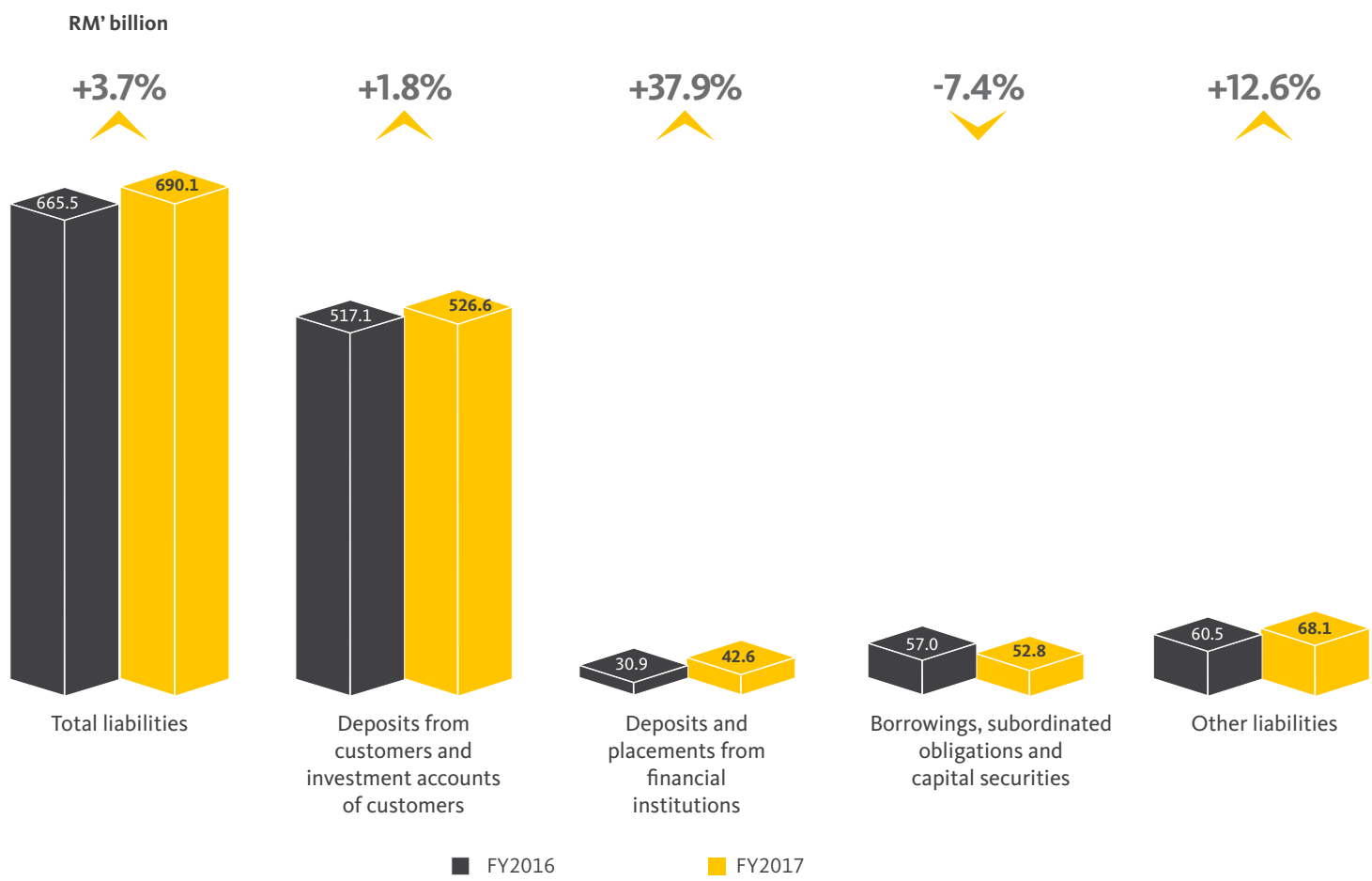
The Group's loans, advances and financing which represents 63.5% of Group's total assets increased by RM7.8 billion or 1.6% to RM485.6 billion as at 31 December 2017, supported by loans growth in home markets.

FINANCIAL INVESTMENTS PORTFOLIO

The Group's financial investments portfolio increased by RM23.5 billion which attributable to increase in financial investments available-for-sale of RM16.7 billion, financial investments held-to-maturity of RM5.2 billion and financial assets at fair value through profit or loss by RM1.6 billion.

TOTAL LIABILITIES

The Group's total liabilities grew by RM24.6 billion or 3.7% to RM690.1 billion as at 31 December 2017 from RM665.5 billion as at 31 December 2016 which was attributable to growth in deposits from customers of RM16.5 billion and deposits and placements from financial institutions of RM11.7 billion. These were mitigated by decrease in investment accounts of customers of RM7.0 billion and borrowings, subordinated obligations and capital securities of RM4.2 billion.



DEPOSITS FROM CUSTOMERS AND INVESTMENT ACCOUNTS OF CUSTOMERS

The Group's deposits from customers and investment accounts of customers grew by RM9.5 billion to RM526.6 billion, supported by growth in current and savings account ("CASA") in our home market.

BORROWINGS, SUBORDINATED OBLIGATIONS AND CAPITAL SECURITIES

The Group's borrowings, subordinated obligations and capital securities decreased to RM52.8 billion as at 31 December 2017 from RM57.0 billion as at 31 December 2016.

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

The subsidiaries of the Bank are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stockbroking, underwriting of general and life insurance, general and family takaful, trustee and nominee services and asset management. Further details of the subsidiaries are described in Note 63(a) to the financial statements.

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

RESULTS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	10,098,096	7,352,614
Taxation and zakat	(2,301,222)	(1,229,739)
Profit for the financial year	7,796,874	6,122,875
Attributable to:		
Equity holders of the Bank	7,520,542	6,122,875
Non-controlling interests	276,332	–
	7,796,874	6,122,875

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those as disclosed in Notes 9, 10, 11, 25, 44 and 45 and the statements of changes in equity to the financial statements.

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

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2016 (as disclosed in Note 50(c) to the financial statements) were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Final dividend of 32 sen single-tier dividend consists of cash portion of 10 sen single-tier dividend per ordinary share and an electable portion of 22 sen per ordinary share, on 10,258,507,149 ordinary shares, approved on 6 April 2017 and paid on 6 June 2017.	3,282,722
In respect of the financial year ended 31 December 2017:	
A single-tier interim dividend of 23 sen consists of cash portion of 5 sen per ordinary share and an electable portion of 18 sen per ordinary share, on 10,595,615,926 ordinary shares, declared on 30 August 2017 and paid on 1 November 2017.	2,436,992
	5,719,714

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2017 of 32 sen single-tier dividend per ordinary share amounting to a net dividend payable of RM3,450,478,489 (based on 10,782,745,278 ordinary shares issue as at 31 December 2017) will be proposed for the shareholders' approval.

The proposed final single-tier dividend consists of cash portion of 18 sen per ordinary share to be paid in cash amounting to RM1,940,894,150 and an electable portion of 14 sen per ordinary share amounting to RM1,509,584,339.

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 32(b) to the financial statements and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year ended 31 December 2017 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

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

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

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

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

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

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

The aggregate maximum allocation of share options under ESS to Chief Executive Officer and senior management of the Group and of the Bank shall not exceed 50% of the Maximum Allowable Scheme Shares. The actual allocation of share options to Chief Executive Officer and senior management is 19.4% as at 31 December 2017 (2016: 20.2%).

Details on the key features of the ESS and CESS are disclosed in Note 32(c) to the financial statements.

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

(a) ESOS Granted

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

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

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

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

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

During the financial year ended 31 December 2017, a total of 7,437,200 (2016: 7,806,200) under the ESOS Third Grant, 8,531,100 (2016: 9,018,700) under the ESOS Fourth Grant, 10,485,000 (2016: 11,250,300) under the ESOS Fifth Grant and 108,200 (2016: 215,500) under the ESOS Special Grant had been vested to a selected group of eligible employees.

All tranches under the ESOS Second Grant had been vested in the previous financial year ended 31 December 2016.

During the financial year ended 31 December 2017, the Bank vested 55,000 options for the fourth tranche under the Third Grant and 10,000 options for the second tranche under Fifth Grant for appeal cases.

DIRECTORS' REPORT

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

(a) ESOS Granted (cont'd.)

The movements of ESOS vested are as follows:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Exercised[1] '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
30.4.2012	15,194	(11,858)	(76)	(3,260)	–	–
30.4.2013	37,871	(25,798)	(313)	–	11,760	11,760
30.4.2014	47,256	(26,837)	(401)	–	20,018	20,018
30.4.2015	62,329	(35,266)	(607)	–	26,456	26,456
30.9.2015	33,196	(20,501)	(349)	–	12,346	12,346
	195,846	(120,260)	(1,746)	(3,260)	70,580	70,580

[1] 4,585,200 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Exercised[2] '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
7.5.2012	2,151	(1,617)	(49)	(485)	–	–
30.4.2013	5,755	(3,695)	(123)	–	1,937	1,937
30.4.2014	7,042	(4,001)	(155)	–	2,886	2,886
30.4.2015	9,105	(5,098)	(246)	–	3,761	3,761
3.5.2016	9,128	(5,014)	(252)	–	3,862	3,862
30.9.2016	4,655	(2,764)	(130)	–	1,761	1,761
	37,836	(22,189)	(955)	(485)	14,207	14,207

[2] 772,300 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

ESOS Third Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Adjustment[3] '000	Vested '000	Exercised[4] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.5.2013	5,669	–	–	(1,450)	(271)	3,948	3,948
30.4.2014	7,539	–	–	(1,853)	(356)	5,330	5,330
30.4.2015	8,072	–	–	(1,985)	(353)	5,734	5,734
3.5.2016	7,472	55	–	(1,729)	(285)	5,513	5,513
2.5.2017	–	–	7,382	(1,482)	(132)	5,768	5,768
	28,752	55	7,382	(8,499)	(1,397)	26,293	26,293

[3] Adjustment relates to appeal cases approved during the financial year ended 31 December 2017.
[4] 751,900 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

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

(a) ESOS Granted (cont'd.)

The movements of ESOS vested are as follows (cont'd.):

ESOS Fourth Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested '000	Exercised[5] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.5.2014	7,916	–	(204)	(405)	7,307	7,307
30.4.2015	9,355	–	(159)	(506)	8,690	8,690
3.5.2016	8,633	–	(164)	(461)	8,008	8,008
2.5.2017	–	8,531	(127)	(241)	8,163	8,163
	25,904	8,531	(654)	(1,613)	32,168	32,168

[5] 18,800 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

ESOS Fifth Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Adjustment[6] '000	Vested '000	Exercised[7] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.5.2015	10,473	–	–	(3,661)	(503)	6,309	6,309
3.5.2016	10,869	10	–	(3,470)	(474)	6,935	6,935
2.5.2017	–	–	10,475	(2,594)	(131)	7,750	7,750
	21,342	10	10,475	(9,725)	(1,108)	20,994	20,994

[6] Adjustment relates to appeal cases approved during the financial year ended 31 December 2017.
[7] 721,600 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

ESOS Special Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested '000	Exercised[8] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.10.2015	143	–	(63)	(47)	33	33
3.5.2016	164	–	(64)	(52)	48	48
2.10.2017	–	108	(50)	–	58	58
	307	108	(177)	(99)	139	139

[8] 6,000 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

DIRECTORS' REPORT

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

(b) RSU Granted

The following table illustrates the number of, and movements in, RSU during the financial year ended 31 December 2017:

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year: Adjustment '000	Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Vesting date
23.6.2011 – RSU First Grant	4[1]	–	–	–	4	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2014 – RSU Fourth Grant	4,865	446[2]	(4,113)	(1,198)	–	
30.4.2015 – RSU Fifth Grant	6,155	–	–	(490)	5,665	
	11,024	446	(4,113)	(1,688)	5,669	

1 Pending transfer of RSU shares to deceased employee's next of kin.
2 Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2017.

During the financial year ended 31 December 2017, the RSU Fourth Grant amounting to 4,113,031 options (including DRP) had been vested and awarded to a selected group of eligible employees. The RSU Third Grant amounting to 3,155,659 options (including DRP), the RSU Second Grant amounting to 2,784,277 options (including DRP) and the RSU First Grant amounting to 2,794,826 options (including DRP) had been vested and awarded to a selected group of eligible employees during the previous financial years ended 31 December 2016, 31 December 2015 and 31 December 2014 respectively. The remaining grant has not been vested as at 31 December 2017.

(c) SRSU Granted

During the financial year ended 31 December 2017, there is no new SRSU (2016: 34,000) granted to selected group of eligible employees. A total of 110,000 SRSU (2016: 184,000) had been vested as at 31 December 2017. The remaining grant has not been vested as at 31 December 2017.

The following table illustrates the number of, and movements in, SRSU during the financial year ended 31 December 2017:

Grant date	Fair value of SRSU RM	Outstanding as at 1.1.2017 '000	Movements during the financial year: Granted '000	Vested '000	Outstanding as at 31.12.2017 '000
26.3.2014	8.724	90	–	(90)	–
1.3.2015	8.165	20	–	(20)	–
3.5.2016	7.743	34	–	–	34
		144	–	(110)	34

(d) CESOS Granted

During the financial year ended 31 December 2017, a total of 461,100 (2016: 518,000) under the CESOS First Grant, a total of 708,700 (2016: 837,900) under the CESOS Second Grant and none of shares (2016: 338,600) under the CESOS Third Grant had been vested to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia, Tbk.

During the previous financial year ended 31 December 2016, the Bank had granted a total of 70,200 shares under the CESOS Second Grant to a selected group of eligible employees.

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

(d) CESOS Granted (cont'd.)

The following tables illustrate the numbers of, and movements in, CESOS during the financial year ended 31 December 2017:

CESOS First Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	480	(461)	(19)	–
30.4.2015	492	–	(40)	452
30.9.2015	253	–	(21)	232
	1,225	(461)	(80)	684

CESOS Second Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	806	(709)	(97)	–
30.4.2015	667	–	(64)	603
30.9.2016	67	–	(3)	64
	1,540	(709)	(164)	667

CESOS Third Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	401	–	(401)	–
30.4.2015	397	–	(65)	332
	798	–	(466)	332

CESOS Fourth Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	253	–	(253)	–
30.4.2015	360	–	(115)	245
	613	–	(368)	245

DIRECTORS' REPORT

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

(d) CESOS Granted (cont'd.)

The following tables illustrate the numbers of, and movements in, CESOS during the financial year ended 31 December 2017 (cont'd.):

CESOS Fifth Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year: Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2015	**605**	**–**	**(53)**	**552**

The remaining CESOS granted have not been vested as at 31 December 2017.

(e) CRSU Granted

There is no new CRSU granted to eligible senior management of the Group and of the Bank during the financial year ended 31 December 2017.

The CRSU Fourth Grant amounting to 42,897 options (including DRP) had been vested during the financial year ended 31 December 2017. The CRSU Third Grant amounting to 41,646 options (including DRP) and the CRSU Second Grant amounting to 54,117 options (including DRP) had been vested during the previous financial years ended 31 December 2016 and 31 December 2015 respectively. The remaining CRSU granted have not been vested as at 31 December 2017.

The movements of CRSU granted and vested are as follows:

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year: Adjustment[1] '000	Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Vesting date
30.4.2014 – CRSU Fourth Grant	**95**	**5**	**(43)**	**(57)**	**–**	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2015 – CRSU Fifth Grant	**208**	**–**	**–**	**(40)**	**168**	
	303	**5**	**(43)**	**(97)**	**168**	

[1] Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2017.

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted share options which have been vested to subscribe for less than 1,245,272 ordinary shares during the financial year ended 31 December 2017.

The name of option holder who was granted share options which have been vested to subscribe for at least 1,245,272 ordinary shares during the financial year ended 31 December 2017 is as follows:

Name	Number of share options from ESOS: Exercisable/ vested as at 1.1.2017 '000	Vested '000	Exercised '000	Exercisable/ vested as at 31.12.2017 '000
Datuk Abdul Farid bin Alias	**1,601**	**300**	**(375)**	**1,526**

The maximum number of ordinary shares in the Bank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme.

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ISSUANCE OF SHARES AND DEBENTURES

The following are the changes in debt and equity securities for the Group and the Bank during the current financial year ended 31 December 2017:

(i) During the current financial year ended 31 December 2017, the Bank increased its issued ordinary share from 10,193,199,917 units to 10,782,745,278 units via:

(a) Issuance of 154,648,300 new ordinary shares amounting to RM1,445,238,920 to eligible persons who exercised their share options under the ESS, as disclosed in Note 32(d)(ii) to the financial statements;

(b) Issuance of 4,098,732 new ordinary shares amounting to RM38,118,208 arising from the Restricted Share Unit ("RSU"), as disclosed in Note 32(e)(i) to the financial statements;

(c) Issuance of 110,000 new ordinary shares amounting to RM935,000 arising from the Supplemental Restricted Share Unit ("SRSU"), as disclosed in Note 32(e)(vii) to the financial statements;

(d) Issuance of 5,411,200 new ordinary shares amounting to RM49,999,488 to be held in the ESOS Trust Fund ("ETF") Pool, as disclosed in Note 32(c)(v) to the financial statements;

(e) Issuance of 243,599,777 new ordinary shares (including 539,678 new ordinary shares issued to ETF Pool) amounting to RM2,009,408,832 arising from the DRP relating to electable portion of the final dividend of 22 sen per ordinary share in respect of the financial year ended 31 December 2016, as disclosed in Note 50(c)(i) to the financial statements; and

(f) Issuance of 181,677,352 new ordinary shares (including 408,244 new ordinary shares issued to ETF Pool) amounting to RM1,634,776,661 arising from the DRP relating to electable portion of the interim dividend of 18 sen per ordinary share in respect of the financial year ended 31 December 2017, as disclosed in Note 50(c)(ii) to the financial statements.

The new ordinary shares issued during the current financial year ended 31 December 2017 rank pari passu in all respects with the existing ordinary shares of the Bank.

(ii) During the current financial year ended 31 December 2017, the Group and the Bank made a various issuances and redemptions of the debt securities, as disclosed in Notes 23, 29, 30 and 31 to the financial statements.

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

DIRECTORS

The directors who served since the date of the last report and the date of this report are:

Datuk Mohaiyani binti Shamsudin (Chairman) (redesignation on 1 April 2017)
Datuk Abdul Farid bin Alias (Group President & Chief Executive Officer)
Dato' Johan bin Ariffin
Datuk R. Karunakaran
Mr Cheng Kee Check
Mr Edwin Gerungan
Mr Nor Hizam bin Hashim
Dr Hasnita binti Dato' Hashim
Mr Anthony Brent Elam
Datin Paduka Jamiah binti Abdul Hamid
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (retired on 31 March 2017)
Dato' Dr Tan Tat Wai (retired on 6 April 2017)
Mr Renato Tinio De Guzman (appointed on 2 October 2017 and tendered his resignation on 18 January 2018)

The directors of the Bank's subsidiaries who served since the date of the last report and the date of this report are disclosed in Note 65 to the financial statements.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Bank and its related corporations, or the fixed salary of a full-time employee of the Bank as disclosed in Note 43 to the financial statements) by reason of a contract made by the Bank or its related corporations with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for Mr Cheng Kee Check, who is deemed to receive or become entitled to receive a benefit by virtue of fees paid by the Bank or its related corporations to the law firm in which he is a partner in that firm that provides professional legal services to the Bank or its related corporations in the ordinary course of business.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
Direct interest	**As at 1.1.2017**	**Issued pursuant to RSU**	**Issued pursuant to DRP**	**As at 31.12.2017**
Datuk Abdul Farid bin Alias	**237,554**	**190,655**	**20,210**	**448,419**
Dato' Johan bin Ariffin	**291,409**	**–**	**13,753**	**305,162**

		Number of share options from ESOS over ordinary shares				
	Exercise Price (RM)	**Granted**	**Vested as at 1.1.2017**	**Vested**	**Exercised**	**Vested as at 31.12.2017**
Datuk Abdul Farid bin Alias	**8.82#**	**1,000,000^**	**791,000^**	**–**	**(375,000)**	**416,000**
	9.91##	**1,410,000**	**810,000**	**300,000**	**–**	**1,110,000**
		2,410,000	**1,601,000**	**300,000**	**(375,000)**	**1,526,000**

Revised to RM8.71 on 1 November 2016 based on the revision to ESOS First Grant's exercise price.
Revised to RM9.75 on 1 November 2016 based on the revision to ESOS Fourth Grant's exercise price.
^ Shares options from ESOS granted and vested prior to the appointment as Group President & Chief Executive Officer are 1,000,000 and 575,000 respectively.

		Number of RSU of ordinary shares					
	Grant Date	**Granted as at 1.1.2017**	**Adjustment pursuant to DRP**	**Granted as at 31.12.2017**	**Vested during the financial year**	**Not vested during the financial year**	**Outstanding as at 31.12.2017**
Datuk Abdul Farid bin Alias	**30.4.2014**	**200,000**	**20,655**	**220,655**	**(190,655)**	**(30,000)**	**–**
	30.4.2015	**200,000**	**–**	**200,000**	**–**	**–**	**200,000**
		400,000	**20,655**	**420,655**	**(190,655)**	**(30,000)**	**200,000**

The remaining ESOS and RSU which were granted to the director have not been vested as at 31 December 2017. The remaining ESOS and RSU will be vested and exercisable upon fulfilment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

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.

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RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating received
Moody's Investors Service	2 February 2018	Outlook	Stable
		Bank Deposits	A3/P-2
		Baseline Credit Assessment	a3
		Adjusted Baseline Credit Assessment	a3
		Jr Subordinate	Baa2 (hybrid)
		Counterparty Risk Assessment	A2(cr)/P-1(cr)
		Senior Unsecured	A3
		Subordinate	Baa2 (hybrid)
		Commercial Paper	P-2
Standard & Poor's ("S&P")	25 October 2017	Counterparty Credit Rating	A-/Stable/A-2
		Preferred Stock	BB+
		Senior Unsecured	A-/A-2
		Subordinated	BBB
Fitch Ratings	11 August 2017	Long-Term Foreign-Currency Issuer Default Rating	A-/Stable
		Long-Term Local-Currency Issuer Default Rating	A-/Stable
		Short-Term Foreign-Currency Issuer Default Rating	F2
		Viability Rating	a-
		Support Rating	2
		Support Rating Floor	BBB
		Senior notes	A-
		Basel II-compliant subordinated notes	BBB+
		Basel II-compliant hybrid Tier 1 securities	BB+
RAM Ratings Services Berhad ("RAM")	21 December 2017	Financial Institution Ratings – National Scale	AAA/Stable/P1
		Financial Institution Ratings – ASEAN Scale	seaAAA/Stable/seaP1
		RM4.0 billion Innovative Tier-1 Capital Securities Programme	AA2/Stable
		RM3.5 billion Non-Innovative Tier-1 Capital Securities	AA2/Stable
		RM3.0 billion Tier-2 Capital Subordinated Note Programme	AA1/Stable
		RM20.0 billion Subordinated Note Programme	AA1/Stable
		RM10.0 billion Additional Tier-1 Capital Securities Programme	AA3/Stable
		RM10.0 billion Senior and Subordinated Sukuk Murabahah Programme	
		– Senior	AAA/Stable
		– Subordinated	AA1/Stable
		RM10.0 billion Commercial Papers/Medium Term Notes Programme	AAA/Stable/P1
Malaysian Rating Corporation Berhad	4 August 2017	Financial Institution Rating	AAA/MARC-1
		Corporate Debt Rating	AAA
		Outlook	Stable
Capital Intelligence	8 February 2017	Foreign Currency – Long Term	A-
		Foreign Currency – Short Term	A2
		Financial Strength	A-
		Support	1
		Outlook	Stable
Japan Credit Rating Agency	16 August 2017	Foreign Currency Long-term Issuer Rating	A
		Outlook	Stable
		Bond	A

DIRECTORS' REPORT

BUSINESS OUTLOOK

Global real GDP growth is forecasted to remain stable at +3.7% in 2018E (2017: +3.7%), on sustained growth in the US (2018E: +2.5%; 2017: +2.3%), and improved growth in selected BRIC markets such as Brazil (2018E: +2.0%; 2017: +0.9%) and India (2018E: +7.3%; 2017: +6.5%).

Meanwhile, the ASEAN-6 countries could chart a similar pace of growth in 2018E at 5.1% (2017: +5.1%) benefitting from the spillover effects to domestic demand arising from the expansions in external demand. Maybank Group's home markets are expected to chart sustained growth in 2018E, with Malaysia expected to expand by +5.3% (2017: +5.9%), Singapore forecasted to grow at +2.8% (2017: +3.6%) and Indonesia to remain resilient at +5.3% (2017: +5.1%).

Malaysia's real GDP growth in 2018 will be driven by continued growth in consumer spending, public consumption and gross fixed capital formation with expansion in both private and public investments. Exports and imports of goods and services will expand further in 2018 on the back of the sustained global and domestic growth momentum, but the pace of growth is expected to moderate after the high base in 2017. Maybank Malaysia's loan growth is expected to be in-line with industry growth, as the bank focuses on pockets of opportunities within the consumer, retail SME and corporate lending segments.

Singapore's GDP is expected to grow at 2.8% in 2018, arising from a cooling off of the manufacturing-driven surge in 2017. In 2018, the services sector is likely to maintain its growth momentum while construction is expected to recover on the back of a strengthening property market and rollout of public infrastructure projects. Maybank Singapore's loan growth will mainly be driven by SME, consumer financing and corporate lending. Maybank Singapore will also focus on building its wealth management services by expanding our investment and insurance products and deepening cross-selling across key customer segments.

Indonesia's economy is expected to remain resilient with GDP growth of 5.3% in 2018, driven by business and government spending from accelerated capital expenditure and infrastructure projects. Maybank Indonesia will remain focused on corporate lending growth among top-tier clients while protecting its net interest margin by maintaining pricing discipline across all products. Another area of growth for Maybank Indonesia will be the expansion of its fee income streams through structured products and e-channel transactions.

At Maybank Group, key priorities for 2018 include maintaining pricing discipline across our products, focus on attaining cheaper funding sources to support loan growth, growing our loan portfolio within our risk appetite, while proactively managing our asset quality. The Group is also prepared and ready for the implementation of MFRS 9 on 1st January 2018 and will continue to keep its capital and liquidity positions strong.

Barring any unforeseen circumstances, the Group expects its financial performance for 2018 to be satisfactory against the expected growth prospects of its key home markets. The Group has set its Headline Key Performance Indicator for Return on Equity of approximately 11%.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and income statements of the Group and of the Bank were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written-off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

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OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and

(ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 60 to the financial statements. There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance which is within the period from 1 January 2018 to 28 February 2018.

AUDITORS

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

Auditor's remuneration are disclosed in Note 42 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 28 February 2018.

Datuk Mohaiyani binti Shamsudin

Datuk Abdul Farid bin Alias

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Mohaiyani binti Shamsudin and Datuk Abdul Farid bin Alias, being two of the directors of Malayan Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 287 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 2017 and of the results and the cash flows of the Group and of the Bank for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 28 February 2018.

Datuk Mohaiyani binti Shamsudin

Datuk Abdul Farid bin Alias

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Dato' Amirul Feisal bin Wan Zahir, being the officer primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 287 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Dato' Amirul Feisal bin Wan Zahir

Subscribed and solemnly declared by the abovenamed Dato' Amirul Feisal bin Wan Zahir at Kuala Lumpur in the Federal Territory on 28 February 2018

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYAN BANKING BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malayan Banking Berhad, which comprise the statements of financial position as at 31 December 2017 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 33 to 282.

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 2017, 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.

KEY AUDIT MATTERS

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

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

Risk area and rationale	Our response
Impairment of loans, advances and financing As at 31 December 2017, the loans, advances and financing represent 63% and 57% of the total assets of the Group and of the Bank respectively. The impairment of loans, advances and financing, includes individual and collective impairment. For consumer loans, advances and financing, the material portion of the impairment is collectively calculated based on models developed which give rise to certain degree of estimation uncertainty. For non-consumer loans, advances and financing, the material portion of impairment is individually calculated. This requires the application of judgement and use of subjective assumptions by management with respect to both the impaired classification and estimation of the size of any such impairment.	Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans, advances and financing, and evaluating the methodologies, inputs and assumptions used by the Group and the Bank in calculating collective impairment allowance and individual impairment allowance. For collective impairment, we checked to historical loss data and compared the assumptions used by the Group and the Bank for collective impairment allowances to externally available industry, financial and economic data. As part of this, we assessed the reasonableness of the Group's and the Bank's estimates and assumptions, specifically in respect of the inputs to the impairment models and the consistency of judgement applied in the use of economic factors, loss identification periods and the observation period for historical default rates.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYAN BANKING BERHAD (INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONT'D.)

Risk area and rationale	Our response
Impairment of loans, advances and financing (cont'd.) *Refer to summary of significant accounting policies in Note 2.3(v)(d)(i), significant accounting judgements, estimates and assumptions in Note 3.4 and the disclosures of loans, advances and financing in Notes 11 and 44 to the financial statements.* *Impairment of (i) goodwill and (ii) investment in subsidiaries and interest in associates* (i) Goodwill The Group's goodwill balances as at 31 December 2017 stood at RM5.8 billion. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group is required to annually test the amount of goodwill for impairment. (ii) Investment in subsidiaries and interest in associates As at 31 December 2017, the carrying amount of investment in subsidiaries (Bank only) stood at RM22.1 billion and interest in associates (Group and Bank) stood at RM2.8 billion and RM0.5 billion respectively. Similarly, we focused on impairment assessment of investment in subsidiaries and interest in associates as the impairment testing relies on VIU estimates based on estimated future cash flows. These involve management judgement and are based on assumptions that are affected by expected future market and economic conditions. *Refer to summary of significant accounting policies in Notes 2.3(i), 2.3(ii) and 2.3(iii), significant accounting judgements, estimates and assumptions in Notes 3.6 and 3.7 and the disclosure of (i) goodwill and (ii) investment in subsidiaries and interest in associates in Notes 17, 18 and 20 to the financial statements.*	With respect to individual impairment, we tested a sample of loans, advances and financing to ascertain whether the impaired classification had been identified by the Group and the Bank in a timely manner. For cases where impairment had been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information. We also challenged the assumptions and compared estimates to external evidence where available. We also assessed whether the financial statement disclosures appropriately reflect the Group's and the Bank's exposure to credit risk. Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as the weighted-average cost of capital discount rates assigned to the CGUs, as well as the long-term growth rate, by comparing against internal information, and external economic and market data. We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

Our Performance pg. 4-8
The Financials pg. 10-287
Basel II Pillar 3 pg. 288-351

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.
- 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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 63 to the financial statements.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
28 February 2018

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

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STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Assets					
Cash and short-term funds	5	**50,334,290**	58,140,545	**30,714,527**	38,350,931
Deposits and placements with financial institutions	6	**16,988,391**	13,444,630	**21,382,493**	19,339,287
Financial assets purchased under resale agreements	7(a)	**8,514,283**	2,492,412	**7,633,503**	2,213,113
Financial assets at fair value through profit or loss	8	**25,117,493**	23,496,050	**7,896,677**	7,980,314
Financial investments available-for-sale	9	**109,070,244**	92,384,834	**89,286,739**	74,904,201
Financial investments held-to-maturity	10	**20,184,773**	15,021,597	**17,763,565**	12,582,311
Loans, advances and financing	11	**485,584,362**	477,774,903	**290,997,969**	295,020,136
Derivative assets	12	**6,704,651**	8,311,703	**6,865,221**	8,320,918
Reinsurance/retakaful assets and other insurance receivables	13	**3,933,772**	4,139,596	**–**	–
Other assets	14	**9,698,140**	10,525,560	**4,801,397**	5,603,512
Investment properties	15	**753,555**	758,488	**–**	–
Statutory deposits with central banks	16	**15,397,213**	15,384,134	**7,746,700**	7,530,325
Investment in subsidiaries	17	**–**	–	**22,057,063**	21,586,547
Interest in associates and joint ventures	18	**2,772,324**	3,210,436	**472,016**	451,518
Property, plant and equipment	19	**2,635,018**	2,595,497	**1,165,908**	1,290,761
Intangible assets	20	**6,753,939**	7,345,524	**568,030**	530,049
Deferred tax assets	28	**859,318**	930,344	**315,013**	358,687
Total assets		**765,301,766**	735,956,253	**509,666,821**	496,062,610
Liabilities					
Customers' funding:					
– Deposits from customers	21	**502,017,445**	485,523,920	**328,938,600**	331,878,295
– Investment accounts of customers*	62(q)	**24,555,445**	31,544,587	**–**	–
Deposits and placements from financial institutions	22	**42,598,131**	30,854,693	**37,645,134**	29,856,710
Obligations on financial assets sold under repurchase agreements	7(b)	**5,367,086**	2,957,951	**5,189,316**	2,957,951
Derivative liabilities	12	**7,221,015**	8,828,060	**7,179,998**	8,802,221
Financial liabilities at fair value through profit or loss	23	**6,375,815**	3,587,230	**5,483,120**	2,685,139
Bills and acceptances payable		**1,894,046**	1,808,066	**1,384,983**	1,000,777
Insurance/takaful contract liabilities and other insurance payables	24	**25,118,843**	23,948,719	**–**	–
Other liabilities	25	**19,179,140**	17,288,306	**16,910,597**	12,498,698
Recourse obligation on loans and financing sold to Cagamas	26	**1,543,501**	974,588	**1,543,501**	974,588
Provision for taxation and zakat	27	**746,494**	419,729	**385,876**	47,374
Deferred tax liabilities	28	**732,079**	777,826	**–**	–
Borrowings	29	**34,505,618**	34,867,056	**27,106,442**	28,927,427
Subordinated obligations	30	**11,979,323**	15,900,706	**9,362,526**	13,202,872
Capital securities	31	**6,284,180**	6,199,993	**6,284,180**	6,225,926
Total liabilities		**690,118,161**	665,481,430	**447,414,273**	439,057,978
Equity attributable to equity holders of the Bank					
Share capital	32	**44,250,380**	10,193,200	**44,250,380**	10,193,200
Share premium	2.5(i)	**–**	28,878,703	**–**	28,878,703
Shares held-in-trust	32(c)(v)	**(183,438)**	(125,309)	**(183,438)**	(125,309)
Retained profits	33	**25,268,743**	14,408,695	**13,572,235**	4,456,832
Reserves	34	**3,652,929**	15,160,442	**4,613,371**	13,601,206
		72,988,614	68,515,731	**62,252,548**	57,004,632
Non-controlling interests		**2,194,991**	1,959,092	**–**	–
		75,183,605	70,474,823	**62,252,548**	57,004,632
Total liabilities and shareholders' equity		**765,301,766**	735,956,253	**509,666,821**	496,062,610
Commitments and contingencies	51	**811,374,001**	766,438,609	**761,441,355**	721,129,524
Net assets per share attributable to equity holders of the Bank		**RM6.77**	RM6.72	**RM5.77**	RM5.59

* Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating revenue	35	**45,580,310**	44,657,902	**24,841,318**	26,592,229
Interest income	36	**22,056,334**	20,940,499	**16,099,945**	15,076,353
Interest expense	37	**(9,909,293)**	(9,582,029)	**(7,306,999)**	(7,134,624)
Net interest income		**12,147,041**	11,358,470	**8,792,946**	7,941,729
Income from Islamic Banking Scheme operations	62(b)	**4,900,251**	4,189,242	**–**	–
		17,047,292	15,547,712	**8,792,946**	7,941,729
Net earned insurance premiums	38	**5,250,890**	4,444,057	**–**	–
Dividends from subsidiaries and associates	39	**–**	–	**1,920,144**	2,400,457
Other operating income	40	**6,027,304**	6,289,283	**3,681,248**	4,272,439
Total operating income		**28,325,486**	26,281,052	**14,394,338**	14,614,625
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	41	**(5,057,130)**	(4,107,909)	**–**	–
Net operating income		**23,268,356**	22,173,143	**14,394,338**	14,614,625
Overhead expenses	42	**(11,357,058)**	(10,487,156)	**(5,880,703)**	(5,339,639)
Operating profit before impairment losses		**11,911,298**	11,685,987	**8,513,635**	9,274,986
Allowances for impairment losses on loans, advances, financing and other debts, net	44	**(1,959,060)**	(2,832,748)	**(1,163,238)**	(1,787,868)
(Allowances for)/writeback of impairment losses on financial investments, net	45	**(68,762)**	(182,253)	**2,217**	(139,851)
Operating profit		**9,883,476**	8,670,986	**7,352,614**	7,347,267
Share of profits in associates and joint ventures	18	**214,620**	173,464	**–**	–
Profit before taxation and zakat		**10,098,096**	8,844,450	**7,352,614**	7,347,267
Taxation and zakat	46	**(2,301,222)**	(1,880,558)	**(1,229,739)**	(924,623)
Profit for the financial year		**7,796,874**	6,963,892	**6,122,875**	6,422,644
Attributable to:					
Equity holders of the Bank		**7,520,542**	6,742,992	**6,122,875**	6,422,644
Non-controlling interests		**276,332**	220,900	**–**	–
		7,796,874	6,963,892	**6,122,875**	6,422,644
Earnings per share attributable to equity holders of the Bank					
Basic (sen)	49(a)	**72.0**	67.8		
Diluted (sen)	49(b)	**72.0**	67.8		
Net dividends per ordinary share held by equity holders of the Bank in respect of the financial year (sen)					
Paid – First interim	50			**23.00**	20.00
Paid – Final for the financial year ended 31 December 2015	50			**–**	30.00
Paid – Final for the financial year ended 31 December 2016	50			**32.00**	–
Proposed – Final	50(a)			**32.00**	–
– Final				**–**	32.00

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Profit for the financial year		**7,796,874**	6,963,892	**6,122,875**	6,422,644
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial gain/(loss)	25(a)(ii)	**15,806**	(2,043)	**–**	–
Income tax effect	28	**(2,846)**	(472)	**–**	–
Share of change in associates' reserve		**–**	(10)	**–**	–
		12,960	(2,525)	**–**	–
Items that may be reclassified subsequently to profit or loss:					
Net gain on financial investments available-for-sale		**430,576**	319,941	**444,901**	203,432
Income tax effect	28	**(104,647)**	(82,871)	**(105,905)**	(55,913)
Net (loss)/gain on foreign exchange translation		**(2,285,427)**	1,310,802	**(519,108)**	333,369
Net loss on cash flow hedge	12	**(447)**	(1,157)	**–**	–
Net gain on net investment hedge	12	**69,135**	21,197	**–**	–
Net loss on revaluation reserve	34(c)(ii)	**–**	(3,689)	**–**	–
Share of change in associates' reserve		**(469,079)**	41,941	**–**	–
		(2,359,889)	1,606,164	**(180,112)**	480,888
Other comprehensive (loss)/income for the financial year, net of tax		**(2,346,929)**	1,603,639	**(180,112)**	480,888
Total comprehensive income for the financial year		**5,449,945**	8,567,531	**5,942,763**	6,903,532
Other comprehensive (loss)/income for the financial year, attributable to:					
Equity holders of the Bank		**(2,352,812)**	1,595,032	**(180,112)**	480,888
Non-controlling interests		**5,883**	8,607	**–**	–
		(2,346,929)	1,603,639	**(180,112)**	480,888
Total comprehensive income for the financial year, attributable to:					
Equity holders of the Bank		**5,167,730**	8,338,024	**5,942,763**	6,903,532
Non-controlling interests		**282,215**	229,507	**–**	–
		5,449,945	8,567,531	**5,942,763**	6,903,532

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Bank												
		Non-distributable											
Group	Share Capital (Note 32) RM'000	Share Premium RM'000	Shares Held-in-trust (Note 32(c)(v)) RM'000	Statutory Reserve (Note 34(a)) RM'000	Regulatory Reserve (Note 34(b)) RM'000	AFS Reserve (Note 34) RM'000	Exchange Fluctuation Reserve (Note 34) RM'000	ESS Reserve (Note 34) RM'000	Other Reserves (Note 34(c)) RM'000	*Retained Profits (Note 33) RM'000	Total Shareholders' Equity RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2017	10,193,200	28,878,703	(125,309)	10,934,947	1,057,997	(269,131)	3,592,057	320,912	(476,340)	14,408,695	68,515,731	1,959,092	70,474,823
Profit for the financial year	–	–	–	–	–	–	–	–	–	7,520,542	7,520,542	276,332	7,796,874
Other comprehensive income	–	–	–	–	–	298,747	(2,733,305)	–	81,746	–	(2,352,812)	5,883	(2,346,929)
Defined benefit plan actuarial gain/(loss)	–	–	–	–	–	–	–	–	13,058	–	13,058	(98)	12,960
Share of associates' reserve	–	–	–	–	–	(36,768)	(432,311)	–	–	–	(469,079)	–	(469,079)
Net (loss)/gain on foreign exchange translation	–	–	–	–	–	–	(2,300,994)	–	–	–	(2,300,994)	15,567	(2,285,427)
Net gain/(loss) on financial investments available-for-sale	–	–	–	–	–	335,515	–	–	–	–	335,515	(9,586)	325,929
Net gain on net investment hedge	–	–	–	–	–	–	–	–	69,135	–	69,135	–	69,135
Net loss on cash flow hedge	–	–	–	–	–	–	–	–	(447)	–	(447)	–	(447)
Total comprehensive income for the financial year	–	–	–	–	–	298,747	(2,733,305)	–	81,746	7,520,542	5,167,730	282,215	5,449,945
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	–	–	–	–	–	–	–	18,190	–	–	18,190	–	18,190
Effects of changes in corporate structure within the Group	–	–	–	–	–	–	–	–	–	–	–	53,682	53,682
Transfer from revaluation reserve	–	–	–	–	–	–	–	–	(10,575)	10,575	–	–	–
Transfer from share premium (Note 2.5(i) & Note 32(a)(i))	28,878,703	(28,878,703)	–	–	–	–	–	–	–	–	–	–	–
Transfer from statutory reserve (Note 34(a))	–	–	–	(10,731,889)	–	–	–	–	–	10,731,889	–	–	–
Transfer to regulatory reserve (Note 34(b))	–	–	–	–	1,689,288	–	–	–	–	(1,689,288)	–	–	–
Issue of shares pursuant to ESS (Note 32(a)(ii))	1,445,239	–	–	–	–	–	–	(85,792)	–	–	1,359,447	–	1,359,447
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 32(a)(iii))	38,118	–	(3)	–	–	–	–	(33,002)	–	(5,113)	–	–	–
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU") (Note 32(a)(iv))	935	–	–	–	–	–	–	(921)	–	(14)	–	–	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Notes 32(a)(vi)&(vii))	3,644,186	–	(8,127)	–	–	–	–	–	–	–	3,636,059	–	3,636,059
Issue of shares pursuant to ESOS Trust Fund ("ETF") Pool (Note 32(a)(v))	49,999	–	(49,999)	–	–	–	–	–	–	–	–	–	–
Dividends (Note 50)	–	–	–	–	–	–	–	–	–	(5,708,543)	(5,708,543)	(99,998)	(5,808,541)
Total transactions with shareholders/other equity movements	34,057,180	(28,878,703)	(58,129)	(10,731,889)	1,689,288	–	–	(101,525)	(10,575)	3,339,506	(694,847)	(46,316)	(741,163)
At 31 December 2017	44,250,380	–	(183,438)	203,058	2,747,285	29,616	858,752	219,387	(405,169)	25,268,743	72,988,614	2,194,991	75,183,605

* Retained profits includes distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPF") surplus of an insurance subsidiary. Refer to Note 33 for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Bank												
		Non-distributable											
Group	Share Capital (Note 32) RM'000	Share Premium RM'000	Shares Held-in-trust (Note 32(c)(v)) RM'000	Statutory Reserve (Note 34(a)) RM'000	Regulatory Reserve (Note 34(b)) RM'000	AFS Reserve (Note 34) RM'000	Exchange Fluctuation Reserve (Note 34) RM'000	ESS Reserve (Note 34) RM'000	Other Reserves (Note 34(c)) RM'000	*Retained Profits (Note 33) RM'000	Total Shareholders' Equity RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2016	9,761,751	25,900,476	(119,745)	10,456,462	1,247,509	(503,048)	2,245,044	329,523	(455,986)	12,833,004	61,694,990	1,818,467	63,513,457
Profit for the financial year	–	–	–	–	–	–	–	–	–	6,742,992	6,742,992	220,900	6,963,892
Other comprehensive income	–	–	–	–	–	233,917	1,347,013	–	14,102	–	1,595,032	8,607	1,603,639
Defined benefit plan actuarial loss	–	–	–	–	–	–	–	–	(2,239)	–	(2,239)	(276)	(2,515)
Share of associates' reserve	–	–	–	–	–	(3,768)	45,709	–	(10)	–	41,931	–	41,931
Net gain on foreign exchange translation	–	–	–	–	–	–	1,301,304	–	–	–	1,301,304	9,498	1,310,802
Net gain/(loss) on financial investments available-for-sale	–	–	–	–	–	237,685	–	–	–	–	237,685	(615)	237,070
Net gain on net investment hedge	–	–	–	–	–	–	–	–	21,197	–	21,197	–	21,197
Net loss on cash flow hedge	–	–	–	–	–	–	–	–	(1,157)	–	(1,157)	–	(1,157)
Net loss on revaluation reserve	–	–	–	–	–	–	–	–	(3,689)	–	(3,689)	–	(3,689)
Total comprehensive income for the financial year	–	–	–	–	–	233,917	1,347,013	–	14,102	6,742,992	8,338,024	229,507	8,567,531
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	–	–	–	–	–	–	–	27,612	–	13,060	40,672	–	40,672
Effects of changes in corporate structure within the Group	–	–	–	–	–	–	–	–	–	–	–	6,195	6,195
Transfer to statutory reserve (Note 34(a))	–	–	–	478,485	–	–	–	–	–	(478,485)	–	–	–
Transfer from regulatory reserve (Note 34(b))	–	–	–	–	(189,512)	–	–	–	–	189,512	–	–	–
Transfer from profit equalisation reserve (Note 34(c))	–	–	–	–	–	–	–	–	(34,456)	34,456	–	–	–
Issue of shares pursuant to ESS	8,598	70,501	–	–	–	–	–	(4,707)	–	–	74,392	–	74,392
Issue of shares pursuant to Restricted Share Unit ("RSU")	3,156	25,687	–	–	–	–	–	(29,903)	–	1,060	–	–	–
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	184	1,444	–	–	–	–	–	(1,613)	–	(15)	–	–	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	419,511	2,880,595	(5,564)	–	–	–	–	–	–	–	3,294,542	–	3,294,542
Dividends (Note 50)	–	–	–	–	–	–	–	–	–	(4,926,889)	(4,926,889)	(95,077)	(5,021,966)
Total transactions with shareholders/other equity movements	431,449	2,978,227	(5,564)	478,485	(189,512)	–	–	(8,611)	(34,456)	(5,167,301)	(1,517,283)	(88,882)	(1,606,165)
At 31 December 2016	10,193,200	28,878,703	(125,309)	10,934,947	1,057,997	(269,131)	3,592,057	320,912	(476,340)	14,408,695	68,515,731	1,959,092	70,474,823

* Retained profits includes distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPF") surplus of an insurance subsidiary. Refer to Note 33 for further details.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Bank									
		Non-distributable								
Bank	Share Capital (Note 32) RM'000	Share Premium RM'000	Shares Held-in-trust (Note 32(c)(v)) RM'000	Statutory Reserve (Note 34(a)) RM'000	Regulatory Reserve (Note 34(b)) RM'000	AFS Reserve (Note 34) RM'000	Exchange Fluctuation Reserve (Note 34) RM'000	ESS Reserve (Note 34) RM'000	Distributable Retained Profits (Note 33) RM'000	Total Equity RM'000
At 1 January 2017	10,193,200	28,878,703	(125,309)	10,325,216	660,800	(453,145)	2,747,423	320,912	4,456,832	57,004,632
Profit for the financial year	–	–	–	–	–	–	–	–	6,122,875	6,122,875
Other comprehensive income	–	–	–	–	–	338,996	(519,108)	–	–	(180,112)
Net loss on foreign exchange translation	–	–	–	–	–	–	(519,108)	–	–	(519,108)
Net gain on financial investments available-for-sale	–	–	–	–	–	338,996	–	–	–	338,996
Total comprehensive income for the financial year	–	–	–	–	–	338,996	(519,108)	–	6,122,875	5,942,763
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	–	–	–	–	–	–	–	18,190	–	18,190
Transfer from share premium (Note 2.5(i) & Note 32(a)(i))	28,878,703	(28,878,703)	–	–	–	–	–	–	–	–
Transfer from statutory reserve (Note 34(a))	–	–	–	(10,278,961)	–	–	–	–	10,278,961	–
Transfer to regulatory reserve (Note 34(b))	–	–	–	–	1,572,763	–	–	–	(1,572,763)	–
Issue of shares pursuant to ESS (Note 32(a)(ii))	1,445,239	–	–	–	–	–	–	(85,792)	–	1,359,447
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 32(a)(iii))	38,118	–	(3)	–	–	–	–	(33,002)	(5,113)	–
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU") (Note 32(a)(iv))	935	–	–	–	–	–	–	(921)	(14)	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 32(a)(vi)&(vii))	3,644,186	–	(8,127)	–	–	–	–	–	–	3,636,059
Issue of shares pursuant to ESOS Trust Fund ("ETF") Pool (Note 32(a)(v))	49,999	–	(49,999)	–	–	–	–	–	–	–
Dividends (Note 50)	–	–	–	–	–	–	–	–	(5,708,543)	(5,708,543)
Total transactions with shareholders/other equity movements	34,057,180	(28,878,703)	(58,129)	(10,278,961)	1,572,763	–	–	(101,525)	2,992,528	(694,847)
At 31 December 2017	44,250,380	–	(183,438)	46,255	2,233,563	(114,149)	2,228,315	219,387	13,572,235	62,252,548
At 1 January 2016	9,761,751	25,900,476	(119,745)	9,866,550	813,800	(600,664)	2,414,054	329,523	3,252,638	51,618,383
Profit for the financial year	–	–	–	–	–	–	–	–	6,422,644	6,422,644
Other comprehensive income	–	–	–	–	–	147,519	333,369	–	–	480,888
Net gain on foreign exchange translation	–	–	–	–	–	–	333,369	–	–	333,369
Net gain on financial investments available-for-sale	–	–	–	–	–	147,519	–	–	–	147,519
Total comprehensive income for the financial year	–	–	–	–	–	147,519	333,369	–	6,422,644	6,903,532
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	–	–	–	–	–	–	–	27,612	13,060	40,672
Transfer to statutory reserve (Note 34(a))	–	–	–	458,666	–	–	–	–	(458,666)	–
Transfer from regulatory reserve (Note 34(b))	–	–	–	–	(153,000)	–	–	–	153,000	–
Issue of shares pursuant to ESS	8,598	70,501	–	–	–	–	–	(4,707)	–	74,392
Issue of shares pursuant to Restricted Share Unit ("RSU")	3,156	25,687	–	–	–	–	–	(29,903)	1,060	–
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	184	1,444	–	–	–	–	–	(1,613)	(15)	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	419,511	2,880,595	(5,564)	–	–	–	–	–	–	3,294,542
Dividends (Note 50)	–	–	–	–	–	–	–	–	(4,926,889)	(4,926,889)
Total transactions with shareholders/other equity movements	431,449	2,978,227	(5,564)	458,666	(153,000)	–	–	(8,611)	(5,218,450)	(1,517,283)
At 31 December 2016	10,193,200	28,878,703	(125,309)	10,325,216	660,800	(453,145)	2,747,423	320,912	4,456,832	57,004,632

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash flows from operating activities				
Profit before taxation and zakat	**10,098,096**	8,844,450	**7,352,614**	7,347,267
Adjustments for:				
Share of profits in associates and joint ventures (Note 18)	**(214,620)**	(173,464)	**–**	–
Depreciation of property, plant and equipment (Note 42)	**418,917**	379,135	**186,605**	188,540
Amortisation of computer software (Note 42)	**245,360**	254,089	**99,177**	128,718
Amortisation of customer relationship (Note 42)	**16,352**	18,465	**–**	–
Amortisation of agency force (Note 42)	**6,555**	7,913	**–**	–
Amortisation of core deposit intangibles (Note 42)	**5,406**	10,024	**–**	–
Gain on disposal of property, plant and equipment (Note 40)	**(201,003)**	(68,736)	**(62,415)**	(15,242)
Gain on disposal of foreclosed properties (Note 40)	**(1,493)**	(3,546)	**(300)**	–
Loss/(gain) on disposal/liquidation of subsidiaries (Note 40)	**1,988**	378	**(101)**	–
Loss on dilution of interest in associates (Note 40)	**30,719**	–	**–**	–
Net gain on disposal of financial assets at fair value through profit or loss (Note 40, Note 62(y) & (aa))	**(313,504)**	(206,927)	**(129,630)**	(101,170)
Net gain on disposal of financial investments available-for-sale (Note 40, Note 62(y) & (aa))	**(666,800)**	(1,064,898)	**(212,536)**	(923,826)
Net gain on disposal/redemption of financial investments held-to-maturity (Note 40)	**(182)**	(11,397)	**(182)**	(11,397)
Accretion of discounts, net (Note 36, Note 62(y) & (aa))	**(129,401)**	(133,625)	**(107,688)**	(48,339)
Unrealised (gain)/loss of financial assets/liabilities at fair value through profit or loss and derivatives (Note 40, Note 62(y) & (aa))	**(35,241)**	(160,360)	**51,787**	(70,606)
Allowances for impairment losses on financial investments, net (Note 45)	**69,725**	265,440	**1,071**	213,464
Allowances for impairment losses on loans, advances and financing, net (Note 44)	**2,441,832**	3,451,984	**1,420,122**	2,097,425
Allowances for/(writeback of) impairment losses on other debts (Note 44)	**2,701**	(20,673)	**2,285**	(1,343)
Dividends from subsidiaries and associates (Note 39)	**–**	–	**(1,920,144)**	(2,400,457)
Dividends from financial investments portfolio (Note 40)	**(123,263)**	(108,761)	**(16,663)**	(18,569)
ESS expenses (Note 42)	**17,083**	40,251	**11,106**	28,592
Property, plant and equipment written-off (Note 42)	**546**	99	**437**	38
Intangible assets written-off (Note 42)	**1,233**	1,180	**3**	1,174
Fair value adjustments on investment properties (Note 42)	**60,173**	(8,858)	**–**	–
Impairment losses of investment properties (Note 42)	**–**	141	**–**	**–**
Operating profit before working capital changes	**11,731,179**	11,312,304	**6,675,548**	6,414,269
Change in cash and short-term funds with original maturity of more than three months	**3,448,384**	(1,000,336)	**3,036,714**	(514,563)
Change in deposits and placements with financial institutions with original maturity of more than three months	**3,872,207**	(3,503,541)	**3,645,635**	(1,551,211)
Change in financial assets purchased under resale agreements	**(6,021,871)**	5,199,753	**(5,420,390)**	5,277,695
Change in financial investments portfolio	**(21,901,675)**	(7,197,564)	**(18,554,411)**	(903,193)
Change in loans, advances and financing	**(24,511,954)**	(20,935,336)	**(4,931,934)**	(5,766,495)
Change in other assets	**923,518**	2,458,737	**459,457**	3,567,824
Change in statutory deposits with central banks	**(13,079)**	882,278	**(216,374)**	325,053
Change in deposits from customers	**22,197,905**	5,547,904	**3,234,342**	2,075,389
Change in investment accounts of customers	**(6,989,142)**	13,886,694	**–**	–
Change in deposits and placements from financial institutions	**11,743,438**	(8,159,223)	**7,788,424**	(8,047,979)
Change in obligations on financial assets sold under repurchase agreements	**2,409,136**	(1,540,624)	**2,231,365**	(1,540,624)
Change in bills and acceptances payable	**85,980**	4,886	**384,205**	(113,611)
Change in financial liabilities at fair value through profit or loss	**801,816**	1,601,573	**820,794**	684,413
Change in other liabilities	**5,933,619**	277,914	**4,528,798**	(1,561,089)
Change in reinsurance/retakaful assets and other insurance receivables	**205,824**	216,058	**–**	–
Change in insurance/takaful contract liabilities and other insurance payables	**1,170,124**	108,994	**–**	–
Cash generated from/(used in) operating activities	**5,085,409**	(839,529)	**3,682,173**	(1,654,122)
Taxes and zakat paid	**(2,079,848)**	(1,272,986)	**(954,525)**	(621,212)
Net cash generated from/(used in) operating activities	**3,005,561**	(2,112,515)	**2,727,648**	(2,275,334)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 19)	**(562,870)**	(297,188)	**(96,026)**	(155,497)
Purchase of intangible assets (Note 20)	**(238,709)**	(270,467)	**(142,519)**	(146,898)
Purchase of investment properties (Note 15)	**(85,505)**	(32,984)	**–**	–
Net effect arising from:				
– acquisition of a subsidiary (Note 17(e))	**(79,356)**	–	**–**	–
– repayment of capital of a subsidiary (Note 17(b))	**–**	–	**242,837**	–
– liquidation/disposal of subsidiaries (Note 17(f))	**–**	10,861	**250**	–
– transaction with non-controlling interests	**43,869**	6,195	**–**	–
Purchase of additional ordinary shares in existing subsidiaries (Note 17(a) & (d))	**–**	–	**(156,420)**	(559,592)
Purchase of shares in deemed controlled structured entities from a subsidiary (Note 17(c))	**–**	–	**(480,341)**	–
Purchase of shares in associates from a subsidiary	**–**	–	**(20,497)**	–
Proceeds from disposal of property, plant and equipment	**228,994**	85,951	**85,377**	17,526
Proceeds from disposal of investment properties	**29,890**	–	**–**	–
Dividends received from:				
– financial investments portfolio (Note 40)	**123,263**	108,761	**16,663**	18,569
– associates (Note 39)	**–**	–	**9,856**	8,179
– subsidiaries (Note 39)	**–**	–	**1,910,288**	2,392,278
Purchase of property, plant and equipment from a subsidiary, net (Note 19)	**–**	–	**–**	(175)
Net cash (used in)/generated from investing activities	**(540,424)**	(388,871)	**1,369,468**	1,574,390
Cash flows from financing activities				
Proceeds from issuance of shares	**4,995,506**	3,368,934	**4,995,506**	3,368,934
Drawdown/(repayment) of borrowings, net (Note 29)	**3,661,438**	3,535,381	**(76,897)**	2,579,375
Issuance of subordinated obligations (Note 30)	**35,000**	2,243,000	**–**	2,243,000
Redemption of subordinated obligations (Note 30)	**(3,240,000)**	(6,850,743)	**(3,240,000)**	(5,850,743)
Drawdown of financial liabilities at fair value through profit or loss (Note 23)	**2,097,150**	2,156,642	**2,097,150**	2,156,642
Finance lease obligation (Note 25)	**280,634**	(1,057)	**–**	–
Recourse obligation on loans and financing sold to Cagamas, net	**568,913**	(199,758)	**568,913**	(199,758)
Dividends paid	**(5,708,543)**	(4,926,889)	**(5,708,543)**	(4,926,889)
Dividends paid to non-controlling interests	**(99,998)**	(95,077)	**–**	–
Net cash generated from/(used in) financing activities	**2,590,100**	(769,567)	**(1,363,871)**	(629,439)
Net increase/(decrease) in cash and cash equivalents	**5,055,237**	(3,270,953)	**2,733,245**	(1,330,383)
Cash and cash equivalents at 1 January	**50,875,746**	53,049,192	**38,217,233**	38,619,149
Effects of foreign exchange rate changes	**(1,997,139)**	1,097,507	**(1,644,094)**	928,467
Cash and cash equivalents at 31 December	**53,933,844**	50,875,746	**39,306,384**	38,217,233
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 5)	**50,334,290**	58,140,545	**30,714,527**	38,350,931
Deposits and placements with other financial institutions (Note 6)	**16,988,391**	13,444,630	**21,382,493**	19,339,287
	67,322,681	71,585,175	**52,097,020**	57,690,218
Less:				
Cash and short-term funds and deposits and placements with original maturity of more than three months	**(13,388,837)**	(20,709,429)	**(12,790,636)**	(19,472,985)
	53,933,844	50,875,746	**39,306,384**	38,217,233

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

1. CORPORATE INFORMATION

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

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

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

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

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2018.

2. ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statements

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

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

The Group's financial statements also include separate disclosures on its insurance and takaful businesses and Islamic banking operations as disclosed in Notes 61 and 62, respectively. The principal activities for insurance and takaful businesses are mainly the underwriting of general and life insurance business, the management of general and family takaful business and investment-linked business. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

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

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries including the equity accounting of interest in associates and joint ventures as at 31 December 2017. Further details on the accounting policies for investment in subsidiaries and interest in associates and joint ventures are disclosed in Note 2.3.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

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

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling 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 to income statements or retained earnings, if required in accordance with other MFRS.

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

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

2.3 Summary of significant accounting policies

(i) Investment in subsidiaries

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

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

Additional information on investment in subsidiaries are disclosed in Note 17 and details of subsidiaries and deemed controlled structured entities are disclosed in Notes 63(a) and 63(b), respectively.

(ii) Interest in associates and joint ventures

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

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

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

The Group's and the Bank's interest in its associates and joint ventures are accounted for using the equity method. The associates and joint ventures are equity accounted for from the date the Group and the Bank gain significant influence or joint control until the date the Group and the Bank cease to have significant influence over the associate or joint control over the joint venture.

Under the equity method, the interest in associates and joint ventures are initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Details of goodwill included in the Group's carrying amount of interest in associates and joint ventures are disclosed in Note 18(d).

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

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

Upon loss of significant influence over the associate or 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 associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

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

Additional information on interest in associates and joint ventures and details of associates and joint ventures are disclosed in Notes 18(b), 63(c) and 63(d) respectively.

(iii) Business combination and goodwill

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statements. 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 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139") is measured at fair value with changes in fair value recognised either in the income statements or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 139, 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 consolidated income statement.

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

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

(iv) Intangible assets

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

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

(iv) Intangible assets (cont'd.)

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

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

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

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

	Amortisation methods used	Useful economic lives
Computer software	Straight-line	3 to 10 years
Core deposit intangibles	Reducing balance	8 years
Customer relationship	Reducing balance	3 to 9 years
Agency force	Reducing balance	11 years

Additional information on intangible assets are disclosed in Note 20.

(v) Financial assets

(a) Date of recognition

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

(b) Initial recognition and subsequent measurement

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. The Group and the Bank determine the classification of financial assets at initial recognition, in which the details are disclosed below.

Included in financial assets are the following:

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

Financial assets at FVTPL include 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.

For financial assets designated at FVTPL, upon initial recognition the following criteria must be met:

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

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

Included in financial assets designated at FVTPL are debt securities and structured deposits of which are managed on a fair value basis under insurance life fund and family takaful fund.

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

(2) Loans and receivables

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

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

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

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 'other operating income'.

If the Group and the Bank were to sell or reclassify more than an insignificant amount of financial investments HTM before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as financial investments available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial investments as held-to-maturity over the following two (2) years. During the financial year ended 31 December 2017, the Group and the Bank did not reclassify any of its financial investments HTM as financial investments available-for-sale.

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

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.

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

(c) Derecognition

A financial asset is derecognised when:

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

(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.

When the Group and the Bank have transferred its rights to receive cash flows from a financial asset or have entered into a "pass through" arrangement, they evaluate to what extent they have retained the risks and rewards of ownership. When the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the financial asset and have not transferred control of the financial asset, the Group and the Bank continue to recognise the transferred financial asset to the extent of the Group's and of the Bank's continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated financial liability. The transferred financial asset and associated financial liability are measured on a basis that reflect the rights and obligations that the Group and the Bank have retained.

(d) Impairment of financial assets

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(1) Loans and receivables

(i) Loans, advances and financing

Classification of loans, advances and financing as impaired

Loans, advances and financing are classified as impaired when:

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

Impairment process – individual assessment

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

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, advances and financing and the present value of the estimated future cash flows discounted at the original effective interest rate of the loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the income statements.

Impairment process – collective assessment

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

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

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

Impairment process – subsequent measurement

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

Impairment process – written-off accounts

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

(ii) Other receivables

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

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

(ii) Other receivables (cont'd.)

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

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

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

In the case of equity investments classified as financial investments AFS, the objective evidence would include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treat "significant" generally as 25% and "prolonged" generally as four (4) consecutive quarters. When there is evidence of impairment, the cumulative loss (which is measured as the difference between the acquisition cost and the current fair value, less any accumulated impairment 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.

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.

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

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

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

(e) Reclassification of financial assets

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

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

For a financial asset reclassified out of the financial investments AFS, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statements over the remaining life of the asset using the effective interest method. Any 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 income statements.

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2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

(e) Reclassification of financial assets (cont'd.)

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.

(vi) Financial liabilities

(a) Date of recognition

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

(b) Initial recognition and subsequent measurement

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

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

(1) Financial liabilities at FVTPL

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

Financial liabilities held-for-trading

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

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

Financial liabilities designated at fair value

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

Effective on 1 January 2016, the Group and the Bank have adopted Fair Value Option ("FVO") for certain financial liabilities under MFRS 139. The Group and the Bank have designated certain financial liabilities namely, structured deposits and borrowings containing embedded derivatives at FVTPL upon inception. This FVO adoption has been applied prospectively. As a result of this adoption, the Group and the Bank have presented 'Financial liabilities at FVTPL', as a separate line item on the face of statements of financial position of the Group and of the Bank. Details of the financial liabilities at FVTPL are disclosed in Note 23.

(2) Other financial liabilities

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

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

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

(ii) Debt securities

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

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

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

(iii) Payables

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

(iv) Bills and acceptances payable

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

(vi) Financial liabilities (cont'd.)

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

(2) Other financial liabilities (cont'd.)

(v) Other liabilities

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

(c) Derecognition

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

(vii) Offsetting of financial assets and financial liabilities

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

The financial assets and financial liabilities of the Group and of the Bank that are subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed in Note 54.

(viii) Derivative financial instruments and hedge accounting

(a) Derivative financial instruments

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

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

(b) Hedge accounting

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

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

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

Hedge ineffectiveness is recognised in the income statements. For situations where the hedged item is a forecast transaction, the Group and the Bank also assess whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statements.

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

(1) Fair value hedge

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

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

The Group disclosed the details of fair value hedge in Note 12.

(2) Cash flow hedge

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

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

(b) Hedge accounting (cont'd.)

(2) Cash flow hedge (cont'd.)

When the hedged cash flow affects the income statements, the gain or loss on the hedging instrument previously recognised as other comprehensive income is transferred to the corresponding income or expense line of the income statements.

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

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

The Group disclosed the details of cash flow hedge in Note 12.

(3) Net investment hedge

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

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

The Group uses its subordinated obligations and capital securities as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 12 for more details.

(ix) Embedded derivatives

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

(x) Resale and repurchase agreements

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

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

(xi) Property, plant and equipment and depreciation

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

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

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

Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 999 years. The remaining period of respective leases ranges from 7 to 898 years.

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

Details of property, plant and equipment of the Group and of the Bank are disclosed in Note 19.

(xii) Investment properties

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

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

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

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

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

The Group disclosed the details of investment properties in Note 15.

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

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

The fair values of IPUC are determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations are performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed. The Group and the Bank do not have any IPUC as at 31 December 2017.

(xiii) Other assets

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

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

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

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

(b) Foreclosed assets

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

(xiv) Cash and short-term funds

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

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

(xv) Impairment of non-financial assets

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

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31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statements.

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

- Significant accounting judgements, estimates and assumptions (Note 3)
- Property, plant and equipment (Note 19)
- Intangible assets (Note 20)

(xvi) Provisions

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

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

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

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

(xvii) Financial guarantees contract

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

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

(xviii) Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

(xviii) Foreign currencies (cont'd.)

(b) Foreign currency transactions and balances (cont'd.)

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

(c) Foreign operations

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

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

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

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

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

(xix) Income and deferred taxes and zakat

(a) Income tax

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

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

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

Details of income taxes for the Group and the Bank are disclosed in Note 46.

(b) Deferred tax

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

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

(i) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(i) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(b) Deferred tax (cont'd.)

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

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

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

Details of deferred tax assets and liabilities are disclosed in Note 28.

(c) Zakat

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

(xx) Leases

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

(a) Classification

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

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

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

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

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

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

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

(c) Operating 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.

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

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

(xxi) Insurance contracts/takaful certificates

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

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

(a) Insurance premium/contribution income

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

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

(b) Reinsurance premium/retakaful contributions

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

(c) Benefits and claims expenses

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

(d) Commission expenses and acquisition costs

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

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

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

(1) Premium/contribution liabilities

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

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

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

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

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

(3) Unexpired risk reserves ("URR")

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

(f) Reinsurance/retakaful assets

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

To determine whether there is objective evidence that an impairment loss on reinsurance/retakaful asset has been incurred, the insurance and takaful subsidiaries of the Bank consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments. If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the income statements.

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

(g) Insurance/takaful receivables

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

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

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

(h) Insurance contract/takaful certificate liabilities

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

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

(i) Claim liabilities

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

(j) Expense liabilities

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(k) Insurance/takaful payables

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

(xxii) Fair value measurement

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

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

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

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

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

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

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

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

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

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

The fair value hierarchies of financial instruments and non-financial assets that are measured at fair value are disclosed in Note 53(c).

While the fair value hierarchies of financial assets and financial liabilities that are not measured at fair value, for which fair value is disclosed are presented in Note 53(g).

(xxiii) Interest/profit income and expense

Interest/profit-bearing financial assets classified as loans, advances and financing, financial investments AFS, financial assets HFT and financial assets designated at FVTPL 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.

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxiv) Fee and other income

(a) Fee income

The Group and the Bank earn fee income from a diverse range of services they provide to its customers. Fee income can be divided into the following three categories:

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

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

(2) Fee income earned from provision of services

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

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

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

(b) Dividend income

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

(c) Customer loyalty programmes

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

(xxv) Employee benefits

(a) Short-term employee benefits

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

(b) Other long-term employee benefits

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

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

(c) Defined contribution plans

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

(d) Defined benefit plans

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

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

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

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

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

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

The Group disclosed the details of defined benefit plans in Note 25(a).

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2. ACCOUNTING POLICIES (CONT'D.)

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

(xxv) Employee benefits (cont'd.)

(e) Share-based compensation

(1) 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) Restricted Share Units ("RSU")

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

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

(3) 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, further details of which are disclosed in Note 32(f) and 32(g). This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statements in 'personnel expenses' under caption of "ESS Expense".

Details of share options granted under ESS and CESS are disclosed in Note 32(c).

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

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

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

(xxvi) Non-current assets (or disposal group) held for sale and discontinued operations (cont'd.)

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

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

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

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

(xxvii) Share capital and dividends declared

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

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

(xxviii) Contingent assets and contingent liabilities

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

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.

(xxix) Earnings per share

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

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

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

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

(xxx) Segment reporting

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

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

The Group disclosed its segment information in Note 59.

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

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

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2. ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures

On 1 January 2017, 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 107 *Statement of Cash Flows* – Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 *Income Taxes* – Recognition of Deferred Tax Asset for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRSs 2014-2016 Cycle – Amendments to MFRS 12 Disclosure of Interests in Other Entities	1 January 2017

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

MFRS 107 *Statement of Cash Flows* – Disclosure Initiative (Amendments to MFRS 107)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (for example, foreign exchange movements and fair value changes).

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Application of the amendments have resulted in additional disclosures to be provided by the Group and the Bank.

The Group and the Bank disclosed the additional disclosures in Notes 23, 25, 29, 30 and 31.

MFRS 112 *Income Taxes* – Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that deductible tax difference will arise from unrealised losses of debt instruments classified at fair value regardless of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling the debt instrument.

In circumstances where tax law restricts the utilisation of tax losses such that an entity can only deduct the tax losses against income of a specified type, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments also clarify that when estimating taxable profit of future periods, an entity can assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired. All relevant facts and circumstances should be assessed when making this assessment.

In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with the future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendments should be applied retrospectively. However, on initial application of the amendments, adjustment to the opening equity of the earliest comparative period may be recognised in opening retained earnings, without allocating the change between retained earnings and other components of equity. If this relief is applied, the entity must disclose this fact.

The Group and the Bank have been recognising deferred tax assets based on the requirements in the amendments. Thus, the amendments do not have any impact to the financial statements of the Group and of the Bank.

Annual Improvements to MFRSs 2014-2016 Cycle – Amendments to MFRS 12 Disclosure of Interests in Other Entities

The amendments clarify the scope of MFRS 12 by specifying that its disclosure requirements (other than those in paragraphs B10-B16) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held-for-sale or as discontinued operations in accordance with MFRS 5.

The amendments are applied retrospectively. The amendments do not have any impact to the financial statements of the Group and of the Bank, as the Group and the Bank do not have any significant interest in entities classified as held-for-sale or as discontinued operations during the financial year ended 31 December 2017.

2.5 Significant changes in regulatory requirements

(i) Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 in Malaysia with the objective of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except Section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

- the removal of the authorised share capital;
- the ordinary shares of the Bank will cease to have par or nominal value; and
- the Bank's share premium will become part of the share capital.

During the financial year ended 31 December 2017, the Bank has transferred RM28.9 billion share premium to its share capital. Pursuant to Section 618 of the New Act, the Bank has twenty four (24) months to utilise the amount of share premium that has been transferred to share capital.

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2. ACCOUNTING POLICIES (CONT'D.)

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

(ii) Revised Policy Documents on Capital Funds and Capital Funds for Islamic Banks issued by Bank Negara Malaysia ("BNM")

On 3 May 2017, BNM issued Revised Policy Documents on Capital Funds and Capital Funds for Islamic Banks ("Revised Policy Documents"). These Revised Policy Documents apply to banking institutions in Malaysia that covers licensed bank, licensed investment bank and licensed Islamic bank. The issuance of these Revised Policy Documents have superseded two guidelines issued by BNM previously, namely Capital Funds and Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Documents are as follows:

(a) the removal of the requirement on maintenance of a reserve fund; and

(b) the revised component of capital funds shall exclude share premium and reserve fund.

Upon adoption of the Revised Policy Documents, the Group and the Bank have transferred RM10.7 billion and RM10.3 billion of statutory reserve to retained earnings respectively during the financial year ended 31 December 2017.

(iii) Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 issued by BNM

On 21 June 2017, BNM issued a Policy Document on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"). This Policy Document applies to banking institutions in Malaysia that covers licensed commercial bank and licensed Islamic bank.

The Policy Document clarifies that structured products that do not guarantee full repayment of principal amount on demand do not fulfil the definition of deposits under Section 2 of the FSA and IFSA and hence must not be classified as deposits or Islamic deposits.

In terms of financial reporting, insofar that the structured product is bifurcated, the principal amount shall not be reported under the "deposit", "Islamic deposit" or "investment account" line items in the banking institutions' financial statements. Effective from June 2017 reporting date onwards, banking institutions shall report structured products (in accordance with the accounting treatment adopted) under either of these items:

- "Financial Liabilities Designated at Fair Value through Profit or Loss" if applying fair value options; or
- "Other Liabilities" if accounted for separately from the embedded derivative.

As at 31 December 2017, the Group and the Bank have presented the required disclosures in Note 25. Also, upon adoption of the Policy Document, the Group and the Bank have restated the deposits from customers and other liabilities balances as at 31 December 2016 by RM4.31 billion.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

3.1 Going concern

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

3.2 Impairment of financial investments portfolio (Notes 9, 10 and 45)

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

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

(i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

3.3 Fair value estimation of financial assets at FVTPL (Note 8), financial investments AFS (Note 9), derivative financial instruments (Note 12) and financial liabilities designated at FVTPL (Note 23)

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

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 53 for further disclosures.

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

3.4 Impairment losses on loans, advances and financing (Notes 11 and 44)

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.

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

3.5 Valuation of investment properties (Note 15)

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

3.6 Impairment of investment in subsidiaries (Note 17) and interest in associates and joint ventures (Note 18)

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

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

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

(i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and

(ii) Depending on their nature and the location in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

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

Sensitivity to changes in assumptions

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.

3.7 Impairment of goodwill (Note 20(a))

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

3.8 Amortisation of other intangible assets (Note 20(b) to (d))

The Group's and the Bank's intangible assets that can be separated and sold, and have a finite useful life are amortised over their estimated useful life. The determination of the estimated useful life of these intangible assets requires management's judgement which includes analysing the circumstances, the industry and market practice.

3.9 Deferred tax (Note 28) and income taxes (Note 46)

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

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.

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

3.10 Liabilities of insurance business (Note 24)

(a) Life insurance and family takaful businesses

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

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

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

(b) General insurance and general takaful businesses

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

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

3.11 Defined benefit plans (Note 25(a))

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

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

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

Further details about the assumptions used, including a sensitivity analysis, are given in Note 25(a)(iv).

3.12 Deemed controlled structured entities (Note 63(b))

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

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

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

Description	Effective for annual periods beginning on or after
MFRS 2 *Share-based Payment* – Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)	1 January 2019
MFRS 10 *Consolidated Financial Statements* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10)	To be announced by MASB
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
MFRS 16 *Leases*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)	1 January 2019
MFRS 128 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)	To be announced by MASB
MFRS 140 *Transfers of Investment Property* (Amendments to MFRS 140)	1 January 2018
Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)	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

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

Description	Effective for annual periods beginning on or after
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) Amendments to MFRS 3 *Business Combinations* and MFRS 11 *Joint Arrangements*	1 January 2019
(ii) Amendments to MFRS 112 *Income Tax*	1 January 2019
(iii) Amendments to MFRS 123 *Borrowing Costs*	1 January 2019

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

The amendments address three main areas:

(i) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(ii) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(iii) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group and the Bank are assessing the potential impact of the amendments on the financial statements.

MFRS 9 *Financial Instruments*

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

MFRS 9 requires financial assets to be classified on the basis of two criteria:

(1) The business model within financial assets are managed; and

(2) The contractual cash flows characteristic.

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

Amortised Cost	<---------- Fair Value ---------->	
	FVOCI	FVTPL
• Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.	• Financial assets will be measured at FVOCI if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.	• Financial assets will be measured at FVTPL if the assets that are held for trading or financial assets that qualify for neither held at amortised cost nor at FVOCI.
	• Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (i.e. without recycling profit or loss upon derecognition).	• Equity instruments that were not elected for FVOCI will be measured at FVTPL.

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

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

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

(ii) Impairment

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

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

- Determining a significant increase in credit risk since initial recognition

  The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. 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 will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

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

- ECL Measurement

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

  MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank decided to continue measure the impairment on an individual transaction basis for financial assets that are deemed to be individually significant. For detailed information on existing impairment approach under MFRS 139, please refer to Note 2.3(v)(d).

- 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 is expected to be behavioural life.

- Forward looking information

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

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The Group and the Bank have established a MFRS 9 project sponsored by Group Chief Financial Officer and co-sponsored by Group Chief Risk Officer and includes the subject matter experts with assistance from external consultants to plan and manage the implementation of MFRS 9. This implementation project consists of the following phases:

(a) Phase 1 – Impact assessment and solution development

This phase involves the following:

(i) Provide a clear understanding of the new accounting requirements via training;

(ii) Perform gap and impact assessment;

(iii) Understand the interdependencies with other projects; and

(iv) Develop MFRS 9 blue-print.

(b) Phase 2 – Build, test and deploy

This phase aims to:

(i) Develop detailed implementation plan;

(ii) Determine accounting policies to be adopted by the Group and the Bank; and

(iii) Identify optimal solutions for the Group and the Bank.

(c) Phase 3 – Go live

This phase involves the following:

(i) Parallel run and deployment of solution tools; and

(ii) Reassessment of solution tools and conclusion.

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

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

The Group and the Bank had completed Phase 1 during the financial year ended 31 December 2016 and Phase 2 on 30 June 2017. Specifically on 1 July 2017, the Group and the Bank have carried out the Phase 3 – parallel run on the financial instruments that are impacted by the classification and measurement requirements and ECL computation based on the developed impairment methodology. During the financial year ended 31 December 2017, the Group and the Bank have also developed its approach for assessing significant increase in credit risk, incorporating forward looking information, including the probability weighted outcome of future economic conditions.

The overall governance of MFRS 9 project implementation is through the MFRS 9 Project Steering Committee which includes representation from Finance, Risk, IT and various Business sectors. In addition, the Audit Committee of the Board and the Board of Directors have provided effective oversight of the Group's and the Bank's progress in preparation of MFRS 9 adoption along with the regular updates on the MFRS 9 progress and readiness by the project team.

Overall, the Group and the Bank anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification and measurement requirements will affect the presentation and disclosures within the Group's and the Bank's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses. Following the Group's and the Bank's parallel run using the latest available information, the Group's and the Bank's Capital Adequacy Ratios indicate potential reduction of around 40 basis points to the opening retained earnings on 1 January 2018 upon adoption of MFRS 9. The final impacts are still being assessed and may be adjusted as necessary.

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

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

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Bank's financial statements.

MFRS 10 *Consolidated Financial Statements* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments require the full gain to be recognised when the assets transferred to an associate or joint venture in which it meets the definition of a business as defined in MFRS 3 *Business Combinations*. Any gain or loss on assets transferred to an associate or joint venture that do not meet the definition of a business would be recognised only to the extent of the unrelated investors' interest in the associate or joint venture. The amendments originally apply prospectively effective for periods beginning on or after 1 January 2016, with early application permitted.

On 31 December 2015, MASB announced to defer the effective date of the amendments, except for the amendments which clarify how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests, where early application still permitted. The deferment is in line with the IASB's recent decision which removed the requirement to apply Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) by 2016. The IASB's reason for making the decision to defer the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

MFRS 15 *Revenue from Contracts with Customers*

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

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

(2) Identify the performance obligations in the contract;

(3) Determine the transaction price;

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

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 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 and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group and the Bank adopt the standard on its effective date, using the modified retrospective method of adoption. The standard does not apply to income or revenue associated with financial instruments scoped in MFRS 9 such as loan, advances and financing and financial investment securities.

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

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

The Group and the Bank have established a project team, with assistance from the various lines of business and finance management to evaluate the potential impact of adopting this standard. The implementation efforts included the scoping of material revenue streams, analysis of underlying contracts, business unit discussion to further assess specific contracts and products and the development of updated disclosures. The project team has completed the scoping and determined that approximately RM4 billion of other operating income for the financial year ended 31 December 2017 would be within the scope of the new revenue recognition standard, when adopted. Based on the completed contracts reviews to date, the potential changes in revenue recognition for those contracts are not expected to result in a material impact to the Group and the Bank upon adoption. The project team is developing additional quantitative and qualitative disclosures that will be required upon the adoption of the new revenue recognition standard.

MFRS 16 *Leases*

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. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease* – Incentives and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(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.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Bank are in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

MFRS 17 *Insurance Contracts*

MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The main features of the new accounting model for insurance contracts are, as follows:

(i) The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows);

(ii) A Contractual Service Margin ("CSM") that is equal and opposite to any day-one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period);

(iii) Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;

(iv) The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

(v) The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;

(vi) Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet;

(vii) Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and

(viii) Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard is effective for annual periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. An entity shall apply MFRS 17 retrospectively. However, if full retrospective application for estimating the CSM, as defined by MFRS 108 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

(i) Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

(ii) Fair value approach

The CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

The Group is in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

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

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

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

The amendments must be applied retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Bank do not expect the amendments to have any impact on the Group's and the Bank's financial statements.

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

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

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

(i) the *prospective* approach – apply the amendments to transfer that occur after the date of initial application and also reassess the classification of property assets held at that date; or

(ii) the *retrospective* approach – apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

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

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

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

The Group has opted not to apply the exemptions permitted under these amendments and will fully adopt MFRS 9 effective on 1 January 2018.

Annual Improvements to MFRSs 2014-2016 Cycle

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

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

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

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

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

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

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

(i) retrospectively according to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

(ii) prospectively to all assets, expenses and income in the scope of the interpretation initially recognised on or after:

- the beginning of the reporting period in which the entity first applies the interpretation; or
- the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the interpretation.

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

IC Interpretation 23 clarifies application of recognition and measurement requirements in MFRS 112 *Income Taxes* when there is uncertainty over income tax treatments (e.g. when recognising a current tax asset if tax laws require entities to make payments on a disputed tax treatment).

The Interpretation specifically addresses the following:

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

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

IC Interpretation 23 *Uncertainty over Income Tax Treatments* (cont'd.)

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group and the Bank are in the process of assessing the financial implication for adopting the interpretation and plan to adopt the new interpretation on the required effective date.

Annual Improvements to MFRSs 2015-2017 Cycle

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

- MFRS 3 *Business Combinations*

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

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

- MFRS 11 *Joint Arrangements*

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

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

(ii) Amendments to MFRS 112 *Income Tax*

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

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

(iii) Amendments to MFRS 123 *Borrowing Costs*

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

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

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5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash balances and deposits with financial institutions	**49,110,527**	56,932,108	**30,714,527**	38,350,931
Money at call	**1,223,763**	1,208,437	**–**	–
	50,334,290	58,140,545	**30,714,527**	38,350,931

The Group's monies held-in-trust for clients as at the reporting date are approximately RM4,836,268,000 (2016: RM3,467,046,000). These amounts are excluded from the cash and short-term funds of the Group in accordance with FRSIC Consensus 18. The Bank does not have monies held-in-trust for clients as at the reporting date.

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Licensed banks		**9,386,944**	9,512,235	**14,340,757**	16,120,174
Bank Negara Malaysia		**2,200,134**	1,142,428	**2,200,134**	1,139,794
Other financial institutions	(a)	**5,401,313**	2,789,967	**4,841,602**	2,079,319
		16,988,391	13,444,630	**21,382,493**	19,339,287

(a) Included in deposits and placements with other financial institutions is USD20.0 million (2016: USD30.0 million) or Ringgit Malaysia equivalent of RM81.0 million (2016: RM134.6 million) pledged with the New York State Banking Department which is not available for use by the Group and the Bank due to capital equivalency deposit requirements.

7. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) The financial assets purchased under resale agreements are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Foreign Government Bonds	**880,780**	220,393	**–**	213,970
Foreign Government Securities	**7,633,503**	2,272,019	**7,633,503**	1,999,143
	8,514,283	2,492,412	**7,633,503**	2,213,113

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

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets held-for-trading	8(b)	**–**	752,735	**–**	752,735
Financial investments available-for-sale	9(a)	**4,905,607**	716,135	**4,727,837**	716,135
Financial investments held-to-maturity	10(d)	**461,479**	1,489,081	**461,479**	1,489,081
		5,367,086	2,957,951	**5,189,316**	2,957,951

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets designated upon initial recognition	(a)	**13,187,127**	12,909,681	**–**	–
Financial assets held-for-trading	(b)	**11,930,366**	10,586,369	**7,896,677**	7,980,314
		25,117,493	23,496,050	**7,896,677**	7,980,314

(a) Financial assets designated upon initial recognition are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**243,699**	225,385	**–**	–
Malaysian Government Investment Issues	**142,181**	197,483	**–**	–
Negotiable Islamic Certificates of Deposits	**254,048**	249,261	**–**	–
Foreign Government Securities	**254,952**	103,421	**–**	–
Foreign Government Treasury Bills	**111,432**	24,804	**–**	–
	1,006,312	800,354	**–**	–
Quoted securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**18,056**	54,503	**–**	–
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**188,865**	233,627	**–**	–
	206,921	288,130	**–**	–
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**747,270**	428,318	**–**	–
Corporate Bonds and Sukuk in Malaysia	**10,840,030**	11,057,416	**–**	–
Structured deposits	**386,594**	335,463	**–**	–
	11,973,894	11,821,197	**–**	–
Total financial assets designated upon initial recognition	**13,187,127**	12,909,681	**–**	–

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

(b) Financial assets held-for-trading are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**441,205**	233,251	**392,497**	203,379
Malaysian Government Investment Issues	**55,157**	37,677	**10,009**	–
Negotiable instruments of deposits	**505,238**	–	**505,238**	–
Foreign Government Securities	**3,925,083**	2,931,845	**2,706,833**	2,313,978
Bank Negara Malaysia Bills and Notes	**49,698**	–	**49,698**	–
Foreign Government Treasury Bills	**73,571**	655	**73,571**	655
Cagamas Bonds	**–**	56,867	**–**	56,867
	5,049,952	3,260,295	**3,737,846**	2,574,879
Quoted securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**1,077,730**	805,806	**128,081**	128,780
Corporate Bonds and Sukuk	**–**	4,571	**–**	4,571
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**1,743,565**	1,245,355	**14,332**	11,896
Foreign Corporate Bonds and Sukuk	**–**	451	**–**	–
Foreign Government Bonds	**97,667**	74,930	**–**	–
	2,918,962	2,131,113	**142,413**	145,247
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**2,031,971**	3,760,622	**1,648,442**	3,410,260
Corporate Bonds and Sukuk in Malaysia	**1,320,909**	982,324	**1,767,926**	1,399,841
Foreign Government Bonds	**608,572**	452,015	**600,050**	450,087
	3,961,452	5,194,961	**4,016,418**	5,260,188
Total financial assets held-for-trading	**11,930,366**	10,586,369	**7,896,677**	7,980,314

Included in financial assets held-for-trading are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Foreign Government Securities (Note 7(b))	**–**	752,735	**–**	752,735

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9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**12,276,119**	10,004,488	**12,271,396**	9,955,613
Malaysian Government Investment Issues	**20,113,895**	12,621,577	**12,087,870**	7,426,545
Negotiable instruments of deposits	**1,453,388**	4,573,550	**1,035,128**	4,492,819
Foreign Government Securities	**9,744,294**	10,611,242	**7,151,001**	8,092,808
Foreign Government Treasury Bills	**7,967,482**	5,807,734	**7,961,429**	5,807,734
Khazanah Bonds	**2,404,554**	1,917,128	**2,404,554**	1,917,128
Cagamas Bonds	**793,877**	728,048	**793,877**	728,048
Bankers' acceptances and Islamic accepted bills	**166,173**	–	**–**	–
Foreign Certificates of Deposits	**–**	44,909	**–**	44,909
	54,919,782	46,308,676	**43,705,255**	38,465,604
Quoted securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**2,682,254**	2,188,387	**196,592**	141,507
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**222,422**	142,135	**–**	733
Foreign Corporate Bonds and Sukuk	**66,283**	97,007	**–**	–
Foreign Government Bonds	**22,495**	23,224	**–**	–
Foreign Government Treasury Bills	**–**	33,874	**–**	–
	2,993,454	2,484,627	**196,592**	142,240
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment losses				
Unquoted securities:				
Shares, trust units and loan stocks in Malaysia#	**360,644**	347,701	**280,825**	268,622
Shares, trust units and loan stocks outside Malaysia#	**3,045**	94,741	**–**	–
Foreign Corporate Bonds and Sukuk	**22,213,641**	18,714,932	**21,010,325**	17,794,222
Corporate Bonds and Sukuk in Malaysia	**23,486,479**	17,214,829	**19,076,312**	11,099,251
Foreign Government Bonds	**4,772,932**	6,641,416	**4,741,288**	6,606,641
Malaysian Government Bonds	**320,267**	576,547	**276,142**	527,621
Structured deposits	**–**	1,365	**–**	–
	51,157,008	43,591,531	**45,384,892**	36,296,357
Total financial investments available-for-sale	**109,070,244**	92,384,834	**89,286,739**	74,904,201

Securities that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, net of impairment losses.

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9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONT'D.)

(a) Included in financial investments available-for-sale are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysian Government Securities	**2,091,359**	–	**2,091,359**	–
Malaysian Government Investment Issues	**816,064**	485,797	**816,064**	485,797
Foreign Corporate Bonds and Sukuk	**1,820,414**	13,611	**1,820,414**	13,611
Foreign Government Bonds	**177,770**	216,727	**–**	216,727
Total (Note 7(b))	**4,905,607**	716,135	**4,727,837**	716,135

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	**13,538,360**	15,126,464	**11,583,774**	11,946,433
One year to three years	**8,619,642**	6,453,764	**5,812,115**	7,115,552
Three years to five years	**4,499,263**	3,194,596	**3,707,828**	2,144,873
After five years	**28,262,517**	21,533,852	**22,601,538**	17,258,746
	54,919,782	46,308,676	**43,705,255**	38,465,604

(c) Movements in the allowances for impairment losses on financial investments available-for-sale are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**560,730**	641,405	**409,141**	365,495
Allowance made (Note 45)	**69,725**	265,440	**1,071**	213,464
Amount written back in respect of recoveries (Note 45)	**(856)**	(83,187)	**(3,288)**	(73,613)
Amount written-off/realised	**(106,962)**	(275,898)	**(11,258)**	(99,951)
Exchange differences	**(1,314)**	12,970	**4,235**	3,746
At 31 December	**521,323**	560,730	**399,901**	409,141

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10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At amortised cost less accumulated impairment losses				
Money market instruments:				
Malaysian Government Securities	**2,022,531**	2,017,799	**2,022,427**	2,017,695
Malaysian Government Investment Issues	**2,525,606**	2,522,557	**2,525,606**	2,522,557
Foreign Government Securities	**1,398,014**	1,275,579	**–**	–
Foreign Government Treasury Bills	**19,057**	67,403	**–**	–
Khazanah Bonds	**860,393**	827,825	**860,393**	827,825
Cagamas Bonds	**50,247**	50,259	**50,247**	50,259
Foreign Certificates of Deposits	**174,618**	92,935	**–**	–
	7,050,466	6,854,357	**5,458,673**	5,418,336
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**2,832,177**	1,373,041	**2,452,215**	911,100
Corporate Bonds and Sukuk in Malaysia	**9,945,774**	5,530,942	**9,806,381**	6,223,862
Foreign Government Bonds	**358,536**	1,285,495	**48,028**	30,745
Others	**2,044**	2,044	**2,044**	2,044
	13,138,531	8,191,522	**12,308,668**	7,167,751
Accumulated impairment losses	**(4,224)**	(24,282)	**(3,776)**	(3,776)
Total financial investments held-to-maturity	**20,184,773**	15,021,597	**17,763,565**	12,582,311

(a) Indicative fair values of financial investments held-to-maturity are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Money market instruments:				
Malaysian Government Securities	**2,076,812**	2,032,724	**2,076,706**	2,032,620
Malaysian Government Investment Issues	**2,535,648**	2,525,156	**2,535,648**	2,525,156
Foreign Government Securities	**1,408,594**	1,282,484	**–**	–
Foreign Government Treasury Bills	**19,466**	67,730	**–**	–
Khazanah Bonds	**863,690**	827,268	**863,690**	827,268
Cagamas Bonds	**50,032**	49,969	**50,032**	49,969
Foreign Certificates of Deposits	**174,618**	92,935	**–**	–
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**2,811,946**	1,459,408	**2,425,518**	996,397
Corporate Bonds and Sukuk in Malaysia	**10,060,155**	5,549,257	**9,920,762**	6,242,178
Foreign Government Bonds	**358,535**	1,285,608	**48,028**	30,747
Others	**2,044**	2,044	**2,044**	2,044

(b) The maturity profile of money market instruments is as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	**1,953,614**	800,772	**713,366**	–
One year to three years	**772,004**	1,377,322	**434,603**	927,258
Three years to five years	**1,502,339**	1,364,568	**1,488,300**	1,179,488
After five years	**2,822,509**	3,311,695	**2,822,404**	3,311,590
	7,050,466	6,854,357	**5,458,673**	5,418,336

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10. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONT'D.)

(c) Movements in the allowances for impairment losses on financial investments held-to-maturity are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**24,282**	24,248	**3,776**	3,776
Amount written back in respect of recoveries (Note 45)	**(107)**	–	**–**	–
Amount written-off	**(20,053)**	–	**–**	–
Exchange differences	**102**	34	**–**	–
At 31 December	**4,224**	24,282	**3,776**	3,776

(d) Included in financial investments held-to-maturity are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysian Government Securities	**–**	337,154	**–**	337,154
Foreign Government Securities	**461,479**	–	**461,479**	–
Malaysian Government Investment Issues	**–**	1,151,927	**–**	1,151,927
Total (Note 7(b))	**461,479**	1,489,081	**461,479**	1,489,081

11. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Overdrafts/cashline	**22,177,237**	21,873,512	**11,016,583**	10,812,916
Term loans:				
– Housing loans/financing	**149,069,563**	144,805,122	**59,881,852**	56,290,758
– Syndicated loans/financing	**39,920,409**	38,015,281	**35,704,531**	35,060,528
– Hire purchase receivables*	**73,150,529**	64,119,786	**25,862,558**	21,215,380
– Lease receivables	**120,939**	60,636	**–**	–
– Other loans/financing	**216,033,764**	223,604,109	**96,176,360**	107,314,937
Credit card receivables	**8,991,286**	8,359,305	**7,257,690**	6,713,601
Bills receivables	**3,868,214**	4,153,762	**3,722,569**	4,086,302
Trust receipts	**4,528,344**	4,420,182	**3,821,888**	3,722,796
Claims on customers under acceptance credits	**11,493,076**	11,575,723	**5,773,350**	5,953,148
Loans/financing to financial institutions (Note 11(x))	**2,040,105**	2,247,694	**18,817,485**	18,640,278
Revolving credits	**54,764,740**	55,041,314	**29,825,692**	31,285,172
Staff loans	**3,447,298**	3,525,502	**815,718**	888,331
Loans to:				
– Directors of the Bank	**4,253**	4,012	**212**	463
– Directors of subsidiaries	**4,811**	3,215	**639**	1,630
Others	**4,190,061**	3,372,116	**–**	–
	593,804,629	585,181,271	**298,677,127**	301,986,240
Unearned interest and income	**(99,959,543)**	(99,445,560)	**(1,841,868)**	(1,628,063)
Gross loans, advances and financing	**493,845,086**	485,735,711	**296,835,259**	300,358,177
Allowances for impaired loans, advances and financing:				
– Individual allowance	**(4,120,531)**	(3,764,929)	**(3,002,620)**	(2,493,534)
– Collective allowance	**(4,140,193)**	(4,195,879)	**(2,834,670)**	(2,844,507)
Net loans, advances and financing	**485,584,362**	477,774,903	**290,997,969**	295,020,136

* The hire purchase receivables of a subsidiary of RM2,038,846,000 (2016: RM2,023,889,000) are pledged as collateral to a secured borrowing as disclosed in Note 29(a)(i).

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

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Domestic banking institutions	**16,084**	76,819	**18,059,723**	17,776,082
Domestic non-banking financial institutions	**25,554,508**	24,995,761	**20,265,706**	20,110,549
Domestic business enterprises:				
– Small and medium enterprises	**78,320,245**	78,450,015	**57,001,083**	54,417,927
– Others	**104,221,505**	108,054,043	**57,380,920**	62,336,597
Government and statutory bodies	**15,402,406**	9,553,849	**900,545**	962,303
Individuals	**228,084,123**	219,007,962	**110,824,453**	107,355,810
Other domestic entities	**8,657,197**	6,632,911	**1,361,032**	536,924
Foreign entities	**33,589,018**	38,964,351	**31,041,797**	36,861,985
Gross loans, advances and financing	**493,845,086**	485,735,711	**296,835,259**	300,358,177

(ii) Loans, advances and financing analysed by geographical location are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	**289,103,366**	275,060,627	**142,852,051**	143,030,884
Singapore	**124,388,161**	121,561,911	**122,847,450**	120,583,331
Indonesia	**39,009,785**	42,213,162	**–**	–
Labuan Offshore	**14,478,182**	18,612,494	**14,478,182**	18,612,494
Hong Kong SAR	**8,571,662**	10,855,710	**8,266,943**	10,385,398
United States of America	**813,651**	835,785	**813,079**	835,152
People's Republic of China	**4,101,002**	3,553,392	**4,101,002**	3,553,392
Vietnam	**861,178**	834,027	**637,743**	686,796
United Kingdom	**1,692,984**	1,413,903	**1,692,934**	1,413,879
Brunei	**660,211**	638,659	**660,211**	638,659
Cambodia	**2,263,316**	2,515,045	**–**	–
Bahrain	**120,152**	449,529	**120,152**	449,529
Philippines	**5,860,871**	5,579,772	**–**	–
Thailand	**1,515,687**	1,399,415	**–**	–
Laos	**134,911**	125,437	**134,911**	125,437
Myanmar	**230,601**	43,226	**230,601**	43,226
Others	**39,366**	43,617	**–**	–
Gross loans, advances and financing	**493,845,086**	485,735,711	**296,835,259**	300,358,177

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate:				
– Housing loans/financing	**14,448,234**	20,972,243	**12,367,358**	18,635,026
– Hire purchase receivables	**62,031,596**	58,229,799	**23,507,256**	21,011,268
– Other fixed rate loans/financing	**65,233,033**	65,839,818	**49,151,305**	49,935,496
	141,712,863	145,041,860	**85,025,919**	89,581,790

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

(iii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows (cont'd.):

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Variable rate:				
– Base lending/financing rate/Base rate plus	**186,900,601**	176,999,015	**86,193,316**	88,766,345
– Cost plus	**62,214,999**	61,815,505	**56,955,905**	56,727,126
– Other variable rates	**103,016,623**	101,879,331	**68,660,119**	65,282,916
	352,132,223	340,693,851	**211,809,340**	210,776,387
Gross loans, advances and financing	**493,845,086**	485,735,711	**296,835,259**	300,358,177

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchase of securities	**33,963,031**	33,763,335	**9,428,608**	10,840,651
Purchase of transport vehicles	**64,175,135**	57,427,629	**22,793,620**	20,092,532
Purchase of landed properties:				
– Residential	**106,334,633**	97,122,826	**66,085,358**	61,316,702
– Non-residential	**40,756,217**	41,698,958	**28,602,987**	29,040,220
Purchase of fixed assets (excluding landed properties)	**5,883,215**	7,284,181	**5,842,763**	7,253,314
Personal use	**10,376,625**	10,720,712	**6,351,673**	6,751,692
Credit card	**9,168,555**	8,534,651	**7,393,984**	6,853,811
Purchase of consumer durables	**4,565**	4,482	**4,235**	4,189
Constructions	**16,761,677**	17,850,789	**10,827,248**	12,629,495
Mergers and acquisitions	**876,464**	411,826	**850,019**	365,022
Working capital	**160,235,663**	167,885,959	**97,562,331**	110,029,604
Others	**45,309,306**	43,030,363	**41,092,433**	35,180,945
Gross loans, advances and financing	**493,845,086**	485,735,711	**296,835,259**	300,358,177

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	**130,156,691**	134,071,165	**84,077,790**	94,290,760
One year to three years	**56,735,002**	56,347,584	**41,663,942**	43,872,159
Three years to five years	**58,058,485**	62,071,403	**40,131,495**	41,133,223
After five years	**248,894,908**	233,245,559	**130,962,032**	121,062,035
Gross loans, advances and financing	**493,845,086**	485,735,711	**296,835,259**	300,358,177

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

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross impaired loans at 1 January	**11,055,380**	8,555,007	**7,180,389**	5,398,626
Impaired during the financial year	**7,105,386**	9,291,509	**3,875,729**	5,597,011
Reclassified as non-impaired	**(2,276,061)**	(2,999,037)	**(997,473)**	(1,834,681)
Amount recovered	**(2,262,161)**	(2,292,629)	**(1,151,312)**	(1,362,096)
Amount written-off	**(1,648,146)**	(1,693,147)	**(648,610)**	(856,897)
Transferred from a subsidiary	**–**	–	**–**	179,286
Exchange differences	**(424,495)**	193,677	**(187,882)**	59,140
Gross impaired loans at 31 December	**11,549,903**	11,055,380	**8,070,841**	7,180,389
Less: Individual allowance	**(4,120,531)**	(3,764,929)	**(3,002,620)**	(2,493,534)
Net impaired loans at 31 December	**7,429,372**	7,290,451	**5,068,221**	4,686,855
Calculation of ratio of net impaired loans:				
Gross impaired loans at 31 December (excluding financing funded by Investment Account*)	**11,483,939**	10,973,689	**8,070,841**	7,180,389
Less: Individual allowance	**(4,120,531)**	(3,764,929)	**(3,002,620)**	(2,493,534)
Net impaired loans	**7,363,408**	7,208,760	**5,068,221**	4,686,855
Gross loans, advances and financing	**493,845,086**	485,735,711	**296,835,259**	300,358,177
Less: Individual allowance	**(4,120,531)**	(3,764,929)	**(3,002,620)**	(2,493,534)
Less: Funded by Investment Account*	**(24,555,445)**	(31,544,587)	**–**	–
Net loans, advances and financing	**465,169,110**	450,426,195	**293,832,639**	297,864,643
Ratio of net impaired loans	**1.58%**	1.60%	**1.72%**	1.57%

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

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

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchase of securities	**275,691**	201,965	**163,430**	149,992
Purchase of transport vehicles	**369,622**	330,164	**100,104**	107,557
Purchase of landed properties:				
– Residential	**717,419**	617,185	**376,994**	324,843
– Non-residential	**992,952**	925,181	**872,588**	820,599
Purchase of fixed assets (excluding landed properties)	**1,512,007**	474,886	**1,483,691**	439,861
Personal use	**160,019**	150,544	**128,583**	111,840
Credit card	**90,831**	92,484	**63,872**	60,640
Purchase of consumer durables	**106**	32	**98**	18
Constructions	**1,504,782**	1,439,746	**1,106,035**	1,034,438
Working capital	**5,381,439**	6,094,034	**3,425,896**	3,896,560
Others	**545,035**	729,159	**349,550**	234,041
Gross impaired loans, advances and financing	**11,549,903**	11,055,380	**8,070,841**	7,180,389

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	**5,619,324**	5,754,507	**3,896,008**	4,246,493
Singapore	**2,931,842**	1,587,853	**2,897,765**	1,570,036
Indonesia	**1,417,698**	1,993,758	**–**	–
Labuan Offshore	**244,722**	209,957	**244,722**	209,957
Hong Kong SAR	**886,737**	1,031,921	**878,849**	1,031,921
United States of America	**572**	633	**–**	–
People's Republic of China	**1,054**	5,878	**1,054**	5,878
Vietnam	**68,271**	82,976	**67,121**	80,394
Brunei	**38,529**	21,888	**38,529**	21,888
Cambodia	**97,667**	95,619	**–**	–
Bahrain	**5,063**	5,608	**5,063**	5,608
Philippines	**123,185**	185,823	**–**	–
Thailand	**38,438**	31,887	**–**	–
Laos	**41,730**	8,214	**41,730**	8,214
Others	**35,071**	38,858	**–**	–
Gross impaired loans, advances and financing	**11,549,903**	11,055,380	**8,070,841**	7,180,389

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

(ix) Movements in the allowances for impaired loans, advances and financing are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Individual allowance				
At 1 January	**3,764,929**	2,259,910	**2,493,534**	1,422,090
Allowance made (Note 44)	**1,830,104**	2,390,222	**1,237,538**	1,592,007
Amount written back (Note 44)	**(326,072)**	(115,272)	**(238,042)**	(80,690)
Amount written-off	**(858,546)**	(858,279)	**(317,726)**	(510,376)
Transferred to collective allowance	**(31,234)**	(30,057)	**(26,013)**	(18,990)
Exchange differences	**(258,650)**	118,405	**(146,671)**	89,493
At 31 December	**4,120,531**	3,764,929	**3,002,620**	2,493,534
Collective allowance				
At 1 January	**4,195,879**	3,899,141	**2,844,507**	2,627,341
Allowance made (Note 44)	**836,425**	1,100,315	**346,381**	522,087
Amount written back (Note 44)	**(390)**	(30,762)	**–**	–
Amount written-off	**(789,601)**	(834,868)	**(330,885)**	(346,521)
Transferred from individual allowance	**31,234**	30,057	**26,013**	18,990
Exchange differences	**(133,354)**	31,996	**(51,346)**	22,610
At 31 December	**4,140,193**	4,195,879	**2,834,670**	2,844,507
As a percentage of total loans, less individual allowance (including regulatory reserve)	**1.53%**	1.19%	**1.76%**	1.20%
As a percentage of total risk-weighted assets (including regulatory reserve)	**1.84%**	1.38%	**1.95%**	1.31%

(x) Included in the Bank's loans/financing to financial institutions is financing granted to Maybank Islamic Berhad ("MIB"), a subsidiary of the Bank, under Restricted Profit Sharing Investment Account ("RPSIA") amounting to RM18,068.2 million (2016: RM17,767.7 million). The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the Bank acts as the investor who solely provides capital to MIB whereas the business venture is managed solely by MIB as an entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses, if any, are borne by the Bank.

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12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

	Group			Bank		
		<---------- Fair Values ---------->			<---------- Fair Values ---------->	
2017	Principal Amount RM'000	Assets RM'000	Liabilities RM'000	Principal Amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts						
Currency forwards:						
– Less than one year	32,008,349	233,163	(634,310)	25,510,068	227,109	(402,267)
– One year to three years	1,629,193	47,603	(31,293)	1,304,273	39,069	(30,958)
– More than three years	422,172	11,944	(2,671)	670,373	11,944	(2,671)
	34,059,714	292,710	(668,274)	27,484,714	278,122	(435,896)
Currency swaps:						
– Less than one year	236,187,976	2,293,375	(2,202,490)	235,256,487	2,425,979	(2,413,916)
– One year to three years	61,347	6,897	(2,171)	61,347	6,897	(2,171)
– More than three years	6,926	–	(719)	6,926	–	(719)
	236,256,249	2,300,272	(2,205,380)	235,324,760	2,432,876	(2,416,806)
Currency spots:						
– Less than one year	1,851,202	1,568	(4,683)	2,217,295	2,440	(4,766)
Currency options:						
– Less than one year	3,486,393	7,298	(6,526)	3,486,393	7,298	(6,526)
Cross currency interest rate swaps:						
– Less than one year	6,937,210	249,013	(405,083)	6,231,388	254,172	(399,862)
– One year to three years	13,057,868	466,175	(447,398)	13,803,118	583,609	(549,254)
– More than three years	14,392,784	697,288	(647,777)	14,130,849	694,522	(647,776)
	34,387,862	1,412,476	(1,500,258)	34,165,355	1,532,303	(1,596,892)
Interest rate related contracts						
Interest rate swaps:						
– Less than one year	72,311,200	55,593	(86,753)	72,562,300	55,593	(87,548)
– One year to three years	68,156,174	315,620	(301,183)	68,334,401	315,821	(298,075)
– More than three years	136,896,093	1,706,997	(1,659,486)	137,510,497	1,701,148	(1,667,467)
	277,363,467	2,078,210	(2,047,422)	278,407,198	2,072,562	(2,053,090)
Interest rate futures:						
– Less than one year	4,233,443	994	(4,016)	2,632,500	737	(3,263)
– One year to three years	2,957,496	1,362	(230)	1,620,000	633	–
	7,190,939	2,356	(4,246)	4,252,500	1,370	(3,263)
Interest rate options:						
– Less than one year	603,020	5	(11)	603,020	5	(11)
– One year to three years	3,290,696	5,452	(2,308)	3,290,696	5,452	(2,308)
– More than three years	6,792,907	44,212	(241,238)	7,682,907	55,550	(241,250)
	10,686,623	49,669	(243,557)	11,576,623	61,007	(243,569)

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

	Group			Bank		
		<---------- Fair Values ---------->			<---------- Fair Values ---------->	
2017 (cont'd.)	Principal Amount RM'000	Assets RM'000	Liabilities RM'000	Principal Amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Equity related contracts						
Index futures:						
– More than three years	33,663	3,036	–	–	–	–
Equity options:						
– Less than one year	191,473	33,953	(86,815)	15,450	1,061	–
– One year to three years	1,665	143	–	–	–	–
	193,138	34,096	(86,815)	15,450	1,061	–
Equity swaps:						
– Less than one year	1,953,990	60,603	(35,301)	148,378	15,080	(1,176)
Commodity related contracts						
Commodity options:						
– Less than one year	2,565,283	207,536	(205,258)	2,565,283	207,536	(205,258)
– One year to three years	3,465,273	256,342	(258,620)	3,465,273	256,342	(258,620)
	6,030,556	463,878	(463,878)	6,030,556	463,878	(463,878)
Commodity swaps:						
– Less than one year	920,669	54,591	(54,069)	920,669	54,591	(54,069)
– One year to three years	382,166	10,982	(10,898)	382,166	10,982	(10,898)
– More than three years	344,713	12,475	(11,878)	344,713	12,475	(11,878)
	1,647,548	78,048	(76,845)	1,647,548	78,048	(76,845)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency interest rate swaps:						
– Less than one year	664,789	37,343	–	664,789	37,343	–
– One year to three years	3,144,706	161,885	(130,381)	3,144,706	161,885	(130,381)
– More than three years	1,519,588	–	(36,123)	1,519,588	–	(36,123)
	5,329,083	199,228	(166,504)	5,329,083	199,228	(166,504)
Interest rate related contracts						
Interest rate swaps:						
– One year to three years	742,552	1,813	(1,311)	202,500	558	(772)
– More than three years	384,750	11,166	(1,791)	384,750	11,166	(1,791)
	1,127,302	12,979	(3,102)	587,250	11,724	(2,563)
Netting effects under MFRS 132 Amendments	–	(291,776)	291,776	–	(291,776)	291,776
Total	621,597,729	6,704,651	(7,221,015)	610,673,103	6,865,221	(7,179,998)

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

	Group			Bank		
		<---------- Fair Values ---------->			<---------- Fair Values ---------->	
2016	**Principal Amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Principal Amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives						
Foreign exchange related contracts						
Currency forwards:						
– Less than one year	36,297,307	1,041,107	(390,038)	30,177,674	740,114	(340,842)
– One year to three years	1,614,408	43,098	(61,139)	1,614,408	43,098	(61,139)
– More than three years	109,540	2,533	(2,388)	109,540	2,533	(2,388)
	38,021,255	1,086,738	(453,565)	31,901,622	785,745	(404,369)
Currency swaps:						
– Less than one year	170,207,992	2,498,234	(2,492,608)	172,616,102	2,743,381	(2,483,234)
– One year to three years	548,551	38,012	(342)	548,551	38,012	(342)
	170,756,543	2,536,246	(2,492,950)	173,164,653	2,781,393	(2,483,576)
Currency spots:						
– Less than one year	2,154,112	2,058	(1,017)	2,186,968	2,081	(1,022)
Currency options:						
– Less than one year	6,409,635	85,298	(63,946)	6,409,635	85,298	(63,946)
– One year to three years	13,808	73	(1,043)	13,808	73	(1,043)
	6,423,443	85,371	(64,989)	6,423,443	85,371	(64,989)
Cross currency interest rate swaps:						
– Less than one year	9,037,284	395,630	(778,333)	8,530,572	378,013	(746,253)
– One year to three years	13,831,249	970,326	(1,315,263)	14,958,939	1,122,190	(1,438,413)
– More than three years	13,349,911	1,073,245	(1,007,515)	13,106,138	1,068,280	(996,509)
	36,218,444	2,439,201	(3,101,111)	36,595,649	2,568,483	(3,181,175)
Interest rate related contracts						
Interest rate swaps:						
– Less than one year	93,180,752	87,030	(87,075)	93,310,856	86,231	(86,044)
– One year to three years	63,070,554	214,879	(206,497)	63,833,150	214,775	(205,977)
– More than three years	128,356,609	1,873,499	(1,912,682)	128,644,612	1,868,107	(1,912,702)
	284,607,915	2,175,408	(2,206,254)	285,788,618	2,169,113	(2,204,723)
Interest rate futures:						
– Less than one year	4,658,638	938	(876)	3,602,258	882	(811)
– One year to three years	3,905,590	1,925	(1,755)	2,557,020	1,786	(1,620)
	8,564,228	2,863	(2,631)	6,159,278	2,668	(2,431)
Interest rate options:						
– Less than one year	200,000	121	–	200,000	121	–
– One year to three years	1,450,906	1,063	(1,756)	1,450,906	1,063	(1,756)
– More than three years	8,332,291	93,015	(233,144)	9,242,290	115,325	(233,144)
	9,983,197	94,199	(234,900)	10,893,196	116,509	(234,900)

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

	Group			Bank		
		<---------- Fair Values ---------->			<---------- Fair Values ---------->	
2016 (cont'd.)	Principal Amount RM'000	Assets RM'000	Liabilities RM'000	Principal Amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Equity related contracts						
Index futures:						
– Less than one year	119,070	–	(69)	–	–	–
– More than three years	33,663	1,636	–	–	–	–
	152,733	1,636	(69)	–	–	–
Equity options:						
– Less than one year	622,453	33,908	(36,471)	92,332	1,234	(1,234)
– One year to three years	19,274	2,081	(112)	16,100	1,173	(112)
	641,727	35,989	(36,583)	108,432	2,407	(1,346)
Equity swaps:						
– Less than one year	817,228	55,596	(13,305)	145,345	11,456	(3,372)
Commodity related contracts						
Commodity options:						
– Less than one year	5,449,862	343,678	(356,263)	5,449,862	343,678	(356,263)
– One year to three years	2,417,900	139,392	(139,392)	2,417,900	139,392	(139,392)
	7,867,762	483,070	(495,655)	7,867,762	483,070	(495,655)
Commodity swaps:						
– Less than one year	699,708	67,338	(67,075)	699,708	67,338	(67,075)
– One year to three years	330,200	15,903	(15,430)	330,200	15,903	(15,430)
– More than three years	263,232	6,056	(5,479)	263,232	6,056	(5,479)
	1,293,140	89,297	(87,984)	1,293,140	89,297	(87,984)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency interest rate swaps:						
– Less than one year	1,790,546	8,803	(267,187)	1,790,546	8,803	(267,187)
– One year to three years	1,659,207	19,513	(179,446)	1,659,207	19,513	(179,446)
– More than three years	592,728	8,440	(12,918)	592,728	8,440	(12,918)
	4,042,481	36,756	(459,551)	4,042,481	36,756	(459,551)
Interest rate related contracts						
Interest rate swaps:						
– Less than one year	567,290	453	(1,814)	67,290	453	(1,446)
– One year to three years	560,750	3,204	(962)	224,300	2,498	(962)
– More than three years	201,870	13,902	(5,004)	201,870	13,902	(5,004)
	1,329,910	17,559	(7,780)	493,460	16,853	(7,412)
Netting effects under MFRS 132 Amendments	–	(830,284)	830,284	–	(830,284)	830,284
Total	572,874,118	8,311,703	(8,828,060)	567,064,047	8,320,918	(8,802,221)

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

Fair value hedge

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting.

Fair value hedge is used by the Group and the Bank to protect against changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include the Group's and the Bank's financial investments available-for-sale, borrowings and loans, advances and financing.

For the financial year ended 31 December 2017, the Group and the Bank recognised the following net gain/(loss):

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/gain on the hedging instruments	**(15,513)**	318	**(15,513)**	318
Gain/(loss) on the hedged items attributable to the hedged risk	**19,177**	(331)	**19,177**	(331)

Net investment hedge

The Group has designated net investment hedge for borrowings amounting of SGD0.52 billion (2016: SGD0.52 billion) or Ringgit Malaysia equivalent of RM1.58 billion (2016: RM1.62 billion) and USD0.05 billion (2016: USD0.11 billion) or Ringgit Malaysia equivalent of RM0.2 billion (2016: RM0.48 billion) which were used to fund investment in subsidiaries.

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date by comparing the cumulative value changes of hedging instruments and hedged items. The hedging relationship was highly effective for the total hedging period and as of the reporting date. Resultantly, the unrealised gain totalling RM69,135,000 (net of tax) (2016: RM21,197,000) from the hedging relationship as disclosed in Note 34 were recognised through other comprehensive income.

Cash flow hedge

The Group used an interest rate swap to manage the variability in future cash flows on a liability with floating rates of interest by exchanging the floating rates for fixed rates. The amount and timing of future cash flows, representing both principal and interest flows, are projected on the basis of their contractual terms and other relevant factors. The aggregate principal balance and interest cash flows over time form the basis for identifying gains and losses on the effective portion of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised through other comprehensive income, in the cash flow hedge reserve, and transferred to profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in profit or loss in the period in which they occur which is anticipated to take place over the next 2 years.

The hedging relationship was effective for the total hedging period and as of the reporting date. As such the unrealised loss of SGD147,000 or Ringgit Malaysia equivalent of RM447,000 from the hedging relationship as disclosed in Note 34 were recognised through other comprehensive income.

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13. REINSURANCE/RETAKAFUL ASSETS AND OTHER INSURANCE RECEIVABLES

Group	Note	2017 RM'000	2016 RM'000
Reinsurance/retakaful assets (Note 24)	(i)	**3,222,455**	3,692,581
Other insurance receivables	(ii)	**711,317**	447,015
		3,933,772	4,139,596

(i) Reinsurance/retakaful assets

Group	2017 RM'000	2016 RM'000
Reinsurers' share of:	**2,884,125**	3,400,731
Life insurance contract liabilities	**32,963**	25,767
General insurance contract liabilities	**2,851,162**	3,374,964
Retakaful operators' share of:	**338,330**	291,850
Family takaful certificate liabilities	**76,166**	49,677
General takaful certificate liabilities	**262,164**	242,173
	3,222,455	3,692,581

(ii) Other insurance receivables

Group	2017 RM'000	2016 RM'000
Due premium including agents/brokers and co-insurers balances	**283,197**	330,061
Due from reinsurers and cedants/retakaful operators	**444,868**	135,981
	728,065	466,042
Allowance for impairment losses	**(16,748)**	(19,027)
	711,317	447,015

14. OTHER ASSETS

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other debtors	(a)	**5,554,056**	6,304,018	**4,328,113**	5,077,156
Amount due from brokers and clients	54	**2,346,536**	2,452,894	**–**	–
Prepayments and deposits		**1,420,247**	1,407,933	**443,875**	491,926
Tax recoverable		**88,297**	113,850	**–**	–
Foreclosed properties		**289,004**	246,865	**29,409**	34,430
		9,698,140	10,525,560	**4,801,397**	5,603,512

(a) Included in other debtors are physical gold held by the Group and the Bank as a result of its broker-dealer activities amounting to approximately RM637,351,000 (2016: RM698,131,000).

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15. INVESTMENT PROPERTIES

Group	2017 RM'000	2016 RM'000
At fair value		
At 1 January	**758,488**	716,818
Additions	**85,505**	32,984
Fair value adjustments (Note 42)	**(173)**	8,858
Impairment losses (Note 42)	**–**	(141)
Disposal		
– Reversal of cost	**(29,890)**	–
– Reversal of fair value adjustments upon disposal (Note 42)	**(60,000)**	–
Exchange differences	**(375)**	(31)
At 31 December	**753,555**	758,488

The following investment properties are held under lease terms:

Group	2017 RM'000	2016 RM'000
At fair value		
Leasehold land	**76,000**	167,000
Buildings	**55,360**	56,265
Work-in-progress	**161,209**	76,691
	292,569	299,956

The Group has no restrictions on the realisability of its investment properties and has no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value, which have been determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Details of valuation methods are disclosed in Note 53(b).

16. STATUTORY DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bank Negara Malaysia	(a)	**7,069,370**	6,781,599	**3,827,265**	3,711,494
Other central banks	(b)	**8,327,843**	8,602,535	**3,919,435**	3,818,831
		15,397,213	15,384,134	**7,746,700**	7,530,325

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

(b) The statutory deposits of the foreign branches and foreign subsidiaries are denominated in foreign currencies and maintained with the central banks of the respective countries, in compliance with the applicable legislations in the respective countries.

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17. INVESTMENT IN SUBSIDIARIES

Bank	2017 RM'000	2016 RM'000
Unquoted shares, at cost		
– In Malaysia	**23,597,460**	23,193,214
– Outside Malaysia	**1,575,405**	1,509,135
	25,172,865	24,702,349
Less: Accumulated impairment losses	**(3,115,802)**	(3,115,802)
	22,057,063	21,586,547

The following are major events of the Group and of the Bank during the financial year ended 31 December 2017:

(a) Capital injection into Maybank Cambodia Plc, a wholly-owned subsidiary of the Bank

On 31 January 2017, the Bank injected additional share capital of USD15.0 million (or equivalent amount of approximately RM66.4 million) to comply with the minimum regulatory capital requirement as well as to strenghten its capital level.

(b) Reduction of share capital for Maybank International (L) Ltd., a wholly-owned subsidiary of the Bank

On 29 June 2017, Maybank International (L) Ltd., a wholly-owned subsidiary of the Bank repatriated the excess share capital to the Bank of USD56.5 million (or equivalent amount of approximately RM166.1 million) in order to optimise its capital level.

(c) Investment in deemed controlled structured entities by the Bank

On 11 August 2017, the Bank invested directly into Maybank Asset Management Group Berhad traditional funds, namely Akshayam Asia Fund Ltd., Bluewaterz Total Return Bond Fund, Maybank Bluewaterz Total Return Bond Fund and Maybank Syariah Equity Fund for equivalent amount of approximately RM480.3 million.

These direct investments are treated as the deemed controlled structured entities as disclosed in Note 63(b).

(d) Capital injection into Maybank Asset Management Group Berhad, a wholly-owned subsidiary of the Bank

On 5 September 2017, the Bank injected additional share capital of RM90.0 million for future business expansion.

(e) Acquisition of PT Asuransi Asoka Mas

On 28 September 2017, Etiqa International Holdings Sdn. Bhd., a wholly-owned subsidiary of the Bank completed the acquisition of 75% shareholding in PT Asuransi Asoka Mas, a General Insurance company based in Indonesia, for a purchase consideration of IDR207.2 billion (or equivalent amount of approximately RM64.9 million). The acquisition of 750,000,000 shares was purchased from PT Transpacific Mutualcapita who will keep the remaining 25% shareholding in PT Asuransi Asoka Mas.

All relevant approvals including those from Bank Negara Malaysia and Otoritas Jasa Keuangan of Indonesia have been obtained. This acquisition is in line with the Group's Insurance and Takaful business vision to be a leading regional insurance player.

The fair value of the identifiable assets and liabilities of PT Asuransi Asoka Mas as at the date of acquisition were as follows:

	Note	Recognised acquisition values RM'000
Assets		
Cash and short-term funds		**21,007**
Trade and other receivables		**240,578**
Property, plant and equipment	19	**1,546**
		263,131

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17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The following are major events of the Group and of the Bank during the financial year ended 31 December 2017 (cont'd.):

(e) Acquisition of PT Asuransi Asoka Mas (cont'd.)

The fair value of the identifiable assets and liabilities of PT Asuransi Asoka Mas as at the date of acquisition were as follows (cont'd.):

	Note	Recognised acquisition values RM'000
Liabilities		
Trade and other payables		**210,617**
Provision for taxation		**208**
		210,825
Net identifiable assets		**52,306**
Non-controlling interest		**(7,825)**
		44,481
Goodwill on acquisition (provisional)	20	**55,882**
Cash and short-term funds paid on acquisition		**100,363**
Less: Cash of subsidiary acquired		**(21,007)**
Net cash outflow on acquisition		**79,356**

Fair values upon consolidation of PT Asuransi Asoka Mas will be subject to further review during the 12 months period from 17 October 2017, being the effective date of consolidation.

The following is a major event of the Group during the previous financial year ended 31 December 2016:

(f) Disposal of Maybank Asset Management Thailand Co. Ltd ("MAMT")

During the previous financial year ended 31 December 2016, Maybank Asset Management Group Berhad ("MAMG"), a wholly-owned subsidiary of the Bank, had sold 26,999,998 shares representing 99.99% ownership in Maybank Asset Management Thailand Co. Ltd ("MAMT") to a Thailand-based company named as Capital Link Holding Limited ("Closing Date") (the "Disposal").

The Disposal was completed as part of MAMG's continuous effort and strategy to improve its regional business operations and optimise the company's current resources in the most efficient manner. MAMT ceased to be an indirect subsidiary of the Bank with effect from the Closing Date.

The Disposal had the following effects on the statement of financial position of the Group as at 31 December 2016:

	Note	Effects of disposal RM'000
Total assets		13,599
Total liabilities		(1,030)
Identifiable net assets disposed		12,569
Loss on disposal of a subsidiary	40	(378)
Transferred from shareholders' equity		
– Foreign currency translation		(665)
Cash proceeds from disposal		11,526
Less: Cash and short-term funds of a subsidiary disposed		(665)
Net cash inflow on disposal		10,861

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17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details and financial information of subsidiaries that have material non-controlling interests are as follows:

(i) Etiqa International Holdings Sdn. Bhd. ("EIH"); and

(ii) Maybank Kim Eng Holdings Limited ("MKEH").

The proportion of effective equity interest held by non-controlling interests within EIH and MKEH are disclosed in Note 63(a).

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

	EIH		MKEH	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Summarised income statements:				
Interest income	**1,127,796**	1,043,186	**317,790**	281,065
Interest expense	**(34,222)**	(34,268)	**(114,191)**	(86,955)
Net interest income	**1,093,574**	1,008,918	**203,599**	194,110
Net earned insurance premiums	**5,250,890**	4,375,763	**–**	68,294
Other operating income	**821,150**	424,991	**593,542**	815,730
Total operating income	**7,165,614**	5,809,672	**797,141**	1,078,134
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**(5,274,877)**	(4,226,423)	**–**	(58,986)
Net operating income	**1,890,737**	1,583,249	**797,141**	1,019,148
Overhead expenses	**(811,109)**	(700,684)	**(815,790)**	(847,694)
Operating profit/(loss) before impairment losses	**1,079,628**	882,565	**(18,649)**	171,454
(Allowances for)/writeback of impairment losses on loans, advances, financing and other debts, net	**(5,820)**	22,214	**(16,209)**	1,382
Allowances for impairment losses on financial investments, net	**(56,533)**	(48,042)	**(3,721)**	(3,204)
Share of profits in associates	**–**	–	**11,191**	5,881
Profit/(loss) before taxation and zakat	**1,017,275**	856,737	**(27,388)**	175,513
Taxation and zakat	**(246,843)**	(213,839)	**(27,474)**	(51,088)
Profit/(loss) for the financial year	**770,432**	642,898	**(54,862)**	124,425
Attributable to:				
Equity holders of the Bank	**540,719**	455,135	**(66,763)**	105,866
Non-controlling interests	**229,713**	187,763	**11,901**	18,559
	770,432	642,898	**(54,862)**	124,425
Dividends paid to non-controlling interests of the Group	**79,133**	77,455	**18,566**	17,622
Summarised statements of financial position:				
Total assets	**34,587,143**	32,568,542	**8,543,671**	8,750,486
Total liabilities	**(28,425,441)**	(27,117,291)	**(6,260,212)**	(6,148,981)
Total equity	**6,161,702**	5,451,251	**2,283,459**	2,601,505
Attributable to:				
Equity holders of the Bank	**4,077,367**	3,616,464	**2,175,044**	2,483,145
Non-controlling interests	**2,084,335**	1,834,787	**108,415**	118,360
	6,161,702	5,451,251	**2,283,459**	2,601,505
Summarised cash flow statements:				
Operating activities	**341,083**	507,356	**(1,111,182)**	416,040
Investing activities	**(24,855)**	(69,901)	**24,312**	(46,686)
Financing activities	**(111,509)**	(111,702)	**1,137,396**	(508,208)
Net increase/(decrease) in cash and cash equivalents	**204,719**	325,753	**50,526**	(138,854)

Details of the subsidiaries of the Bank are disclosed in Note 63(a).

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18. INTEREST IN ASSOCIATES AND JOINT VENTURES

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Equity interest				
Unquoted shares, at cost	**493,455**	487,282	**472,016**	451,518
Quoted shares, at cost	**2,825,135**	2,864,864	**–**	–
Exchange differences	**(954,600)**	(551,372)	**–**	–
	2,363,990	2,800,774	**472,016**	451,518
Share of post-acquisition reserves	**779,202**	780,530	**–**	–
	3,143,192	3,581,304	**472,016**	451,518
Less: Accumulated impairment losses	**(370,868)**	(370,868)	**–**	–
	2,772,324	3,210,436	**472,016**	451,518
Market value of quoted shares	**1,734,645**	2,270,346	**–**	–

(a) The carrying amount of interest in joint ventures of the Group amounting to approximately RM3,724,000 (2016: RM12,826,000) is included in the total carrying amount of interest in associates and joint ventures.

(b) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures:

Summarised income statements:

Group	MCB Bank RM'000	An Binh Commercial Joint Stock Bank RM'000	Other individually immaterial associates and joint ventures RM'000	Total RM'000
2017				
Interest income	**3,297,144**	**1,031,285**	**44,352**	**4,372,781**
Interest expense	**(1,428,601)**	**(638,976)**	**(7,540)**	**(2,075,117)**
Net interest income	**1,868,543**	**392,309**	**36,812**	**2,297,664**
Other operating income	**692,580**	**116,816**	**17,853**	**827,249**
Net operating income	**2,561,123**	**509,125**	**54,665**	**3,124,913**
Overhead expenses	**(1,357,844)**	**(263,863)**	**(58,271)**	**(1,679,978)**
Operating profit/(loss) before impairment losses	**1,203,279**	**245,262**	**(3,606)**	**1,444,935**
Writeback of/(allowances for) impairment losses on loans, advances and financing, net	**85,094**	**(114,506)**	**(3,119)**	**(32,531)**
Operating profit	**1,288,373**	**130,756**	**(6,725)**	**1,412,404**
Share of profits in associates	**25,214**	**–**	**–**	**25,214**
Profit/(loss) before taxation	**1,313,587**	**130,756**	**(6,725)**	**1,437,618**
Taxation	**(288,689)**	**(19,458)**	**(3,129)**	**(311,276)**
Profit/(loss) for the financial year	**1,024,898**	**111,298**	**(9,854)**	**1,126,342**
Group's share of profit/(loss) for the financial year	**197,504**	**22,259**	**(5,143)**	**214,620**
Dividends paid by the associates during the financial year	**120,817**	**7,351**	**2,505**	**130,673**

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

(b) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures (cont'd.):

Summarised income statements (cont'd.):

Group	MCB Bank RM'000	An Binh Commercial Joint Stock Bank RM'000	Other individually immaterial associates and joint ventures RM'000	Total RM'000
2016				
Interest income	2,812,426	845,277	54,381	3,712,084
Interest expense	(988,156)	(540,628)	(9,592)	(1,538,376)
Net interest income	1,824,270	304,649	44,789	2,173,708
Other operating income	567,865	45,570	14,129	627,564
Net operating income	2,392,135	350,219	58,918	2,801,272
Overhead expenses	(993,816)	(214,923)	(49,245)	(1,257,984)
Operating profit before impairment losses	1,398,319	135,296	9,673	1,543,288
Writeback of/(allowances for) impairment losses on loans, advances and financing, net	42,352	(122,873)	(1,068)	(81,589)
Operating profit	1,440,671	12,423	8,605	1,461,699
Share of profits in associates	51,500	–	–	51,500
Profit before taxation	1,492,171	12,423	8,605	1,513,199
Taxation	(634,878)	(8,179)	(1,100)	(644,157)
Profit for the financial year	857,293	4,244	7,505	869,042
Group's share of profits for the financial year	171,459	849	1,156	173,464
Dividends paid by the associates during the financial year	121,922	6,786	1,393	130,101

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

(b) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures (cont'd.):

Summarised statements of financial position:

Group	MCB Bank RM'000	An Binh Commercial Joint Stock Bank RM'000	Other individually immaterial associates and joint ventures RM'000	Total RM'000
2017				
Total assets	**49,157,194**	**13,865,378**	**237,834**	**63,260,406**
Total liabilities	**(43,575,092)**	**(12,803,163)**	**(104,097)**	**(56,482,352)**
Total equity	**5,582,102**	**1,062,215**	**133,737**	**6,778,054**
Proportion of Group's ownership	**1,047,202**	**212,443**	**42,598**	**1,302,243**
Goodwill	**1,266,541**	**203,540**	**–**	**1,470,081**
Carrying amount of the investment	**2,313,743**	**415,983**	**42,598**	**2,772,324**
2016				
Total assets	42,743,493	13,552,345	348,694	56,644,532
Total liabilities	(36,722,157)	(12,388,578)	(119,625)	(49,230,360)
Total equity	6,021,336	1,163,767	229,069	7,414,172
Proportion of Group's ownership	1,204,267	232,753	65,338	1,502,358
Goodwill	1,479,936	228,142	–	1,708,078
Carrying amount of the investment	2,684,203	460,895	65,338	3,210,436

(c) Details of the associates and joint ventures of the Group and of the Bank are disclosed in Note 63(c) and Note 63(d) respectively.

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

Group	2017 RM'000	2016 RM'000
At 1 January	**1,708,078**	1,633,230
Exchange differences	**(237,997)**	74,848
At 31 December	**1,470,081**	1,708,078

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19. PROPERTY, PLANT AND EQUIPMENT

Group As at 31 December 2017	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Work-in-Progress RM'000	Total RM'000
Cost							
At 1 January 2017	2,259,227	1,522,057	1,332,241	291,501	71,319	77,366	5,553,711
Additions	2,848	59,214	438,856	10,276	8,315	43,361	562,870
Disposals	(38,626)	(14,089)	(10,687)	(2,461)	(8,076)	–	(73,939)
Acquisition of a subsidiary (Note 17(e))	–	3,190	1,604	–	168	–	4,962
Write-offs (Note 42)	(208)	(6,551)	(7,907)	(1,821)	(1,235)	(164)	(17,886)
Transferred between categories	30,455	29,766	1,398	11,002	–	(72,621)	–
Transferred to intangible assets (Note 20)	–	–	(400)	–	–	(4,360)	(4,760)
Exchange differences	(59,909)	(54,334)	(49,804)	(1,725)	(5,720)	(333)	(171,825)
At 31 December 2017	2,193,787	1,539,253	1,705,301	306,772	64,771	43,249	5,853,133
Accumulated depreciation and impairment losses							
At 1 January 2017	644,497	1,078,547	993,297	198,189	43,684	–	2,958,214
Depreciation charge for the financial year (Note 42)	43,133	165,399	176,867	22,582	10,936	–	418,917
Disposals	(16,058)	(11,975)	(10,628)	(1,395)	(5,892)	–	(45,948)
Acquisition of a subsidiary (Note 17(e))	–	2,247	1,082	–	87	–	3,416
Write-offs (Note 42)	(208)	(6,269)	(7,894)	(1,734)	(1,235)	–	(17,340)
Exchange differences	(14,207)	(41,347)	(38,598)	(1,006)	(3,986)	–	(99,144)
At 31 December 2017	657,157	1,186,602	1,114,126	216,636	43,594	–	3,218,115
Analysed as:							
Accumulated depreciation	649,608	1,186,598	1,114,126	216,636	43,594	–	3,210,562
Accumulated impairment losses	7,549	4	–	–	–	–	7,553
	657,157	1,186,602	1,114,116	216,636	43,594	–	3,218,115
Net carrying amount							
At 31 December 2017	1,536,630	352,651	591,175	90,136	21,177	43,249	2,635,018

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

Group As at 31 December 2016	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Work-in-Progress RM'000	Total RM'000
Cost							
At 1 January 2016	2,217,089	1,367,931	1,291,281	261,141	70,202	82,869	5,290,513
Additions	14,495	94,156	91,436	10,774	13,286	73,041	297,188
Disposals	(22,397)	(7,015)	(42,956)	(401)	(14,996)	–	(87,765)
Disposal of a subsidiary (Note 17(f))	–	(367)	(206)	–	–	–	(573)
Write-offs (Note 42)	–	(6,767)	(37,966)	(600)	(598)	–	(45,931)
Transferred between categories	20,199	44,203	2,142	12,082	–	(78,626)	–
Transferred from intangible assets (Note 20)	–	–	1,019	–	–	–	1,019
Exchange differences	29,841	29,916	27,491	8,505	3,425	82	99,260
At 31 December 2016	2,259,227	1,522,057	1,332,241	291,501	71,319	77,366	5,553,711
Accumulated depreciation and impairment losses							
At 1 January 2016	604,565	903,850	910,146	168,578	41,902	–	2,629,041
Depreciation charge for the financial year (Note 42)	41,598	163,208	141,513	22,329	10,487	–	379,135
Disposals	(9,649)	(6,930)	(42,737)	(359)	(10,875)	–	(70,550)
Disposal of a subsidiary (Note 17(f))	–	(196)	(162)	–	–	–	(358)
Write-offs (Note 42)	–	(6,672)	(37,962)	(600)	(598)	–	(45,832)
Transferred between categories	–	(6)	–	6	–	–	–
Transferred from intangible assets (Note 20)	–	–	5	–	–	–	5
Exchange differences	7,983	25,293	22,494	8,235	2,768	–	66,773
At 31 December 2016	644,497	1,078,547	993,297	198,189	43,684	–	2,958,214
Analysed as:							
Accumulated depreciation	636,948	1,078,543	993,297	198,189	43,684	–	2,950,661
Accumulated impairment losses	7,549	4	–	–	–	–	7,553
	644,497	1,078,547	993,297	198,189	43,684	–	2,958,214
Net carrying amount							
At 31 December 2016	1,614,730	443,510	338,944	93,312	27,635	77,366	2,595,497

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

Group	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
As at 31 December 2017							
***Properties consist of:**							
Cost							
At 1 January 2017	114,526	508,988	410,523	629,592	170,368	425,230	2,259,227
Additions	–	–	1,955	–	865	28	2,848
Disposals	(1,530)	(34,721)	(1,175)	–	(392)	(808)	(38,626)
Write-off	–	–	(208)	–	–	–	(208)
Transferred between categories	–	10,124	–	20,331	1,572	(1,572)	30,455
Exchange differences	(332)	(6,451)	(21,506)	(13,022)	(14,060)	(4,538)	(59,909)
At 31 December 2017	112,664	477,940	389,589	636,901	158,353	418,340	2,193,787
Accumulated depreciation and impairment losses							
At 1 January 2017	54	229,361	182,681	160,532	15,221	56,648	644,497
Depreciation charge for the financial year	–	11,600	11,995	13,464	1,843	4,231	43,133
Disposals	–	(14,714)	(828)	–	(201)	(315)	(16,058)
Write-offs	–	–	(208)	–	–	–	(208)
Exchange differences	–	(1,941)	(7,902)	(3,238)	(240)	(886)	(14,207)
At 31 December 2017	54	224,306	185,738	170,758	16,623	59,678	657,157
Analysed as:							
Accumulated depreciation	–	218,269	184,870	170,332	16,623	59,514	649,608
Accumulated impairment losses	54	6,037	868	426	–	164	7,549
	54	224,306	185,738	170,758	16,623	59,678	657,157
Net carrying amount							
At 31 December 2017	112,610	253,634	203,851	466,143	141,730	358,662	1,536,630
As at 31 December 2016							
***Properties consist of:**							
Cost							
At 1 January 2016	115,653	515,742	391,294	622,254	160,029	412,117	2,217,089
Additions	–	3,526	9,538	86	1,345	–	14,495
Disposals	(1,531)	(17,116)	–	(3,750)	–	–	(22,397)
Transferred between categories	–	8,790	2,360	–	–	9,049	20,199
Exchange differences	404	(1,954)	7,331	11,002	8,994	4,064	29,841
At 31 December 2016	114,526	508,988	410,523	629,592	170,368	425,230	2,259,227
Accumulated depreciation and impairment losses							
At 1 January 2016	54	224,578	166,765	147,766	13,438	51,964	604,565
Depreciation charge for the financial year	–	11,563	11,790	12,732	1,584	3,929	41,598
Disposals	–	(6,686)	–	(2,963)	–	–	(9,649)
Exchange differences	–	(94)	4,126	2,997	199	755	7,983
At 31 December 2016	54	229,361	182,681	160,532	15,221	56,648	644,497
Analysed as:							
Accumulated depreciation	–	223,324	181,813	160,106	15,221	56,484	636,948
Accumulated impairment losses	54	6,037	868	426	–	164	7,549
	54	229,361	182,681	160,532	15,221	56,648	644,497
Net carrying amount							
At 31 December 2016	114,472	279,627	227,842	469,060	155,147	368,582	1,614,730

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

Bank	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Work-in-Progress RM'000	Total RM'000
As at 31 December 2017							
Cost							
At 1 January 2017	1,283,057	996,824	544,289	212,393	16,331	58,852	3,111,746
Additions	253	26,446	20,733	7,708	1,858	39,028	96,026
Disposals	(29,640)	(6,540)	(5,202)	(8)	(1,490)	–	(42,880)
Write-offs (Note 42)	–	(4,325)	(7,055)	(1,821)	(1,069)	(164)	(14,434)
Transferred between categories	30,455	28,377	–	9,748	–	(68,580)	–
Exchange differences	(10,901)	(7,391)	(4,595)	(721)	(494)	(208)	(24,310)
At 31 December 2017	1,273,224	1,033,391	548,170	227,299	15,136	28,928	3,126,148
Accumulated depreciation							
At 1 January 2017	480,489	725,060	458,273	145,180	11,983	–	1,820,985
Depreciation charge for the financial year (Note 42)	24,327	104,166	38,528	17,350	2,234	–	186,605
Disposals	(7,071)	(6,383)	(5,200)	(8)	(1,256)	–	(19,918)
Write-offs (Note 42)	–	(4,141)	(7,053)	(1,734)	(1,069)	–	(13,997)
Exchange differences	(4,021)	(4,932)	(3,690)	(423)	(369)	–	(13,435)
At 31 December 2017	493,724	813,770	480,858	160,365	11,523	–	1,960,240
Net carrying amount							
At 31 December 2017	779,500	219,621	67,312	66,934	3,613	28,928	1,165,908
As at 31 December 2016							
Cost							
At 1 January 2016	1,260,362	913,120	572,677	196,598	15,769	58,252	3,016,778
Additions	366	54,935	31,952	7,316	1,340	59,588	155,497
Disposals	(2,543)	(8)	(32,444)	–	(933)	–	(35,928)
Write-offs (Note 42)	–	(4,407)	(31,695)	(334)	(7)	–	(36,443)
Transferred between categories	20,198	29,850	–	8,364	–	(58,412)	–
Transferred from intangible assets (Note 20)	–	–	999	–	–	–	999
Transferred from a subsidiary	276	–	–	–	–	–	276
Exchange differences	4,398	3,334	2,800	449	162	(576)	10,567
At 31 December 2016	1,283,057	996,824	544,289	212,393	16,331	58,852	3,111,746
Accumulated depreciation							
At 1 January 2016	455,842	625,548	475,079	127,846	10,366	–	1,694,681
Depreciation charge for the financial year (Note 42)	23,052	101,096	44,761	17,355	2,276	–	188,540
Disposals	(426)	(8)	(32,423)	–	(787)	–	(33,644)
Write-offs (Note 42)	–	(4,369)	(31,695)	(334)	(7)	–	(36,405)
Transferred between categories	–	(6)	–	6	–	–	–
Transferred from intangible assets (Note 20)	–	–	5	–	–	–	5
Transferred from a subsidiary	101	–	–	–	–	–	101
Exchange differences	1,920	2,799	2,546	307	135	–	7,707
At 31 December 2016	480,489	725,060	458,273	145,180	11,983	–	1,820,985
Net carrying amount							
At 31 December 2016	802,568	271,764	86,016	67,213	4,348	58,852	1,290,761

The net carrying amount of property, plant and equipment of the Group held under finance leases as at 31 December 2017 was RM302,675,000 (2016: RM43,556,000).

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

Bank	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
As at 31 December 2017							
***Properties consist of:**							
Cost							
At 1 January 2017	108,317	422,639	312,797	328,654	12,529	98,121	1,283,057
Additions	–	–	22	–	204	27	253
Disposals	(1,530)	(25,735)	(1,175)	–	(392)	(808)	(29,640)
Transferred between categories	–	10,124	–	20,331	1,572	(1,572)	30,455
Exchange differences	(319)	(529)	(1,080)	(8,342)	–	(631)	(10,901)
At 31 December 2017	106,468	406,499	310,564	340,643	13,913	95,137	1,273,224
Accumulated depreciation							
At 1 January 2017	–	204,836	142,297	106,718	5,234	21,404	480,489
Depreciation charge for the financial year	–	8,684	6,659	7,521	453	1,010	24,327
Disposals	–	(5,727)	(828)	–	(201)	(315)	(7,071)
Exchange differences	–	(124)	(962)	(2,703)	–	(232)	(4,021)
At 31 December 2017	–	207,669	147,166	111,536	5,486	21,867	493,724
Net carrying amount							
At 31 December 2017	106,468	198,830	163,398	229,107	8,427	73,270	779,500
As at 31 December 2016							
***Properties consist of:**							
Cost							
At 1 January 2016	109,534	417,506	309,628	322,658	12,529	88,507	1,260,362
Additions	–	101	179	86	–	–	366
Disposals	(1,531)	(1,012)	–	–	–	–	(2,543)
Transferred between categories	–	8,790	3,045	(685)	–	9,048	20,198
Transferred from a subsidiary	–	276	–	–	–	–	276
Exchange differences	314	(3,022)	(55)	6,595	–	566	4,398
At 31 December 2016	108,317	422,639	312,797	328,654	12,529	98,121	1,283,057
Accumulated depreciation							
At 1 January 2016	–	196,943	135,776	97,761	5,043	20,319	455,842
Depreciation charge for the financial year	–	8,446	6,612	6,924	191	879	23,052
Disposals	–	(426)	–	–	–	–	(426)
Transferred from a subsidiary	–	101	–	–	–	–	101
Exchange differences	–	(228)	(91)	2,033	–	206	1,920
At 31 December 2016	–	204,836	142,297	106,718	5,234	21,404	480,489
Net carrying amount							
At 31 December 2016	108,317	217,803	170,500	221,936	7,295	76,717	802,568

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20. INTANGIBLE ASSETS

Group	Goodwill RM'000	Core Deposit Intangibles RM'000	Agency Force RM'000	Customer Relationship RM'000	Computer Software RM'000	Software-in-Development RM'000	Total RM'000
As at 31 December 2017							
Cost							
At 1 January 2017	7,938,278	355,682	82,742	163,749	1,973,975	169,275	10,683,701
Additions	–	–	–	–	79,411	159,298	238,709
Disposals	–	–	–	–	(289)	–	(289)
Acquisition of a subsidiary (Note 17(e))	55,882	–	–	–	–	–	55,882
Write-offs (Note 42)	–	–	–	–	(2,618)	–	(2,618)
Transferred between categories	–	–	–	–	51,512	(51,512)	–
Transferred from property, plant and equipment (Note 19)	–	–	–	–	4,035	725	4,760
Exchange differences	(616,563)	(37,235)	–	(1,687)	(30,790)	(3,270)	(689,545)
At 31 December 2017	7,377,597	318,447	82,742	162,062	2,075,236	274,516	10,290,600
Accumulated amortisation							
At 1 January 2017	–	350,068	75,358	152,959	1,138,522	–	1,716,907
Amortisation charge for the financial year (Note 42)	–	5,406	6,555	16,352	245,360	–	273,673
Write-offs (Note 42)	–	–	–	–	(1,385)	–	(1,385)
Exchange differences	–	(37,027)	(6,907)	(8,953)	(20,877)	–	(73,764)
At 31 December 2017	–	318,447	75,006	160,358	1,361,620	–	1,915,431
Accumulated impairment losses							
At 1 January 2017	1,621,270	–	–	–	–	–	1,621,270
Exchange differences	(40)	–	–	–	–	–	(40)
At 31 December 2017	1,621,230	–	–	–	–	–	1,621,230
Net carrying amount							
At 31 December 2017	5,756,367	–	7,736	1,704	713,616	274,516	6,753,939
As at 31 December 2016							
Cost							
At 1 January 2016	7,532,757	331,622	82,742	162,237	1,727,740	204,538	10,041,636
Additions	–	–	–	–	116,216	154,251	270,467
Disposal of a subsidiary (Note 17(f))	–	–	–	–	(219)	–	(219)
Write-offs (Note 42)	–	–	–	–	(77,851)	(209)	(78,060)
Transferred between categories	–	–	–	–	190,026	(190,026)	–
Transferred to property, plant and equipment (Note 19)	–	–	–	–	(302)	(717)	(1,019)
Exchange differences	405,521	24,060	–	1,512	18,365	1,438	450,896
At 31 December 2016	7,938,278	355,682	82,742	163,749	1,973,975	169,275	10,683,701
Accumulated amortisation							
At 1 January 2016	–	316,378	65,799	131,125	948,640	–	1,461,942
Amortisation charge for the financial year (Note 42)	–	10,024	7,913	18,465	254,089	–	290,491
Disposal of a subsidiary (Note 17(f))	–	–	–	–	(61)	–	(61)
Write-offs (Note 42)	–	–	–	–	(76,880)	–	(76,880)
Transferred to property, plant and equipment (Note 19)	–	–	–	–	(5)	–	(5)
Exchange differences	–	23,666	1,646	3,369	12,739	–	41,420
At 31 December 2016	–	350,068	75,358	152,959	1,138,522	–	1,716,907
Accumulated impairment losses							
At 1 January 2016	1,621,232	–	–	–	–	–	1,621,232
Exchange differences	38	–	–	–	–	–	38
At 31 December 2016	1,621,270	–	–	–	–	–	1,621,270
Net carrying amount							
At 31 December 2016	6,317,008	5,614	7,384	10,790	835,453	169,275	7,345,524

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20. INTANGIBLE ASSETS (CONT'D.)

Bank	Goodwill RM'000	Computer Software RM'000	Software-in-Development RM'000	Total RM'000
As at 31 December 2017				
Cost				
At 1 January 2017	81,015	987,220	147,450	1,215,685
Additions	–	8,527	133,992	142,519
Write-offs (Note 42)	–	(3)	–	(3)
Transferred between categories	–	42,779	(42,779)	–
Exchange differences	–	(7,858)	(2,539)	(10,397)
At 31 December 2017	81,015	1,030,665	236,124	1,347,804
Accumulated amortisation				
At 1 January 2017	–	685,636	–	685,636
Amortisation charge for the financial year (Note 42)	–	99,177	–	99,177
Exchange differences	–	(5,039)	–	(5,039)
At 31 December 2017	–	779,774	–	779,774
Net carrying amount				
At 31 December 2017	81,015	250,891	236,124	568,030
As at 31 December 2016				
Cost				
At 1 January 2016	81,015	944,839	113,568	1,139,422
Additions	–	21,130	125,768	146,898
Write-offs (Note 42)	–	(77,662)	(209)	(77,871)
Transferred between categories	–	92,397	(92,397)	–
Transferred to property, plant and equipment (Note 19)	–	(282)	(717)	(999)
Exchange differences	–	6,798	1,437	8,235
At 31 December 2016	81,015	987,220	147,450	1,215,685
Accumulated amortisation				
At 1 January 2016	–	629,942	–	629,942
Amortisation charge for the financial year (Note 42)	–	128,718	–	128,718
Write-offs (Note 42)	–	(76,697)	–	(76,697)
Transferred to property, plant and equipment (Note 19)	–	(5)	–	(5)
Exchange differences	–	3,678	–	3,678
At 31 December 2016	–	685,636	–	685,636
Net carrying amount				
At 31 December 2016	81,015	301,584	147,450	530,049

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20. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill

Goodwill has been allocated to the Group's Cash-Generating Units ("CGUs") identified according to the following business segments:

Group	Note	2017 RM'000	2016 RM'000
American Express ("AMEX") card services business in Malaysia	(i)	**81,015**	81,015
Acquisition of PT Bank Maybank Indonesia Tbk ("Maybank Indonesia")	(ii)	**5,807,085**	5,807,085
Less: Accumulated impairment losses		**(1,619,518)**	(1,619,518)
		4,187,567	4,187,567
Acquisition of Maybank Kim Eng Holdings Limited ("MKEH")	(iii)	**2,001,914**	2,001,914
Less: Accumulated impairment losses		**(1,422)**	(1,422)
		2,000,492	2,000,492
Acquisition of PT Maybank Asset Management		**20,162**	20,162
Acquisition of PT Asuransi Asoka Mas	17(e)	**55,882**	–
Exchange differences		**(588,751)**	27,772
		5,756,367	6,317,008

Bank	Note	2017 RM'000	2016 RM'000
American Express ("AMEX") card services business in Malaysia	(i)	**81,015**	81,015

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. The recoverable amount of the CGUs are assessed based on value-in-use and compared to the carrying amount of the CGUs to determine whether any impairment exists. Impairment loss is recognised in the income statement when the carrying amount of the CGUs exceeds its recoverable amount. During the financial year ended 31 December 2017, no additional impairment losses were recognised or reversed for the CGUs.

(i) The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a 10-year period.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects the AMEX card services business to be a going concern;

(b) The growth in business volume is expected to be consistent with the industry growth rate of 13.0% to 15.0% per annum; and

(c) The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which is estimated to be 9.25% per annum (2016: 9.35% per annum).

(ii) The value-in-use discounted cash flow model uses free cash flow to equity ("FCFE") projections prepared and approved by management covering a 5-year period.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects Maybank Indonesia's banking business operations to be a going concern;

(b) The discount rate applied is based on current specific country risks which is estimated to be approximately 15.0% per annum (2016: 15.0% per annum); and

(c) Terminal value whereby cash flow growth rate of 5.5% (2016: 5.5%), which is consistent with the Gross Domestic Product rate of Indonesia.

For sensitivity analysis purposes, a 10 basis points change in the discount rate would increase or decrease the recoverable amount by RM159 million, while a 10 basis points change in the terminal growth rate on the annual cashflows of Maybank Indonesia would increase or decrease the recoverable amount by RM105 million.

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20. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (cont'd.)

(iii) Maybank Kim Eng Group ("MKEG") is segregated into two business pillars, namely, Investment Banking and Advisory ("IB&A") and Equities. MKEG comprises mainly Maybank Investment Bank Berhad ("MIBB") and Maybank Kim Eng ("MKE") whilst MKEG forms the Investment Banking sub-segment within the Global Banking.

The value-in-use discounted cash flow model uses free cash flow to the firm ("FCFF") projections prepared and approved by management covering a 5-year period of MIBB and MKE collectively.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects MKEG's business operations to be a going concern;

(b) The discount rate applied is the internal weighted average cost of capital of MKEG at the time of assessment, which is estimated to be 8.3% per annum (2016: 10.0% per annum); and

(c) Terminal value whereby cash flow growth rate is 5.8% (2016: 5.0%), which is consistent with the average Gross Domestic Product rate of Malaysia and Singapore, the major MKEG's operating markets.

For sensitivity analysis purposes, if the annual cash flows growth rate of MKEG is at a constant negative growth rate of 27.1% or the discount rate increased to approximately 15.5%, the recoverable amount would be reduced to its carrying amount of the CGU.

(b) Core Deposit Intangibles ("CDI")

Core deposit intangibles arise from the acquisition of Maybank Indonesia's banking business operations. The CDI is deemed to have a finite useful life of 8 years and is amortised based on a reducing balance method.

(c) Agency force

The agency force arises from the acquisition of MKEH's investment banking business operations. The agency force is deemed to have a finite useful life of 11 years and is amortised based on a reducing balance method.

(d) Customer relationship

The customer relationship arises from the acquisition of MKEH's investment banking business operations. The customer relationship is deemed to have a finite useful life of 3 – 9 years and is amortised based on a reducing balance method.

21. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fixed deposits and negotiable instruments of deposits				
– One year or less	**285,822,118**	280,377,560	**167,002,740**	178,035,292
– More than one year	**11,605,917**	11,231,648	**9,296,982**	10,029,739
	297,428,035	291,609,208	**176,299,722**	188,065,031
Money market deposits	**18,167,679**	15,200,225	**18,167,679**	15,200,225
Savings deposits	**71,591,820**	68,143,180	**47,602,272**	44,203,976
Demand deposits	**114,829,911**	110,571,307	**86,868,927**	84,409,063
	502,017,445	485,523,920	**328,938,600**	331,878,295

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

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Within six months	**226,669,904**	234,901,381	**124,598,343**	141,455,104
Six months to one year	**59,152,214**	45,476,179	**42,404,397**	36,580,188
One year to three years	**10,813,684**	10,183,159	**9,221,071**	9,963,861
Three years to five years	**792,233**	1,048,489	**75,911**	65,878
	297,428,035	291,609,208	**176,299,722**	188,065,031

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21. DEPOSITS FROM CUSTOMERS (CONT'D.)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Business enterprises	**238,688,009**	226,074,468	**166,333,827**	163,000,362
Individuals	**205,434,319**	204,025,300	**141,356,982**	145,714,679
Government and statutory bodies	**28,731,383**	26,481,227	**9,327,767**	9,046,804
Others	**29,163,734**	28,942,925	**11,920,024**	14,116,450
	502,017,445	485,523,920	**328,938,600**	331,878,295

22. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Licensed banks	**37,657,509**	27,340,841	**35,529,964**	28,044,586
Licensed finance companies	**75,407**	112,341	**75,407**	112,341
Licensed investment banks	**31,021**	42,146	**31,021**	42,146
Other financial institutions	**4,834,194**	3,359,365	**2,008,742**	1,657,637
	42,598,131	30,854,693	**37,645,134**	29,856,710

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
One year or less	**39,516,290**	28,086,419	**36,024,326**	28,385,549
More than one year	**3,081,841**	2,768,274	**1,620,808**	1,471,161
	42,598,131	30,854,693	**37,645,134**	29,856,710

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Structured deposits	**2,366,966**	1,560,054	**1,474,271**	657,963
Borrowings				
Unsecured				
Medium term notes				
– More than one year				
Denominated in:				
– USD	**3,362,727**	1,444,465	**3,362,727**	1,444,465
– RM	**646,122**	582,711	**646,122**	582,711
	4,008,849	2,027,176	**4,008,849**	2,027,176
	6,375,815	3,587,230	**5,483,120**	2,685,139

The movements in the borrowings are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**2,027,176**	–	**2,027,176**	–
Drawdown/(repayment)	**2,097,150**	2,156,642	**2,097,150**	2,156,642
Non-cash changes:				
Fair value changes	**(16,338)**	(163,481)	**(16,338)**	(163,481)
Others	**50,271**	34,406	**50,271**	34,406
Exchange fluctuation	**(149,410)**	(391)	**(149,410)**	(391)
As 31 December	**4,008,849**	2,027,176	**4,008,849**	2,027,176

The Group and the Bank have designated certain structured deposits and borrowings at FVTPL. This designation is permitted under MFRS 139 *Financial Instruments: Recognition and Measurement* as it significantly reduces accounting mismatch. These instruments are managed by the Group and the Bank on the basis of their fair values and include terms that have substantive derivative characteristics.

The carrying amounts of both structured deposits and borrowings designated at FVTPL of the Group and of the Bank as at 31 December 2017 were RM6,590,566,000 and RM5,692,384,000 (2016: RM3,792,621,000 and RM2,875,461,000) respectively. The fair value changes of the financial liabilities at FVTPL that are attributable to the changes in own credit risk are not significant.

The list of borrowings issued under financial liabilities at FVTPL is as follows:

Description	Issue date	Maturity date	Coupon/profit rate (% p.a.)	Nominal value
Malayan Banking Berhad				
USD15.0 billion Multicurrency MTN Programme				
USD Callable zero coupon note[1]	3-Feb-16	3-Feb-46	–	USD347.0 million
USD Callable zero coupon note[2]	26-Jul-17	26-Jul-47	–	USD203.0 million
USD Callable zero coupon note[3]	19-Oct-17	19-Oct-47	–	USD300.0 million
RM10.0 billion Senior Medium Term Note Programme				
RM Callable fixed rate notes[4,6]	14-Nov-16	14-Nov-31	4.20	RM600.0 million
RM10.0 billion Sukuk Murabahah Programme				
RM Callable fixed rate Sukuk[5,6]	22-Feb-17	20-Feb-32	4.20	RM60.0 million

1 The Bank, may redeem all (and not some only) of the notes on 3 February 2021 (the "First Redemption Date") and each 3 February after the First Redemption Date up to 3 February 2045.

2 The Bank, may redeem all (and not some only) of the notes on 26 July 2022 (the "First Redemption Date") and each 26 July after the First Redemption Date up to and including 26 July 2046.

3 The Bank, may redeem all (and not some only) of the notes on 19 October 2022 (the "First Redemption Date") and each 19 October after the First Redemption Date up to and including 19 October 2046.

4 The Bank, may redeem in whole or in part, on the anniversary date of the notes, starting from the 3rd anniversary date of the notes (14 November 2019).

5 The Bank, may redeem in whole or in part, on the anniversary date of the sukuk, starting from the 3rd anniversary date of the sukuk (24 February 2020).

6 There is a step-up in the coupon rate of 0.30% on the third, sixth, ninth and twelfth anniversary dates.

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24. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

Group	Note	2017 RM'000	2016 RM'000
Insurance/takaful contract liabilities	(i)	**24,577,568**	23,513,212
Other insurance payables	(ii)	**541,275**	435,507
		25,118,843	23,948,719

(i) Insurance/takaful contract liabilities

Group	Note	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000
2017				
Life insurance/family takaful	(a)	**19,275,837**	**(109,129)**	**19,166,708**
General insurance/general takaful	(b)	**5,301,731**	**(3,113,326)**	**2,188,405**
		24,577,568	**(3,222,455)**	**21,355,113**
2016				
Life insurance/family takaful	(a)	17,642,499	(75,444)	17,567,055
General insurance/general takaful	(b)	5,870,713	(3,617,137)	2,253,576
		23,513,212	(3,692,581)	19,820,631

(a) Life insurance/family takaful

The breakdown of life insurance/family takaful contract liabilities and its movements are further analysed as follows:

(A) Life insurance/family takaful contract liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
2017			
Claims liabilities	**225,021**	**(9,445)**	**215,576**
Actuarial liabilities	**13,961,280**	**(99,684)**	**13,861,596**
Unallocated surplus	**3,648,905**	**–**	**3,648,905**
AFS reserve	**(33,021)**	**–**	**(33,021)**
Net asset value ("NAV") attributable to unitholders	**1,473,652**	**–**	**1,473,652**
	19,275,837	**(109,129)**	**19,166,708**
2016			
Claims liabilities	216,303	(9,356)	206,947
Actuarial liabilities	12,623,670	(66,088)	12,557,582
Unallocated surplus	3,552,633	–	3,552,633
AFS reserve	55,356	–	55,356
Net asset value ("NAV") attributable to unitholders	1,194,537	–	1,194,537
	17,642,499	(75,444)	17,567,055

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

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

(a) Life insurance/family takaful (cont'd.)

The breakdown of life insurance/family takaful contract liabilities and its movements are further analysed as follows (cont'd.):

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

	‹---------- Gross contract liabilities ----------›							
Group As at 31 December 2017	**Claims liabilities RM'000**	**Actuarial liabilities RM'000**	**Unallocated surplus RM'000**	**AFS reserve RM'000**	**NAV attributable to unitholders RM'000**	**Total gross contract liabilities RM'000**	**Reinsurance/ retakaful assets RM'000**	**Net contract liabilities RM'000**
At 1 January 2017	**216,303**	**12,623,670**	**3,552,633**	**55,356**	**1,194,537**	**17,642,499**	**(75,444)**	**17,567,055**
Net earned insurance premiums	**–**	**–**	**1,202,338**	**–**	**79,763**	**1,282,101**	**(63,031)**	**1,219,070**
Other revenue	**–**	**–**	**522,349**	**–**	**4,625**	**526,974**	**–**	**526,974**
Experience/benefit variation	**(445)**	**–**	**–**	**–**	**(9)**	**(454)**	**27,802**	**27,348**
Benefits and claims	**12,185**	**741,953**	**(731,615)**	**–**	**(8,533)**	**13,990**	**35,140**	**49,130**
Other expenses	**–**	**–**	**(312,116)**	**–**	**(492)**	**(312,608)**	**–**	**(312,608)**
Adjustments due to changes in:								
– Discounting	**–**	**5,718**	**(5,718)**	**–**	**–**	**–**	**–**	**–**
– Assumptions	**–**	**85,606**	**(85,606)**	**–**	**–**	**–**	**–**	**–**
– Policy movements	**(3,022)**	**520,102**	**(366,927)**	**(50,167)**	**204,091**	**304,077**	**(33,596)**	**270,481**
Exchange differences	**–**	**(15,769)**	**–**	**–**	**–**	**(15,769)**	**–**	**(15,769)**
Changes in AFS reserve	**–**	**–**	**–**	**(38,210)**	**–**	**(38,210)**	**–**	**(38,210)**
Taxation	**–**	**–**	**2,026**	**–**	**(330)**	**1,696**	**–**	**1,696**
Transfer to shareholders' fund	**–**	**–**	**(100,764)**	**–**	**–**	**(100,764)**	**–**	**(100,764)**
Hibah paid to participants	**–**	**–**	**(27,695)**	**–**	**–**	**(27,695)**	**–**	**(27,695)**
At 31 December 2017	**225,021**	**13,961,280**	**3,648,905**	**(33,021)**	**1,473,652**	**19,275,837**	**(109,129)**	**19,166,708**

	‹---------- Gross contract liabilities ----------›							
Group As at 31 December 2016	**Claims liabilities RM'000**	**Actuarial liabilities RM'000**	**Unallocated surplus RM'000**	**AFS reserve RM'000**	**NAV attributable to unitholders RM'000**	**Total gross contract liabilities RM'000**	**Reinsurance/ retakaful assets RM'000**	**Net contract liabilities RM'000**
At 1 January 2016	184,793	12,112,712	3,153,908	95,052	1,750,476	17,296,941	(58,268)	17,238,673
Net earned insurance premiums	–	–	1,121,146	–	10,421	1,131,567	(52,658)	1,078,909
Other revenue	–	–	468,412	–	1,799	470,211	–	470,211
Experience/benefit variation	2,805	–	–	–	–	2,805	28,064	30,869
Benefits and claims	28,705	339,754	(645,382)	(28,797)	(567,704)	(873,424)	21,497	(851,927)
Other expenses	–	–	(289,874)	–	(352)	(290,226)	–	(290,226)
Adjustments due to changes in:								
– Discounting	–	(17,032)	17,032	–	–	–	–	–
– Policy movements	–	188,236	(174,164)	–	–	14,072	(14,079)	(7)
Changes in AFS reserve	–	–	–	(10,899)	–	(10,899)	–	(10,899)
Taxation	–	–	8,962	–	(103)	8,859	–	8,859
Transfer to shareholders' fund	–	–	(87,501)	–	–	(87,501)	–	(87,501)
Hibah paid to participants	–	–	(19,906)	–	–	(19,906)	–	(19,906)
At 31 December 2016	216,303	12,623,670	3,552,633	55,356	1,194,537	17,642,499	(75,444)	17,567,055

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

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

(b) General insurance/general takaful

Group	Note	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
2017				
Claims liabilities	(A)	**3,808,751**	**(2,649,941)**	**1,158,810**
Premiums/contribution liabilities	(B)	**1,309,433**	**(463,385)**	**846,048**
Unallocated surplus of general takaful fund		**196,299**	**–**	**196,299**
AFS reserve		**(12,752)**	**–**	**(12,752)**
		5,301,731	**(3,113,326)**	**2,188,405**
2016				
Claims liabilities	(A)	4,599,820	(3,316,484)	1,283,336
Premiums/contribution liabilities	(B)	1,115,571	(300,653)	814,918
Unallocated surplus of general takaful fund		175,393	–	175,393
AFS reserve		(20,071)	–	(20,071)
		5,870,713	(3,617,137)	2,253,576

(A) Claims liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2017			
At 1 January 2017	**4,599,820**	**(3,316,484)**	**1,283,336**
Claims incurred in the current accident year	**796,815**	**(37,569)**	**759,246**
Claims paid during the financial year	**(1,581,401)**	**774,193**	**(807,208)**
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	**6,192**	**(76,244)**	**(70,052)**
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	**(8,490)**	**6,038**	**(2,452)**
Exchange differences	**(4,185)**	**125**	**(4,060)**
At 31 December 2017	**3,808,751**	**(2,649,941)**	**1,158,810**
As at 31 December 2016			
At 1 January 2016	4,706,536	(3,367,456)	1,339,080
Claims incurred in the current accident year	872,294	(127,328)	744,966
Claims paid during the financial year	(878,291)	161,342	(716,949)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(19,708)	2,744	(16,964)
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	(84,359)	14,731	(69,628)
Exchange differences	3,348	(517)	2,831
At 31 December 2016	4,599,820	(3,316,484)	1,283,336

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

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

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

(B) Premiums/contribution liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2017			
At 1 January 2017	**1,115,571**	**(300,653)**	**814,918**
Premiums/contributions written in the financial year	**2,502,313**	**(959,084)**	**1,543,229**
Premiums/contributions earned during the financial year	**(2,305,969)**	**795,586**	**(1,510,383)**
Exchange differences	**(2,482)**	**766**	**(1,716)**
At 31 December 2017	**1,309,433**	**(463,385)**	**846,048**
As at 31 December 2016			
At 1 January 2016	1,273,379	(401,103)	872,276
Premiums/contributions written in the financial year	2,462,219	(950,322)	1,511,897
Premiums/contributions earned during the financial year	(2,622,247)	1,051,321	(1,570,926)
Exchange differences	2,220	(549)	1,671
At 31 December 2016	1,115,571	(300,653)	814,918

(ii) Other insurance payables

Group	2017 RM'000	2016 RM'000
Due to agents and intermediaries	**81,154**	61,822
Due to reinsurers and cedants	**371,874**	313,648
Due to retakaful operators	**88,247**	60,037
	541,275	435,507

25. OTHER LIABILITIES

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due to brokers and clients	54	**2,807,623**	4,044,200	**–**	–
Deposits, other creditors and accruals		**10,426,200**	8,336,837	**11,787,648**	8,154,734
Defined benefit pension plans	(a)	**531,809**	552,462	**–**	–
Provisions for commitments and contingencies	(b)	**41,953**	35,507	**41,953**	35,507
Finance lease liabilities	(c)	**290,559**	9,925	**–**	–
Structured deposits		**5,080,996**	4,309,375	**5,080,996**	4,308,457
		19,179,140	17,288,306	**16,910,597**	12,498,698

(a) Defined benefit pension plans

The Bank's subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labour laws of respective countries. The Bank's subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial assumptions using Projected Unit Credit Method. Such determination is made based on the present value of expected cash flows of benefits to be paid in the future taking into account the actuarial assumptions, including salaries, turnover rate, mortality rate, years of service and other factors.

The defined benefit plans expose the Bank's subsidiaries to actuarial risks, such as longevity risk, interest rate risk, currency risk and market (investment) risk.

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25. OTHER LIABILITIES (CONT'D.)

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

(i) Funding to defined benefit plans

The defined benefit plans are fully funded by the Bank's subsidiaries. The funding requirements are based on the pension funds actuarial measurement framework set out in the funding policies of the plans. The subsidiaries' employees are not required to contribute to the plans.

The following payments are expected contributions to be made by the Bank's subsidiaries to the defined benefit plans obligations in the future years:

Group	2017 RM'000	2016 RM'000
Within the next 12 months	**17,224**	16,939
Between 1 and 5 years	**135,459**	160,554
Between 5 and 10 years	**398,491**	431,982
Beyond 10 years	**3,762,292**	4,681,701
Total expected payments	**4,313,466**	5,291,176

(ii) Movements in net defined benefit liabilities

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

Group	Defined benefit obligations RM'000	Fair value of plan assets RM'000	Net defined benefit liabilities RM'000
As at 31 December 2017			
At 1 January 2017	**583,533**	**(31,071)**	**552,462**
Included in income statements:			
Current service cost	**52,292**	**–**	**52,292**
Past service cost	**124**	**–**	**124**
Interest cost	**39,135**	**–**	**39,135**
Actuarial gain on other long–term employee benefits plans	**(375)**	**–**	**(375)**
	91,176	**–**	**91,176**
Included in statements of comprehensive income:			
Remeasurement (gain)/loss:			
– Actuarial (gain)/loss arising from:			
– Demographic assumptions	**(2,144)**	**–**	**(2,144)**
– Financial assumptions	**20,223**	**(65)**	**20,158**
– Experience adjustments	**(33,292)**	**–**	**(33,292)**
– Return on plan assets (excluding interest income)	**–**	**(528)**	**(528)**
	(15,213)	**(593)**	**(15,806)**
Others:			
Contributions paid by employers	**(1,125)**	**(804)**	**(1,929)**
Benefits paid	**(29,911)**	**99**	**(29,812)**
Exchange differences	**(65,962)**	**1,680**	**(64,282)**
	(96,998)	**975**	**(96,023)**
At 31 December 2017	**562,498**	**(30,689)**	**531,809**

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25. OTHER LIABILITIES (CONT'D.)

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

(ii) Movements in net defined benefit liabilities (cont'd.)

The following table shows a reconciliation of net defined benefit liabilities and its components (cont'd.):

Group	Defined benefit obligations RM'000	Fair value of plan assets RM'000	Net defined benefit liabilities RM'000
As at 31 December 2016			
At 1 January 2016	502,236	(35,468)	466,768
Included in income statements:			
Current service cost	56,621	–	56,621
Past service cost	184	–	184
Interest cost/(income)	39,709	(2,108)	37,601
Actuarial gain on other long–term employee benefits plans	(255)	–	(255)
	96,259	(2,108)	94,151
Included in statements of comprehensive income:			
Remeasurement (gain)/loss:			
– Actuarial (gain)/loss arising from:			
– Demographic assumptions	1,880	–	1,880
– Financial assumptions	17,354	–	17,354
– Experience adjustments	(18,036)	–	(18,036)
– Effect of asset ceiling	–	(683)	(683)
– Return on plan assets (excluding interest income)	–	1,528	1,528
	1,198	845	2,043
Others:			
Contributions paid by employers	–	(11,718)	(11,718)
Benefits paid	(51,804)	17,014	(34,790)
Exchange differences	35,644	364	36,008
	(16,160)	5,660	(10,500)
At 31 December 2016	583,533	(31,071)	552,462

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25. OTHER LIABILITIES (CONT'D.)

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

(iii) Plan assets

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

Group	2017 RM'000	2016 RM'000
Cash and cash equivalents	**16,240**	14,105
Quoted investments in active markets:		
Equity securities:		
– Consumer markets	**–**	1,534
– Oil and gas	**–**	361
– Financial institutions	**3,161**	3,531
Bonds issued by foreign governments	**9,247**	9,083
Unquoted investments:		
Debt instruments	**–**	316
Equity securities	**2,692**	3,007
Other receivables	**687**	651
Other payables	**(1,338)**	(1,517)
	30,689	31,071

For Bank's subsidiaries which have plan assets, an Asset-Liability Matching Study ("ALM") is performed at each reporting date. The principal technique of the ALM is to ensure the expected return on assets is sufficient to support the desired level of funding arising from the defined benefit plans.

(iv) Defined benefit obligations

(A) Actuarial assumptions

The principal assumptions used by subsidiaries in determining its pension obligations are as follows:

Group	2017 %	2016 %
Discount rate		
– Indonesia	**7.71**	8.40
– Philippines	**5.51**	5.22
– Thailand	**3.21**	4.25
Future salary growth		
– Indonesia	**7.50**	7.58
– Philippines	**5.33**	6.00
– Thailand	**6.00**	5.00

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25. OTHER LIABILITIES (CONT'D.)

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

(iv) Defined benefit obligations (cont'd.)

(A) Actuarial assumptions (cont'd.)

The principal assumptions used by subsidiaries in determining its pension obligations are as follows (cont'd.):

Group	2017 Years	2016 Years
Indonesia:		
Life expectancy for individual retiring at age of 55 – 56:		
– Male	**17.70**	17.79
– Female	**18.70**	18.79
Philippines:		
Life expectancy for individual retiring at age of 50:		
– Male	**8.00**	8.00
– Female	**8.00**	8.00
Thailand:		
Life expectancy for individual retiring at age of 60:		
– Male	**6.32**	8.18
– Female	**6.32**	9.30

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

Group	2017 Years	2016 Years
Duration of defined benefit plans obligations		
– Indonesia	**10.40**	11.61
– Philippines	**14.66**	14.78
– Thailand	**7.15**	9.24

(B) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Defined benefit obligations	
Group	Increased by 1% RM'000	Decreased by 1% RM'000
2017		
Discount rate (1% movement)	**(43,681)**	**52,233**
Future salary growth (1% movement)	**51,532**	**(43,886)**
Future mortality (1% movement)	**(30)**	**32**
2016		
Discount rate (1% movement)	(51,796)	40,214
Future salary growth (1% movement)	47,190	(32,785)
Future mortality (1% movement)	(200)	204

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of each reporting year.

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25. OTHER LIABILITIES (CONT'D.)

(b) The movements of provisions for commitments and contingencies are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**35,507**	36,616	**35,507**	36,616
Addition	**6,446**	–	**6,446**	–
Provisions written back during the financial year	**–**	(1,109)	**–**	(1,109)
At 31 December	**41,953**	35,507	**41,953**	35,507

(c) Finance lease liabilities of the Group are payable as follows:

Group	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
2017			
Less than one year	**69,886**	**(2,533)**	**67,353**
Between one and five years	**242,320**	**(19,114)**	**223,206**
	312,206	**(21,647)**	**290,559**
2016			
Less than one year	10,848	(923)	9,925
Between one and five years	–	–	–
	10,848	(923)	9,925

The Group leases certain computer equipment and software under finance lease. At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

The movements in finance lease liabilities are as follows:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	**9,925**	10,982
Drawdown/(repayment), net	**280,634**	(1,057)
At 31 December	**290,559**	9,925

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26. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**974,588**	1,174,345	**974,588**	1,174,345
Amount sold to Cagamas during the financial year	**1,543,501**	–	**1,543,501**	–
Repayment forwarded	**(974,588)**	(186,026)	**(974,588)**	(186,026)
Exchange differences	**–**	(13,731)	**–**	(13,731)
At 31 December	**1,543,501**	974,588	**1,543,501**	974,588
Represented by:				
Sold directly to Cagamas	**1,543,501**	974,588	**1,543,501**	974,588
	1,543,501	974,588	**1,543,501**	974,588

Based on the agreement, the Group and the Bank undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

The loans and financing sold to Cagamas Berhad with recourse are mainly housing loans.

27. PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Taxation	**723,961**	395,624	**385,876**	47,374
Zakat	**22,533**	24,105	**–**	–
	746,494	419,729	**385,876**	47,374

28. DEFERRED TAX

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**(152,518)**	(220,231)	**(358,687)**	(441,814)
Acquisition of subsidiaries	**(619)**	–	**–**	–
Recognised in income statements, net (Note 46)	**(130,945)**	42,014	**(63,288)**	27,668
Recognised in statements of other comprehensive income, net	**107,493**	83,343	**105,905**	55,913
Insurance/takaful contract liabilities	**(5,900)**	(384)	**–**	–
Exchange differences	**55,250**	(57,260)	**1,057**	(454)
At 31 December	**(127,239)**	(152,518)	**(315,013)**	(358,687)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	**(859,318)**	(930,344)	**(315,013)**	(358,687)
Deferred tax liabilities	**732,079**	777,826	**–**	–
	(127,239)	(152,518)	**(315,013)**	(358,687)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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28. DEFERRED TAX (CONT'D.)

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

Deferred tax assets of the Group:

	Loan loss and allowances RM'000	AFS reserve, impairment losses on financial investments and amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2017					
At 1 January 2017	**(700)**	**(120,220)**	**(478,425)**	**(330,999)**	**(930,344)**
Acquisition of subsidiaries	**–**	**–**	**–**	**(619)**	**(619)**
Recognised in income statements	**7,195**	**11,424**	**(89,889)**	**(31,091)**	**(102,361)**
Recognised in statements of other comprehensive income	**–**	**113,033**	**2,995**	**–**	**116,028**
Exchange differences	**(3,539)**	**(2,309)**	**15,047**	**48,779**	**57,978**
At 31 December 2017	**2,956**	**1,928**	**(550,272)**	**(313,930)**	**(859,318)**
As at 31 December 2016					
At 1 January 2016	10,458	(212,670)	(487,413)	(286,457)	(976,082)
Recognised in income statements	(15,086)	10,220	20,262	6,065	21,461
Recognised in statements of other comprehensive income	–	83,365	783	–	84,148
Exchange differences	3,928	(1,135)	(12,057)	(50,607)	(59,871)
At 31 December 2016	(700)	(120,220)	(478,425)	(330,999)	(930,344)

Deferred tax liabilities of the Group:

	Unabsorbed capital allowance RM'000	AFS reserve and accretion of discounts RM'000	Provision for liabilities RM'000	Non-DPF unallocated surplus RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2017						
At 1 January 2017	**109,100**	**47,278**	**(13,815)**	**502,752**	**132,511**	**777,826**
Recognised in income statements	**(2,747)**	**160**	**10,256**	**6,034**	**(42,287)**	**(28,584)**
Recognised in statements of other comprehensive income	**–**	**5,563**	**–**	**(13,419)**	**(679)**	**(8,535)**
Insurance/takaful contract liabilities	**–**	**(5,900)**	**–**	**–**	**–**	**(5,900)**
Exchange differences	**2,277**	**(8,688)**	**326**	**–**	**3,357**	**(2,728)**
At 31 December 2017	**108,630**	**38,413**	**(3,233)**	**495,367**	**92,902**	**732,079**
As at 31 December 2016						
At 1 January 2016	112,434	48,172	(11,733)	454,288	152,690	755,851
Recognised in income statements	(3,340)	408	(1,423)	46,565	(21,657)	20,553
Recognised in statements of other comprehensive income	–	(1,034)	(66)	1,899	(1,604)	(805)
Insurance/takaful contract liabilities	–	(384)	–	–	–	(384)
Exchange differences	6	116	(593)	–	3,082	2,611
At 31 December 2016	109,100	47,278	(13,815)	502,752	132,511	777,826

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28. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax assets of the Bank:

	AFS reserve, impairment losses on financial investments and amortisation of premium RM'000	Provision for liabilities RM'000	Total RM'000
As at 31 December 2017			
At 1 January 2017	**(144,309)**	**(292,421)**	**(436,730)**
Recognised in income statements	**–**	**(38,169)**	**(38,169)**
Recognised in statements of other comprehensive income	**105,905**	**–**	**105,905**
Exchange differences	**–**	**1,057**	**1,057**
At 31 December 2017	**(38,404)**	**(329,533)**	**(367,937)**
As at 31 December 2016			
At 1 January 2016	(200,211)	(334,014)	(534,225)
Recognised in income statements	–	42,036	42,036
Recognised in statements of other comprehensive income	55,913	–	55,913
Exchange differences	(11)	(443)	(454)
At 31 December 2016	(144,309)	(292,421)	(436,730)

Deferred tax liabilities of the Bank:

	Unabsorbed capital allowance RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2017			
At 1 January 2017	**78,043**	**–**	**78,043**
Recognised in income statements	**(25,119)**	**–**	**(25,119)**
At 31 December 2017	**52,924**	**–**	**52,924**
As at 31 December 2016			
At 1 January 2016	89,316	3,095	92,411
Recognised in income statements	(11,273)	(3,095)	(14,368)
At 31 December 2016	78,043	–	78,043

Deferred tax assets have not been recognised in respect of the following items:

Group	2017 RM'000	2016 RM'000
Unutilised tax losses	**205,287**	128,727
Others	**9**	1
	205,296	128,728

The above items are available for offsetting against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of those items as they may not be used to offset taxable profits of other subsidiaries within the Group. They have arisen from subsidiaries that have past losses in which the deferred tax assets are recognised to the extent that future taxable profits will be available.

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29. BORROWINGS

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Secured:	(a)				
(i) Borrowings					
– Less than one year					
Denominated in:					
– SGD		**668**	–	**–**	–
– PHP		**80**	35	**–**	–
– IDR		**1,159,884**	741,714	**–**	–
– VND		**5,138**	–	**–**	–
		1,165,770	741,749	**–**	–
– More than one year					
Denominated in:					
– SGD		**236,302**	–	**–**	–
– PHP		**–**	171	**–**	–
– IDR		**1,982,846**	2,348,667	**–**	–
		2,219,148	2,348,838	**–**	–
(ii) Medium Term Notes					
– More than one year					
Denominated in:					
– IDR		**74,588**	83,251	**–**	–
Total secured borrowings		**3,459,506**	3,173,838	**–**	–
Unsecured:	(b)				
(i) Borrowings					
– Less than one year					
Denominated in:					
– USD		**4,272,752**	5,380,539	**3,861,646**	5,148,693
– SGD		**1,616,118**	994,982	**–**	–
– HKD		**121,905**	285,567	**–**	216,923
– IDR		**30,788**	362,598	**–**	–
– THB		**1,232,326**	824,493	**–**	–
– VND		**3**	–	**–**	–
– PHP		**–**	33,536	**–**	–
– EURO		**193,671**	466	**193,671**	–
– INR		**6,358**	13,240	**–**	–
– RM		**2,533,470**	517,000	**2,533,470**	517,000
– JPY		**5**	–	**–**	–
		10,007,396	8,412,421	**6,588,787**	5,882,616
– More than one year					
Denominated in:					
– USD		**3,746,250**	5,607,500	**3,746,250**	5,607,500
– IDR		**519,091**	233,562	**–**	–
– JPY		**1,970**	2,424	**–**	–
		4,267,311	5,843,486	**3,746,250**	5,607,500

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29. BORROWINGS (CONT'D.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Unsecured (cont'd.):					
(ii) Medium Term Notes					
– Less than one year					
Denominated in:					
– USD		**1,768,020**	2,361,664	**1,768,020**	2,361,664
– SGD		**164,087**	156,039	**164,087**	156,039
– HKD		**357,950**	433,498	**357,950**	433,498
– JPY		**668,664**	2,539,458	**668,664**	2,539,458
– AUD		**3,250**	808	**3,250**	808
– CNH		**449,015**	16,207	**449,015**	16,207
– RM		**476,918**	834,625	**476,918**	834,625
– CHF		**39**	–	**39**	–
– CNY		**5,801**	–	**5,801**	–
		3,893,744	6,342,299	**3,893,744**	6,342,299
– More than one year					
Denominated in:					
– USD		**3,705,750**	4,957,030	**3,705,750**	4,957,030
– SGD		**–**	167,440	**–**	167,440
– HKD		**2,432,872**	2,102,130	**2,432,872**	2,102,130
– JPY		**4,197,152**	2,352,871	**4,197,152**	2,352,871
– AUD		**328,346**	181,466	**328,346**	181,466
– CNH		**956,940**	1,114,075	**956,940**	1,114,075
– RM		**220,000**	220,000	**220,000**	220,000
– CHF		**414,301**	–	**414,301**	–
– CNY		**622,300**	–	**622,300**	–
		12,877,661	11,095,012	**12,877,661**	11,095,012
Total unsecured borrowings		**31,046,112**	31,693,218	**27,106,442**	28,927,427
Total borrowings		**34,505,618**	34,867,056	**27,106,442**	28,927,427

The movements in the borrowings are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
At 1 January	**34,867,056**	30,643,652	**28,927,427**	24,873,211
Drawdown/(repayment), net	**3,661,438**	3,535,381	**(76,897)**	2,579,375
Non-cash changes:				
Others	**46,504**	361,167	**44,941**	350,455
Exchange fluctuation	**(4,069,380)**	326,856	**(1,789,029)**	1,124,386
At 31 December	**34,505,618**	34,867,056	**27,106,442**	28,927,427

(a) Secured borrowings

The secured borrowings are secured against the following collaterals:

(i) Fiduciary transfer of the subsidiary's receivables with an aggregate amount of not less than 50% to 110% of the total outstanding loan;

(ii) Fiduciary transfer of the subsidiary's receivables with day past due not more than 30 to 90 days; and

(iii) Specific collaterals are as follows:

(1) certain motor vehicles; and

(2) land together with the buildings erected thereon and properties at 48 and 50 North Canal Road, Singapore.

The interest rates of these borrowings range from 2.46% to 11.25% (2016: 6.50% to 13.00%) per annum ("p.a."). The tenor for these secured borrowings range from 1 month to 60 months (2016: 1 month to 71 months).

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29. BORROWINGS (CONT'D.)

(a) Secured borrowings (cont'd.)

These secured borrowings include the following bonds issued/redeemed by the subsidiaries of the Bank:

Description	Issue date	Maturity date	Coupon rate (% p.a.)	Nominal value
PT Maybank Indonesia Finance				
Bonds II BII Finance Year 2013				
– Series B	19-Jun-13	19-Jun-18	8.25	IDR525.0 billion
Shelf Bonds I BII Finance Year 2015				
– Tranche I				
– Series A	12-Nov-15	12-Nov-18	10.35	IDR300.0 billion
– Series B	12-Nov-15	12-Nov-20	10.90	IDR200.0 billion
Shelf Bonds I Maybank Finance Year 2016				
– Tranche II				
– Series A	13-Apr-16	13-Apr-19	9.10	IDR750.0 billion
– Series B	13-Apr-16	13-Apr-21	9.35	IDR350.0 billion
– Tranche III				
– Series A	3-Nov-16	3-Nov-19	8.30	IDR800.0 billion
– Series B	3-Nov-16	3-Nov-21	8.80	IDR300.0 billion
Medium Term Notes VI	4-Aug-16	4-Aug-19	8.75	IDR250.0 billion
Shelf Bonds I Maybank Finance Year 2017				
– Tranche IV				
– Series A	15-Nov-17	15-Nov-20	7.65	IDR1,150.0 billion
– Series B	15-Nov-17	15-Nov-22	7.90	IDR50.0 billion
PT Wahana Ottomitra Multiartha Tbk				
Shelf Bonds I WOM Finance Year 2014				
– Tranche I				
– Series B[1]	25-Jun-14	25-Jun-17	11.00	IDR203.0 billion
– Tranche II				
– Series B[1]	5-Dec-14	5-Dec-17	11.25	IDR500.0 billion
Shelf Bonds I WOM Finance Year 2015				
– Tranche III				
– Series B	2-Apr-15	2-Apr-18	10.25	IDR860.0 billion
– Tranche IV				
– Series B	22-Dec-15	22-Dec-18	10.80	IDR397.0 billion
Shelf Bonds II WOM Finance Year 2016				
– Tranche I				
– Series A[1]	24-Jun-16	4-Jul-17	8.50	IDR442.0 billion
– Series B	24-Jun-16	24-Jun-19	9.50	IDR223.0 billion
Shelf Bonds II WOM Finance Year 2017				
– Tranche II				
– Series A	22-Aug-17	1-Sep-18	7.80	IDR400.0 billion
– Series B	22-Aug-17	22-Aug-20	8.90	IDR320.5 billion
– Tranche III				
– Series A	6-Dec-17	16-Dec-18	7.15	IDR601.5 billion
– Series B	6-Dec-17	6-Dec-20	8.45	IDR266.0 billion

[1] Fully redeemed during the financial year ended 31 December 2017.

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29. BORROWINGS (CONT'D.)

(b) Unsecured borrowings

The unsecured borrowings include term loans, commercial papers ("CP"), medium term notes ("MTN") and overdrafts denominated in multi-currencies.

The interest rates of these unsecured borrowings range from 0.33% to 8.65% (2016: 0.15% to 11.35%) per annum ("p.a.").

These unsecured borrowings include the following medium term notes/sukuk issued/redeemed by the Group and the Bank:

Description	Issue date	Maturity date	Coupon/profit rate (% p.a.)	Nominal value
Malayan Banking Berhad				
Samurai Bonds	30-Apr-15	27-Apr-18	0.397	JPY18,500.0 million
	30-Apr-15	30-Apr-20	0.509	JPY12,800.0 million
Panda Bonds	24-Jul-17	24-Jul-20	4.60	CNY1,000.0 million
USD2.0 billion Multicurrency MTN Programme				
USD Fixed rate notes[1]	10-Feb-12	10-Feb-17	3.00	USD400.0 million
HKD Fixed rate notes[1]	1-Mar-12	1-Mar-17	2.85	HKD700.0 million
JPY Fixed rate notes	22-Dec-11	22-Dec-26	2.50	JPY10,000.0 million
USD15.0 billion Multicurrency MTN Programme				
USD Fixed rate notes	15-May-13	15-May-18	1.76	USD200.0 million
USD Floating rate notes[1]	12-May-14	12-May-17	3-month USD LIBOR + 0.64	USD50.0 million
USD Fixed rate notes	20-May-14	20-May-19	2.56	USD50.0 million
USD Fixed rate notes	18-Jun-14	18-Jun-29	4.23	USD45.0 million
USD Callable zero coupon notes[2]	28-Nov-14	28-Nov-44	–	USD500.0 million
USD Callable zero coupon notes[3]	7-Jul-15	7-Jul-45	–	USD160.0 million
USD Floating rate notes	16-May-16	16-May-19	3-month USD LIBOR + 0.85	USD30.0 million
USD Floating rate notes	8-Jun-16	8-Jun-21	3-month USD LIBOR + 1.13	USD20.0 million
USD Floating rate notes[1]	1-Aug-16	1-Aug-17	3-month USD LIBOR + 0.30	USD20.0 million
USD Floating rate notes	1-Sep-16	3-Sep-19	3-month USD LIBOR + 0.85	USD20.0 million
USD Floating rate notes	9-Dec-16	9-Jun-18	3-month USD LIBOR + 0.50	USD80.0 million
USD Floating rate notes	5-May-17	5-Nov-18	3-month USD LIBOR + 0.50	USD70.0 million
USD Fixed rate notes	17-May-17	17-May-22	2.82	USD50.0 million
USD Floating rate notes	19-Sep-17	19-Mar-19	3-month USD LIBOR + 0.50	USD20.0 million
USD Floating rate notes	25-Sep-17	26-Sep-22	3-month USD LIBOR + 0.79	USD20.0 million
SGD Fixed rate notes[1]	10-Apr-15	10-Apr-17	1.85	SGD50.0 million
SGD Fixed rate notes	26-Jun-15	26-Jun-18	2.08	SGD54.0 million
HKD Fixed rate notes	20-Jul-12	20-Jul-22	3.25	HKD600.0 million
HKD Fixed rate notes	27-Jun-14	27-Jun-19	2.55	HKD284.0 million
HKD Fixed rate notes	15-Aug-14	15-Aug-24	3.35	HKD707.0 million
HKD Fixed rate notes	10-Nov-14	10-Nov-19	2.40	HKD310.0 million
HKD Fixed rate notes	20-Nov-15	20-Nov-18	2.15	HKD435.0 million
HKD Fixed rate notes	22-Jan-16	22-Jan-18	1.77	HKD200.0 million
HKD Fixed rate notes	13-May-16	13-May-21	2.66	HKD300.0 million
HKD Fixed rate notes	8-Jun-16	8-Jun-19	2.09	HKD220.0 million
HKD Fixed rate notes	2-Aug-16	2-Aug-19	1.80	HKD200.0 million
HKD Fixed rate notes	12-Oct-16	12-Oct-21	2.05	HKD378.0 million
HKD Fixed rate notes	2-Jun-17	22-May-20	1.845	HKD200.0 million
HKD Fixed rate notes	2-Jun-17	25-May-22	2.295	HKD909.0 million
HKD Fixed rate notes	3-Oct-17	3-Oct-22	2.40	HKD624.0 million
JPY Fixed rate notes[1]	30-May-12	30-May-17	0.85	JPY5,000.0 million
JPY Fixed rate notes	6-Feb-14	6-Feb-19	0.669	JPY30,000.0 million
JPY Fixed rate notes[1]	22-May-14	22-May-17	0.4375	JPY31,100.0 million
JPY Fixed rate notes	21-Aug-14	21-Aug-19	0.52	JPY20,000.0 million
JPY Fixed rate notes	8-Jun-17	8-Jun-22	0.20	JPY22,000.0 million
JPY Fixed rate notes	5-Jul-17	5-Jul-22	0.21	JPY2,000.0 million
JPY Fixed rate notes	7-Aug-17	7-Aug-20	0.19	JPY20,000.0 million

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29. BORROWINGS (CONT'D.)

(b) Unsecured borrowings (cont'd.)

These unsecured borrowings include the following medium term notes/sukuk issued/redeemed by the Group and the Bank (cont'd.):

Description	Issue date	Maturity date	Coupon/profit rate (% p.a.)	Nominal value
Malayan Banking Berhad (cont'd.)				
USD15.0 billion Multicurrency MTN Programme (cont'd.)				
AUD Floating rate notes	5-May-14	5-May-19	3-month BBSW + 1.20	AUD56.0 million
AUD Collared floating rate notes	31-Mar-17	31-Mar-22	See footnote 4	AUD12.0 million
AUD Collared floating rate notes	18-Apr-17	18-Apr-22	See footnote 5	AUD12.0 million
AUD Collared floating rate notes	18-Jul-17	18-Jul-22	See footnote 6	AUD12.0 million
AUD Collared floating rate notes	30-Nov-17	30-Nov-22	See footnote 7	AUD12.0 million
CNH Fixed rate notes	5-Mar-15	5-Mar-20	4.12	CNH410.0 million
CNH Fixed rate notes	11-Aug-15	11-Aug-18	4.10	CNH323.0 million
CNH Fixed rate notes	27-Apr-16	27-Apr-18	4.05	CNH180.0 million
CNH Fixed rate notes	27-Apr-16	27-Apr-18	4.05	CNH190.0 million
CNH Fixed rate notes	18-Jul-16	18-Jul-19	4.00	CNH500.0 million
CNH Fixed rate notes	19-Jul-16	19-Jul-19	4.00	CNH130.0 million
CNH Fixed rate notes	2-Nov-17	2-Nov-20	4.50	CNH500.0 million
CHF Zero coupon notes	2-Aug-17	2-Aug-21	–	CHF100.0 million
RM10.0 billion Senior MTN Programme				
Callable fixed rate notes[8]	24-Nov-15	24-Nov-25	4.65	RM220.0 million
Zero coupon notes[1]	20-Jun-16	20-Jul-17	–	RM200.0 million
Zero coupon notes[1]	29-Jul-16	31-Jul-17	–	RM200.0 million
Zero coupon notes[1]	4-Aug-16	4-Aug-17	–	RM200.0 million
Zero coupon notes[1]	11-Aug-16	11-Aug-17	–	RM200.0 million
RM10.0 billion Commercial Paper/Medium Term Note Programme				
Zero coupon medium term notes	7-Mar-17	8-Mar-18	–	RM60.0 million
Zero coupon medium term notes	22-Mar-17	22-Mar-18	–	RM44.1 million
Zero coupon medium term notes	7-Jun-17	7-Jun-18	–	RM43.0 million
Zero coupon medium term notes	14-Jun-17	14-Jun-18	–	RM35.0 million
Zero coupon medium term notes	25-Jul-17	26-Jul-18	–	RM15.0 million
Zero coupon medium term notes	1-Aug-17	8-Aug-18	–	RM21.0 million
Zero coupon medium term notes	8-Aug-17	8-Aug-18	–	RM22.0 million
Zero coupon medium term notes	17-Aug-17	17-Aug-18	–	RM200.0 million
Zero coupon medium term notes	3-Oct-17	4-Oct-18	–	RM19.0 million
Zero coupon medium term notes	4-Oct-17	9-Oct-18	–	RM17.0 million

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29. BORROWINGS (CONT'D.)

(b) Unsecured borrowings (cont'd.)

These unsecured borrowings include the following medium term notes/sukuk issued/redeemed by the Group and the Bank (cont'd.):

Description	Issue date	Maturity date	Coupon/profit rate (% p.a.)	Nominal value
PT Bank Maybank Indonesia Tbk				
Shelf Bonds I Bank BII Year 2012				
– Tranche II				
– Series B[1]	31-Oct-12	31-Oct-17	8.00	IDR1,020.0 billion
Shelf Sukuk Mudharabah I Bank BII Year 2014				
– Tranche I[1]	8-Jul-14	8-Jul-17	9.35	IDR300.0 billion
Shelf Sukuk Mudharabah II Bank Maybank Indonesia Year 2016				
– Tranche II	10-Jun-16	10-Jun-19	8.25	IDR700.0 billion
Shelf Bonds II Bank Maybank Indonesia Year 2017				
– Tranche I				
– Series A	11-Jul-17	11-Jul-22	8.00	IDR435.0 billion
– Series B	11-Jul-17	11-Jul-24	8.50	IDR300.0 billion
– Series C	11-Jul-17	11-Jul-27	8.65	IDR100.0 billion
Shelf Sukuk Mudharabah II Bank Maybank Indonesia Year 2017				
– Tranche I	11-Jul-17	11-Jul-20	7.85	IDR266.0 billion

1 Fully redeemed during the financial year ended 31 December 2017.

2 The Bank may redeem all (and not some only) of the notes on 28 November 2019 ("First Redemption Date") and each 28 November after the First Redemption Date up to 28 November 2043.

3 The Bank may redeem all (and not some only) of the notes on 7 July 2020 ("First Redemption Date") and each 7 July after the First Redemption Date up to 7 July 2044.

4 (i) Period from and including the Issue Date up to but excluding 31 March 2018:
2.96% payable annually in arrear if the 3-month AUD BBSW is less than or equal to the barrier of 3.50% p.a., or 1.48% payable annually in arrear if the 3-month AUD BBSW is more than the barrier of 3.50% p.a.
(ii) Period from and including 31 March 2018 up to but excluding the last interest payment date falling on or about 31 March 2022:
3-month AUD BBSW + 1.00% Floating Rate, payable quarterly in arrear.

5 (i) Period from and including the Issue Date up to but excluding 18 April 2018:
2.98% payable annually in arrear if the 3-month AUD BBSW is less than or equal to the barrier of 3.50% p.a., or 1.49% payable annually in arrear if the 3-month AUD BBSW is more than the barrier of 3.50% p.a.
(ii) Period from and including 18 April 2018 up to but excluding the last interest payment date falling on or about 18 April 2022:
3-month AUD BBSW + 1.00% Floating Rate, payable quarterly in arrear.

6 (i) Period from and including the Issue Date up to but excluding 18 July 2018:
2.85% payable annually in arrear if the 3-month AUD BBSW is less than or equal to the barrier of 3.00% p.a., or 1.425% payable annually in arrear if the 3-month AUD BBSW is more than the barrier of 3.00% p.a.
(ii) Period from and including 18 July 2018 up to but excluding the last interest payment date falling on or about 18 July 2022:
3-month AUD BBSW + 1.00% Floating Rate, payable quarterly in arrear.

7 (i) Period from and including the Issue Date up to but excluding 30 November 2018:
2.90% payable annually in arrear if the 3-month AUD BBSW is less than or equal to the barrier of 3.00% p.a., or 1.45% payable annually in arrear if the 3-month AUD BBSW is more than the barrier of 3.00% p.a.
(ii) Period from and including 30 November 2018 up to but excluding the last interest payment date falling on or about 30 November 2022:
3-month AUD BBSW + 1.00% Foating Rate, payable quarterly in arrear.

8 The Bank may redeem these senior notes, in whole or in part, on 26 November 2018 ("First Call Date") and on each coupon payment after the First Call Date.

Additionally, the aggregate nominal value of the commercial papers issued by the Bank and outstanding as at 31 December 2017 are as follows:

Description	Tenor	Nominal value (RM)
Malayan Banking Berhad		
USD5.0 billion Euro-Commercial Paper Programme	182 – 186 days	801.1 million
USD500.0 million U.S. Commercial Paper Programme	32 – 278 days	2,023.8 million
RM10.0 billion Commercial Paper/Medium Term Note Programme	174 – 365 days	2,562.8 million

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30. SUBORDINATED OBLIGATIONS

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
RM250.0 million subordinated notes due in 2023	(i)	**245,122**	245,181	**250,113**	250,113
RM2,100.0 million subordinated notes due in 2024	(ii)	**2,112,715**	2,112,715	**2,112,715**	2,112,715
RM1,600.0 million subordinated notes due in 2024	(iii)	**1,627,964**	1,628,425	**1,633,078**	1,633,508
RM2,200.0 million subordinated notes due in 2025	(iv)	**2,221,855**	2,221,855	**2,221,855**	2,221,855
RM1,100.0 million subordinated notes due in 2025	(v)	**1,109,435**	1,109,382	**1,109,435**	1,109,382
USD800.0 million subordinated notes due in 2022	(vi)	**–**	3,617,331	**–**	3,617,331
USD500.0 million subordinated notes due in 2026	(vii)	**2,035,330**	2,257,968	**2,035,330**	2,257,968
RM500.0 million subordinated notes due in 2023	(viii)	**510,119**	510,120	**–**	–
RM300.0 million subordinated sukuk due in 2024	(ix)	**301,189**	301,189	**–**	–
IDR1.5 trillion BMI subordinated bond due in 2018	(x)	**387,666**	431,718	**–**	–
IDR500.0 billion BMI subordinated bond due in 2018	(xi)	**150,218**	167,676	**–**	–
IDR1.0 trillion BMI subordinated bond due in 2019	(xii)	**303,037**	338,374	**–**	–
IDR1.5 trillion BMI subordinated bonds due in 2021	(xiii)	**67,221**	75,057	**–**	–
IDR800.0 billion BMI subordinated bonds due in 2023	(xiv)	**98,796**	110,334	**–**	–
RM1,500.0 million subordinated sukuk due in 2024	(xv)	**808,656**	773,381	**–**	–
		11,979,323	15,900,706	**9,362,526**	13,202,872

The movements in the subordinated obligations are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
At 1 January	**15,900,706**	20,252,116	**13,202,872**	16,750,738
Issuance during the financial year	**35,000**	2,243,000	**–**	2,243,000
Redemption during the financial year	**(3,240,000)**	(6,850,743)	**(3,240,000)**	(5,850,743)
Non-cash changes:				
Others	**(36,200)**	(167,200)	**(34,619)**	(158,052)
Exchange fluctuation	**(680,183)**	423,533	**(565,727)**	217,929
At 31 December	**11,979,323**	15,900,706	**9,362,526**	13,202,872

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30. SUBORDINATED OBLIGATIONS (CONT'D.)

Note	Description	Issue date	First call date	Maturity date	Coupon/Profit rate (% p.a.)	Nominal value
	Malayan Banking Berhad					
	RM3.0 billion Subordinated Note Programme					
(i)	RM Subordinated notes[1]	28-Dec-11	28-Dec-18	28-Dec-23	4.12	RM250.0 million
	RM20.0 billion Subordinated Note Programme					
(ii)	RM Subordinated notes[1]	10-May-12	10-May-19	10-May-24	4.25	RM2,100.0 million
(iii)	RM Subordinated notes[2, 7]	29-Jan-14	29-Jan-19	29-Jan-24	4.90	RM1,600.0 million
(iv)	RM Subordinated notes[2, 7]	19-Oct-15	19-Oct-20	17-Oct-25	4.90	RM2,200.0 million
(v)	RM Subordinated notes[2, 7]	27-Oct-15	27-Oct-20	27-Oct-25	4.90	RM1,100.0 million
	USD15.0 billion Multicurrency MTN Programme					
(vi)	USD Subordinated notes[3]	20-Sep-12	20-Sep-17	20-Sep-22	3.25	USD800.0 million
(vii)	USD Subordinated notes[4, 7]	29-Apr-16	29-Oct-21	29-Oct-26	3.905	USD500.0 million
	Etiqa Insurance Berhad					
(viii)	RM Subordinated notes[6]	5-Jul-13	5-Jul-18	5-Jul-23	4.13	RM500.0 million
	Etiqa Takaful Berhad					
(ix)	RM Subordinated Sukuk Musyarakah[5]	30-May-14	30-May-19	30-May-24	4.52	RM300.0 million
	PT Bank Maybank Indonesia Tbk					
(x)	Subordinated Bonds I Bank BII Year 2011	19-May-11	–	19-May-18	10.75	IDR1,500.0 billion
(xi)	Shelf Subordinated Bonds I Bank BII Year 2011 – Tranche I	6-Dec-11	–	6-Dec-18	10.00	IDR500.0 billion
(xii)	Shelf Subordinated Bonds I Bank BII Year 2012 – Tranche II	31-Oct-12	–	31-Oct-19	9.25	IDR1,000.0 billion
(xiii)	Shelf Subordinated Bonds II Bank BII Year 2014 – Tranche I	8-Jul-14	–	8-Jul-21	11.35	IDR1,500.0 billion
(xiv)	Shelf Subordinated Bonds II Bank Indonesia Year 2016 – Tranche II	10-Jun-16	–	10-Jun-23	9.625	IDR800.0 billion
	Maybank Islamic Berhad					
	RM10.0 billion Subordinated Sukuk Murabahah Programme					
(xv)	RM Subordinated Sukuk Murabahah[5, 7]	7-Apr-14	5-Apr-19	5-Apr-24	4.75	RM1,500.0 million

1 The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part on the first call date and on each interest payment date thereafter.

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

3 These subordinated notes were fully redeemed on 20 September 2017.

4 The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole or in part, on 29 October 2021 (the "Optional Redemption Date"). Should the Bank decide not to exercise its call option, the rate of interest payable on these subordinated notes from the Optional Redemption Date up to, and including, the maturity date will be reset to the prevailing 5-year U.S. Dollar mid swap rate plus the initial spread per annum.

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

6 The subsidiary may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part, on the first call date and on each interest payment date thereafter.

7 These subordinated note/sukuk are Basel III – Compliant.

All the subordinated instruments above constitute unsecured liabilities of the Group and of the Bank and are subordinated to the senior indebtedness of the Group and of the Bank in accordance with the respective terms and conditions of their issues.

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31. CAPITAL SECURITIES

Description	Issue date	First call date	Maturity date	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Malayan Banking Berhad							
RM3,500 million 6.85% Stapled Capital Securities (Note (a))	27-Jun-08	27-Jun-18	27-Jun-38	**63,059**	63,059	**63,059**	63,059
Less: Transaction costs				**(3)**	(9)	**(3)**	(9)
				63,056	63,050	**63,056**	63,050
RM4.0 billion Innovative Tier 1 Capital Securities ("IT1CS") Programme							
SGD600.0 million 6.00% IT1CS[1, 2, 4]	11-Aug-08	11-Aug-18	10-Aug-68	**1,611,995**	1,649,898	**1,611,995**	1,649,898
RM1,100.0 million 6.30% IT1CS[1, 3]	25-Sep-08	25-Sep-18	25-Sep-68	**1,118,607**	1,092,484	**1,118,607**	1,118,417
Less: Transaction costs				**(398)**	(1,631)	**(398)**	(1,631)
				2,730,204	2,740,751	**2,730,204**	2,766,684
RM10.0 billion Additional Tier 1 Capital Securities ("AT1CS") Programme							
RM3,500 million 5.30% AT1CS[5]	10-Sep-14	10-Sep-19	Perpetual	**3,556,921**	3,500,000	**3,556,921**	3,500,000
Less: Transaction costs				**(66,001)**	(103,808)	**(66,001)**	(103,808)
				3,490,920	3,396,192	**3,490,920**	3,396,192
				6,284,180	6,199,993	**6,284,180**	6,225,926

1 The Bank may, subject to the prior consent of BNM, redeem the IT1CS on the tenth (10th) anniversary of the issue date and on any interest payment date thereafter.
2 On the 10th anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus one hundred (100) basis points above the three (3) months SGD Swap Offer Rate.
3 On the 10th anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus one hundred (100) basis points above the Kuala Lumpur Inter-Bank Offer Rate for 3-month RM deposits.
4 On 21 January 2015, the Bank had purchased SGD78.0 million out of the SGD600.0 million IT1CS through a private treaty arrangement. The SGD78.0 million IT1CS bought back was cancelled on 28 January 2015.
5 The Bank may, subject to the prior consent of BNM, redeem AT1CS, in whole or in part, on the first call date and on every coupon payment date thereafter. This AT1CS is Basel III-compliant.

(a) NCPCS

On 27 June 2008, the Bank issued RM3.5 billion securities in nominal value comprising:

(a) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and

(b) Subordinated Notes ("Sub-Notes"), which are issued by Cekap Mentari Berhad ("CMB"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities").

Until an assignment event occurs, the Stapled Capital Securities cannot be transferred, dealt with or traded separately. Upon occurrence of an assignment event, the Stapled Capital Securities will unstaple, leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be re-assigned to the Bank pursuant to a forward purchase contract entered into by the Bank. Unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities, the assignment event would occur on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes.

Each of the NCPCS and Sub-Notes has a fixed interest rate of 6.85% per annum. However, the NCPCS distribution will not begin to accrue until the Sub-Notes are re-assigned to the Bank as referred to above. Thus effectively, the Stapled Capital Securities are issued by the Bank at a fixed rate of 6.85% per annum. Interest is payable semi-annually in arrears.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of the Bank on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The Sub-Notes have a tenor of thirty (30) years unless redeemed earlier under the terms of the Sub-Notes. The Sub-Notes are redeemable at the option of CMB on any interest payment date, which cannot be earlier than the occurrence of an assignment event, subject to redemption conditions being satisfied.

The Stapled Capital Securities comply with BNM Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of the Group. Claims in respect of the NCPCS rank pari passu and without preference among themselves, other Tier 1 capital securities of the Bank and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of CMB.

An "assignment event" means the occurrence of any of the following events:

(a) The Bank is in breach of BNM's minimum capital adequacy ratio requirements applicable to the Bank; or

(b) Commencement of a winding-up proceeding in respect of the Bank or CMB; or

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31. CAPITAL SECURITIES (CONT'D.)

(a) NCPCS (cont'd.)

(c) Appointment of an administrator in connection with a restructuring of the Bank; or

(d) Occurrence of a default of the NCPCS distribution payments or Sub-Notes interest payments; or

(e) CMB ceases to be, directly or indirectly, a wholly-owned subsidiary of the Bank; or

(f) BNM requires that an assignment event occurs; or

(g) The Bank elects that an assignment event occurs; or

(h) The twentieth (20th) Interest Payment Date of the Sub-Notes; or

(i) Sixty (60) days after a regulatory event (means at any time there is more than an insubstantial risk, as determined by the Bank, that the NCPCS will no longer qualify as Non-Innovative Tier 1 capital of the Bank for the purposes of BNM's capital adequacy requirements under any applicable regulations) has occurred, subject to such regulatory event continuing to exist at the end of such sixty (60) days; or

(j) Any deferral of interest payment of the Sub-Notes; or

(k) Thirty (30) years from the issue date of the Sub-Notes.

In addition to the modes of redemption, the NCPCS and the Sub-Notes can be redeemed in the following circumstances:

(a) If the NCPCS and the Sub-Notes were issued for the purpose of funding a merger or acquisition which is subsequently aborted, at the option of the Bank and CMB subject to BNM's prior approval;

(b) At any time if there is more than an insubstantial risk in relation to changes in applicable tax regulations, as determined by the Bank or CMB, that could result in the Bank or CMB paying additional amounts or will no longer be able to deduct interest in respect of the Sub-Notes or the inter-company loan (between the Bank and CMB) for taxation purposes; and

(c) At any time if there is more than an insubstantial risk in relation to changes in applicable regulatory capital requirements, as determined by the Bank or CMB, that could disqualify the NCPCS to be regarded as part of Non-Innovative Tier 1 capital for the purpose of regulatory capital requirements.

On 10 September 2014, the Bank had completed a partial redemption of RM3,437.0 million in nominal value.

The movements in capital securities are as follows:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At 1 January	**6,199,993**	6,049,375	**6,225,926**	6,212,597
Non-cash changes:				
Others	**82,324**	80,327	**56,391**	(56,962)
Exchange fluctuation	**1,863**	70,291	**1,863**	70,291
At 31 December	**6,284,180**	6,199,993	**6,284,180**	6,225,926

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

Group and Bank	**2017 '000**	**2016 '000**	**2017 RM'000**	**2016 RM'000**
Issued and fully paid ordinary shares:				
At 1 January	**10,193,200**	9,761,751	**10,193,200**	9,761,751
Transfer from share premium	**–**	–	**28,878,703**	–
Shares issued under the:				
– Dividend Reinvestment Plan ("DRP") issued on:				
– 1 November 2017	**181,677**	–	**1,634,777**	–
– 6 June 2017	**243,600**	–	**2,009,409**	–
– 25 October 2016	**–**	184,372	**–**	184,372
– 3 June 2016	**–**	235,139	**–**	235,139
– Maybank Group Employees' Share Scheme ("ESS"):				
– Employee Share Option Scheme ("ESOS")	**154,648**	8,598	**1,445,239**	8,598
– Restricted Share Unit ("RSU")	**4,099**	3,156	**38,118**	3,156
– Supplemental Restricted Share Unit ("SRSU")	**110**	184	**935**	184
– Shares held-in-trust	**5,411**	–	**49,999**	–
At 31 December	**10,782,745**	10,193,200	**44,250,380**	10,193,200

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

(a) Increase in share capital

During the current financial year ended 31 December 2017, the Bank increased its share capital from RM10,193,199,917 to RM44,250,380,043 via:

(i) Transfer of share premium amounting to RM28,878,703,017 to share capital pursuant to Companies Act 2016;

(ii) Issuance of 154,648,300 new ordinary shares amounting to RM1,445,238,920 to eligible persons who exercised their share options under the ESS, as disclosed in Note 32(d)(ii);

(iii) Issuance of 4,098,732 new ordinary shares amounting to RM38,118,208 arising from the Restricted Share Unit ("RSU"), as disclosed in Note 32(e)(i);

(iv) Issuance of 110,000 new ordinary shares amounting to RM935,000 arising from the Supplemental Restricted Share Unit ("SRSU"), as disclosed in Note 32(e)(vii);

(v) Issuance of 5,411,200 new ordinary shares amounting to RM49,999,488 to be held in the ESOS Trust Fund ("ETF") Pool, as disclosed in Note 32(c)(v);

(vi) Issuance of 243,599,777 new ordinary shares (including 539,678 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) amounting to RM2,009,408,832 arising from the DRP relating to electable portion of the final dividend of 22 sen per ordinary share in respect of the financial year ended 31 December 2016, as disclosed in Note 50(c)(i); and

(vii) Issuance of 181,677,352 new ordinary shares (including 408,244 new ordinary shares issued to ETF Pool) amounting to RM1,634,776,661 arising from the DRP relating to electable portion of the interim dividend of 18 sen per ordinary share in respect of the financial year ended 31 December 2017, as disclosed in Note 50(c)(ii).

(b) Dividend Reinvestment Plan ("DRP")

Maybank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional dividend reinvestment plan that allows shareholders of Maybank ("shareholders") to reinvest their dividend into new ordinary share(s) in Maybank ("Maybank Shares") (collectively known as the Dividend Reinvestment Plan ("DRP")).

The rationale of Maybank embarking on the DRP are as follows:

(i) To enhance and maximise shareholders' value via the subscription of new Maybank Shares where the issue price of a new Maybank Share shall be at a discount;

(ii) To provide the shareholders with greater flexibility in meeting their investment objectives, as they would have the choice of receiving cash or reinvesting in the Bank through subscription of additional Maybank Shares without having to incur material transaction or other related costs;

(iii) To benefit from the participation by shareholders in the DRP to the extent that if the shareholders elect to reinvest into new Maybank Shares, the cash which would otherwise be payable by way of dividend will be reinvested to fund the continuing business growth of the Group. The DRP will not only enlarge Maybank's share capital base and strengthen its capital position, but will also add liquidity of Maybank Shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Whenever a cash dividend (either an interim, final, special or other dividend) is announced, the Board may, in its absolute discretion, determine that the DRP will apply to the whole or a portion of the cash dividend ("Electable Portion") and where applicable any remaining portion of the dividend will be paid in cash; and

(iv) Each shareholder has the following options in respect of the Electable Portion:

(1) elect to receive the Electable Portion in cash; or

(2) elect to reinvest the entire Electable Portion into new Maybank Shares credited as fully paid-up at an issue price to be determined on a price fixing date subsequent to the receipt of all relevant regulatory approvals.

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS")

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

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The maximum number of ordinary shares in the Bank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme.

The aggregate maximum allocation of share options under ESS to Chief Executive Officer and senior management of the Group and of the Bank shall not exceed 50% of the maximum Allowable Scheme Shares. The actual allocation of share options to Chief Executive Officer and senior management is 19.4% as at 31 December 2017 (2016: 20.2%).

Other principal features of the ESS are as follows:

(i) The employees eligible to participate in the ESS must be employed on a full time basis and on the payroll of the Participating Maybank Group and is confirmed in service.

Participating Maybank Group includes the Bank and its overseas branches and subsidiaries which include PT Bank Maybank Indonesia Tbk, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.

(ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of the Bank in a general meeting.

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

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, the Bank may terminate the ESS at any time during the duration of the scheme subject to:

- consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and
- written consent of all participants of ESS who have yet to exercise their ESS option, either in part or in whole, and all participants whose Restricted Shares Unit ("RSU") Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

(iv) ESS consists of Employee Share Option Scheme ("ESOS") and Restricted Shares Unit ("RSU").

(1) ESOS

Under the ESOS award, the Bank may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS options which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares in the Bank, provided all the conditions including performance-related conditions are duly and fully satisfied.

(2) RSU

Under the RSU award, the Bank may from time to time within the offer period, invite selected participants to enter into an agreement with the Bank, whereupon the Bank shall agree to award the scheme's shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) years cliff vesting schedule or a two (2) years cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

(v) Key features of the ESOS award are as follows:

(1) On 23 June 2011, the Bank originally granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met the average performance target ("ESOS First Grant"). The first tranche of ESOS under ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012. The third tranche of ESOS under ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013. The fourth tranche of ESOS under ESOS First Grant amounting to 74,253,400 options have been vested and exercisable as at 30 April 2014. The Bank also vested 600 options for appeal cases for fourth tranche of ESOS First Grant in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS First Grant amounting to 69,854,500 options have been vested and exercisable as at 30 April 2015.

On 10 August 2015, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS First Grant amounting to 34,951,500 options effective on 30 September 2015. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the second tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum allotted under the sixth tranche is prorated based on six months period.

In the previous financial year ended 31 December 2016, the Bank vested 5,600 options and 3,000 options for appeal cases for fifth and sixth tranche of ESOS First Grant.

On 29 April 2017, the second tranche of ESOS under ESOS First Grant amounting to 3,260,000 options have expired.

(2) On 30 April 2012, the Bank granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Group ("ESOS Second Grant"). The first tranche of ESOS under ESOS Second Grant amounting to 6,185,800 options have been vested and exercisable as at 7 May 2012. The second tranche of ESOS under ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013. The third tranche of ESOS under ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014. The fourth tranche of ESOS under ESOS Second Grant amounting to 10,808,600 options have been vested and exercisable as at 30 April 2015. The Bank also vested options for appeal cases for the first tranche and second tranche of ESOS Second Grant amounting to 1,300 and 3,100 respectively in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS Second Grant amounting to 9,424,800 options have been vested and exercisable as at 3 May 2016.

On 25 April 2016, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS Second Grant amounting to 4,687,000 options effective on 30 September 2016. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the first tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum alloted under the sixth tranche is prorated based on six months period.

On 29 April 2017, the first tranche of ESOS under ESOS Second Grant amounting to 484,700 options have expired.

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

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(v) Key features of the ESOS award are as follows (cont'd.):

(3) On 30 April 2013, the Bank granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Group ("ESOS Third Grant"). The first tranche of ESOS under ESOS Third Grant amounting to 9,199,800 options have been vested and exercisable as at 21 May 2013. The second tranche of ESOS under ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014. The third tranche of ESOS under ESOS Third Grant amounting to 9,197,600 options have been vested and exercisable as at 30 April 2015. The fourth tranche of ESOS under ESOS Third Grant amounting to 7,806,200 options have been vested and granted as at 3 May 2016. The fifth tranche of ESOS under ESOS Third Grant amounting to 7,382,200 options have been vested and granted as at 2 May 2017.

During the financial year ended 31 December 2017, the Bank vested 55,000 options for appeal cases for fourth tranche of ESOS Third Grant.

(4) On 30 April 2014, the Bank granted five (5) tranches of ESOS amounting to 54,027,800 options to confirmed new recruits in the Group ("ESOS Fourth Grant"). The first tranche of ESOS under ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014. The second tranche of ESOS under ESOS Fourth Grant amounting to 10,591,900 options have been vested and exercisable as at 30 April 2015. The Bank also vested 100,000 options relating to change of staff grade and 100 options for appeal cases for the first tranche of ESOS Fourth Grant in the previous financial year ended 31 December 2015. The third tranche of ESOS under ESOS Fourth Grant amounting to 9,018,700 options have been vested and exercisable as at 3 May 2016. The fourth tranche of ESOS under ESOS Fourth Grant amounting to 8,531,100 options have been vested and exercisable as at 2 May 2017, while the remaining tranche of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

(5) On 30 April 2015, the Bank granted four (4) tranches of ESOS amounting to 48,170,100 options to confirmed new recruits in the Group ("ESOS Fifth Grant"). The first tranche of ESOS under ESOS Fifth Grant amounting to 11,439,300 options have been vested and exercisable as at 21 May 2015. The second tranche of ESOS under ESOS Fifth Grant amounting to 11,250,300 options have been vested and exercisable as at 3 May 2016. The third tranche of ESOS under ESOS Fifth Grant amounting to 10,475,000 options have been vested and exercisable as at 2 May 2017, while the remaining tranche of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

During the financial year ended 31 December 2017, the Bank vested 10,000 options for appeal cases for second tranche of ESOS Fifth Grant.

(6) On 30 September 2015, the Bank granted three (3) tranches of ESOS amounting to 992,400 options to confirmed new recruits in the Group ("ESOS Special Grant"). The first tranche of ESOS under ESOS Special Grant amounting to 309,400 options have been vested and exercisable as at 21 October 2015. The second tranche of ESOS under ESOS Special Grant amounting to 215,500 options have been vested and exercisable as at 3 May 2016. The third tranche of ESOS under ESOS Special Grant amounting to 108,200 options have been vested and exercisable as at 2 May 2017.

(7) The new ordinary shares in the Bank allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise.

(8) The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of Maybank Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.

(9) In the implementation of ESS, the Bank has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from the Bank.

(10) The first tranche of ESOS First Grant was exercisable by way of self-funding by the respective eligible employees within twelve (12) months from the ESOS commencement date.

(11) Subsequent tranches and any ESOS which are unexercised after the initial twelve (12) months from the ESOS commencement date may be exercised during the remainder of the ESOS option period by way of self-funding or ESOS Trust Funding ("ETF") mechanism.

(12) ETF mechanism is a trust funding mechanism for the ESOS award involving an arrangement under which Maybank will fund a certain quantum of money for the subscription of Maybank shares by the Trustee, to be held in a pool and placed into an omnibus Central Depository System ("CDS") account of the Trustee or an authorised nominee, to facilitate the exercise of ESOS options by the eligible employees and at the request of selected employees whereupon part of the proceeds of such sale shall be utilised towards payment of the ESOS option price and the related costs. The shares to be issued and alloted under the ETF mechanism will rank equally in all respects with the existing issued Maybank shares. On 12 April 2012, the ESS Committee approved the subscription of new Maybank shares with value of RM100 million for ETF mechanism pool.

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

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(v) Key features of the ESOS award are as follows (cont'd.):

(12) Maybank had on 28 June 2012 announced the issuance of 11,454,700 new ordinary shares under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

Maybank had on 7 May 2013 issued additional 4,000 new ordinary shares under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

Maybank had on 23 June 2014 issued additional 2,831,509 new ordinary shares under the ETF mechanism due to RSU. Subsequent to the issuance, 2,794,826 options have been vested to eligible Senior Management of the Group and of the Bank. The remaining Maybank shares are recorded as "shares held-in-trust" in the financial statements.

Maybank had on 23 April 2015 and 14 May 2015 issued additional 2,753,823 and 30,419 new ordinary shares respectively under the ETF mechanism due to RSU. Subsequent to the issuance, 2,784,277 options have been vested to eligible Senior Management of the Group and of the Bank.

Maybank had on 28 April 2016 issued additional 3,155,659 new ordinary shares under the ETF mechanism due to RSU. Subsequent to the issuance, 3,155,659 options have been vested to eligible Senior Management of the Group and of the Bank.

Maybank had on 28 April 2017 issued additional 5,411,200 new ordinary shares under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

Maybank had on 2 May 2017 issued additional 4,098,732 new ordinary shares under the ETF mechanism due to RSU. Subsequent to the issuance, 4,084,433 options have been vested to eligible Senior Management of the Group and of the Bank.

Maybank also have been vested 14,299 options to eligible Senior Management of the Group and of the Bank using the existing ordinary shares under ETF mechanism.

The movements of shares held-in-trust for the financial year ended 31 December 2017 are as follows:

Group and Bank **As at 31 December 2017**	**Number of ordinary shares**	**Amount RM'000**
At 1 January 2017	**14,442,769**	**125,309**
Exercise of ESOS options by eligible employees	**(146,301,500)**	**–**
	(131,858,731)	**125,309**
Replenishment of shares held-in-trust	**146,301,500**	**–**
	14,442,769	**125,309**
Additional shares issued under ETF mechanism due to replenish of ESOS pool	**5,411,200**	**49,999**
Additional shares issued under ETF mechanism due to election under DRP	**947,922**	**8,127**
Additional shares issued under ETF mechanism due to RSU	**4,098,732**	**38,118**
RSU vested to the Eligible Senior Management of the Group and of the Bank	**(4,098,732)**	**(38,115)**
At 31 December 2017	**20,801,891**	**183,438**

The movements of shares held-in-trust for the financial year ended 31 December 2016 are as follows:

Group and Bank **As at 31 December 2016**	**Number of ordinary shares**	**Amount RM'000**
At 1 January 2016	13,735,330	119,745
Exercise of ESOS options by eligible employees	(7,895,700)	(69,117)
	5,839,630	50,628
Replenishment of shares held-in-trust	7,895,700	69,117
	13,735,330	119,745
Additional shares issued under ETF mechanism due to election under DRP	707,439	5,564
Additional shares issued under ETF mechanism due to RSU	3,155,659	28,843
RSU vested to the Eligible Senior Management of the Group and of the Bank	(3,155,659)	(28,843)
At 31 December 2016	14,442,769	125,309

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

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.
- The scheme shares on RSU may be settled by way of issuance and transfer of new Maybank Shares or by cash at the absolute discretion of the ESS Committee. The new Maybank Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to the Bank by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of Maybank Shares for the five (5) market days immediately preceding the RSU vesting date.
- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a two (2) to three (3) years cliff vesting schedule.

(vii) Cash-settled Performance-based Employees' Share Scheme ("CESS")

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

Key features of the CESS award are as follows:

- The CESS award is a cash plan and may be awarded from time to time up to five (5) tranches. The award will be subject to fulfilling the performance targets, performance period, service period and other vesting conditions as stipulated in the CESS Guidelines.
- The amount payable for each CESS tranche will correspond to the number of reference shares awarded multiplied by the appreciation in the Bank's share price between the price at the time of award and the time of vesting of which the vesting date shall be at the end of the three (3) years from the grant date of each CESS tranche.

(d) Details of share options under ESOS

(i) Details of share options granted:

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

The number of share options granted are based on the assumptions that the eligible employees met average performance targets.
* The ESS Committee approved the reduction of the ESOS exercise prices following the issuance of new ordinary shares pursuant to the implementation of DRP.

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

(d) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

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

Grant date	Exercise price RM/option	Exercise period
23.6.2011 – ESOS First Grant	8.82	30.6.2011 – 28.12.2011
	8.78	29.12.2011 – 4.6.2012
	8.76	5.6.2012 – 28.10.2012
	8.75	29.10.2012 – 5.6.2016
	8.74	6.6.2016 – 31.10.2016
	8.71	1.11.2016 – 22.6.2018
30.4.2012 – ESOS Second Grant	8.83	7.5.2012 – 28.10.2012
	8.82	29.10.2012 – 5.6.2016
	8.81	6.6.2016 – 31.10.2016
	8.78	1.11.2016 – 22.6.2018
30.4.2013 – ESOS Third Grant	9.61	21.5.2013 – 27.6.2013
	9.59	28.6.2013 – 21.11.2013
	9.58	22.11.2013 – 24.6.2014
	9.56	25.6.2014 – 29.6.2015
	9.54	30.6.2015 – 5.6.2016
	9.51	6.6.2016 – 31.10.2016
	9.47	1.11.2016 – 22.6.2018
30.4.2014 – ESOS Fourth Grant	9.91	21.5.2014 – 24.6.2014
	9.88	25.6.2014 – 28.10.2014
	9.87	29.10.2014 – 29.6.2015
	9.84	30.6.2015 – 5.6.2016
	9.80	6.6.2016 – 31.10.2016
	9.75	1.11.2016 – 22.6.2018
30.4.2015 – ESOS Fifth Grant	9.35	21.5.2016 – 5.6.2016
	9.32	6.6.2016 – 31.10.2016
	9.28	1.11.2016 – 22.6.2018
30.9.2015 – ESOS Special Grant	8.39	21.10.2015 – 31.10.2016
	8.37	1.11.2016 – 22.6.2018

The following tables illustrate the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Exercised[1] '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
30.4.2012	**15,194**	**(11,858)**	**(76)**	**(3,260)**	**–**	**–**
30.4.2013	**37,871**	**(25,798)**	**(313)**	**–**	**11,760**	**11,760**
30.4.2014	**47,256**	**(26,837)**	**(401)**	**–**	**20,018**	**20,018**
30.4.2015	**62,329**	**(35,266)**	**(607)**	**–**	**26,456**	**26,456**
30.9.2015	**33,196**	**(20,501)**	**(349)**	**–**	**12,346**	**12,346**
	195,846	**(120,260)**	**(1,746)**	**(3,260)**	**70,580**	**70,580**
WAEP (RM)	**8.71**	**8.71**	**–**	**–**	**8.71**	**8.71**

[1] 4,585,200 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

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

(d) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

The following tables illustrate the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year (cont'd.):

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Exercised[2] '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
7.5.2012	2,151	(1,617)	(49)	(485)	–	–
30.4.2013	5,755	(3,695)	(123)	–	1,937	1,937
30.4.2014	7,042	(4,001)	(155)	–	2,886	2,886
30.4.2015	9,105	(5,098)	(246)	–	3,761	3,761
3.5.2016	9,128	(5,014)	(252)	–	3,862	3,862
30.9.2016	4,655	(2,764)	(130)	–	1,761	1,761
	37,836	(22,189)	(955)	(485)	14,207	14,207
WAEP (RM)	8.78	8.78	–	–	8.78	8.78

[2] 772,300 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

ESOS Third Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Adjustment[3] '000	Vested '000	Exercised[4] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.5.2013	5,669	–	–	(1,450)	(271)	3,948	3,948
30.4.2014	7,539	–	–	(1,853)	(356)	5,330	5,330
30.4.2015	8,072	–	–	(1,985)	(353)	5,734	5,734
3.5.2016	7,472	55	–	(1,729)	(285)	5,513	5,513
2.5.2017	–	–	7,382	(1,482)	(132)	5,768	5,768
	28,752	55	7,382	(8,499)	(1,397)	26,293	26,293
WAEP (RM)	9.47	9.47	9.47	9.47	–	9.47	9.47

[3] Adjustment relates to appeal cases approved during the financial year ended 31 December 2017.
[4] 751,900 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

ESOS Fourth Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested '000	Exercised[5] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.5.2014	7,916	–	(204)	(405)	7,307	7,307
30.4.2015	9,355	–	(159)	(506)	8,690	8,690
3.5.2016	8,633	–	(164)	(461)	8,008	8,008
2.5.2017	–	8,531	(127)	(241)	8,163	8,163
	25,904	8,531	(654)	(1,613)	32,168	32,168
WAEP (RM)	9.75	9.75	9.75	–	9.75	9.75

[5] 18,800 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

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

(d) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

The following tables illustrate the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year (cont'd.):

ESOS Fifth Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Adjustment[6] '000	Vested '000	Exercised[7] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.5.2015	10,473	–	–	(3,661)	(503)	6,309	6,309
3.5.2016	10,869	10	–	(3,470)	(474)	6,935	6,935
2.5.2017	–	–	10,475	(2,594)	(131)	7,750	7,750
	21,342	10	10,475	(9,725)	(1,108)	20,994	20,994
WAEP (RM)	9.28	9.28	9.28	9.28	–	9.28	9.28

[6] Adjustment relates to appeal cases approved during the financial year ended 31 December 2017.
[7] 721,600 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

ESOS Special Grant (Vested)

Vesting date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested '000	Exercised[8] '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Exercisable as at 31.12.2017 '000
21.10.2015	143	–	(63)	(47)	33	33
3.5.2016	164	–	(64)	(52)	48	48
2.10.2017	–	108	(50)	–	58	58
	307	108	(177)	(99)	139	139
WAEP (RM)	8.37	8.37	8.37	–	8.37	8.37

[8] 6,000 of the share options exercised during the financial year ended 31 December 2017 were only issued and quoted in the Main Market of Bursa Malaysia Securities Berhad subsequent to 31 December 2017.

Total share options granted to the directors of the Bank as at 31 December 2017 are disclosed under the directors' interests section in the Directors' Report.

(ii) Share options exercised during the financial year

The options exercised during the financial year, are as disclosed above.

Options exercised under ESOS First Grant have resulted in the issuance of approximately 115,674,800 (2016: 8,151,800) new ordinary shares as at 31 December 2017, at WAEP of RM8.71 (2016: RM8.71) each. The related weighted average share price of ESOS First Grant at the date of exercise was RM9.16 (2016: RM9.05) per share.

Options exercised under the ESOS Second Grant have resulted in the issuance of approximately 21,417,200 (2016: 445,700) new ordinary shares as at 31 December 2017, at WAEP of RM8.78 (2016: RM8.78) each. The related weighted average share price of ESOS Second Grant at the date of exercise was RM9.17 (2016: RM9.08) per share.

Options exercised under the ESOS Third Grant have resulted in the issuance of approximately 7,747,100 (2016: 800) new ordinary shares as at 31 December 2017, at WAEP of RM9.47 (2016: RM9.47) each. The related weighted average share price of ESOS Third Grant at the date of exercise was RM9.52 (2016: RM9.17) per share.

Options exercised under the ESOS Fourth Grant have resulted in the issuance of approximately 634,800 (2016: Nil) new ordinary shares as at 31 December 2017, at WAEP of RM9.75 (2016: Nil) each. The related weighted average share price of ESOS Fourth Grant at the date of exercise was RM9.74 (2016: Nil) per share.

Options exercised under the ESOS Fifth Grant have resulted in the issuance of approximately 9,003,000 (2016: Nil) new ordinary shares as at 31 December 2017, at WAEP of RM9.28 (2016: Nil) each. The related weighted average share price of ESOS Fifth Grant at the date of exercise was RM9.46 (2016: Nil) per share.

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

(d) Details of share options under ESOS (cont'd.)

(ii) Share options exercised during the financial year (cont'd.)

Options exercised under the ESOS Special Grant have resulted in the issuance of approximately 171,400 (2016: Nil) new ordinary shares as at 31 December 2017, at WAEP of RM8.37 (2016: Nil) each. The related weighted average share price of ESOS Special Grant at the date of exercise was RM8.88 (2016: Nil) per share.

(iii) Share options expired during the financial year

On 29 April 2017, the second tranche of ESOS under ESOS First Grant amounting to 3,260,000 options and the first tranche of ESOS under ESOS Second Grant amounting to 484,700 options have expired.

(iv) Fair value of share options granted on 23 June 2011

The fair value of share options granted on 23 June 2011 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/ After DRP
Fair value of share options under ESOS First Grant:	
– tranche 1: vested on 30 June 2011 (RM)	0.635
– tranche 2: vested on 30 April 2012 (RM)	0.695
– tranche 3: vested on 30 April 2013 (RM)	0.748
– tranche 4: vested on 30 April 2014 (RM)	0.768
– tranche 5: vested on 30 April 2015 (RM)	0.784
– tranche 6: vested on 30 September 2015 (RM)	0.566
Weighted average exercise price (RM)	8.71
Expected volatility (%)	15.60
Expected life (years)	3 – 5
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(v) Fair value of share options granted on 30 April 2012

The fair value of share options granted on 30 April 2012 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/ After DRP
Fair value of share options under ESOS Second Grant:	
– tranche 1: vested on 7 May 2012 (RM)	0.459
– tranche 2: vested on 30 April 2013 (RM)	0.496
– tranche 3: vested on 30 April 2014 (RM)	0.512
– tranche 4: vested on 30 April 2015 (RM)	0.524
– tranche 5: vested on 3 May 2016 (RM)	0.533
– tranche 6: vested on 30 September 2016 (RM)	0.539
Weighted average exercise price (RM)	8.78
Expected volatility (%)	15.60
Expected life (years)	3 – 5
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(vi) Fair value of share options granted on 30 April 2013

The fair value of share options granted on 30 April 2013 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/ After DRP
Fair value of share options under ESOS Third Grant:	
– tranche 1: vested on 21 May 2013 (RM)	0.566
– tranche 2: vested on 30 April 2014 (RM)	0.606
– tranche 3: vested on 30 April 2015 (RM)	0.627
– tranche 4: vested on 3 May 2016 (RM)	0.640
– tranche 5: vested on 2 May 2017 (RM)	0.646
Weighted average exercise price (RM)	9.47
Expected volatility (%)	15.60
Expected life (years)	1 – 5
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

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

(d) Details of share options under ESOS (cont'd.)

(vi) Fair value of share options granted on 30 April 2013 (cont'd.)

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(vii) Fair value of share options granted on 30 April 2014

The fair value of share options granted on 30 April 2014 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/ After DRP
Fair value of share options under ESOS	
Fourth Grant:	
– tranche 1: vested on 21 May 2014 (RM)	0.527
– tranche 2: vested on 30 April 2015 (RM)	0.577
– tranche 3: vested on 3 May 2016 (RM)	0.601
– tranche 4: vested on 2 May 2017 (RM)	0.613
– tranche 5: not yet vested (RM)	0.622
Weighted average exercise price (RM)	9.75
Expected volatility (%)	15.60
Expected life (years)	1 – 3
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(viii) Fair value of share options granted on 30 April 2015

The fair value of share options granted on 30 April 2015 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/ After DRP
Fair value of share options under ESOS	
Fifth Grant:	
– tranche 1: vested on 21 May 2015 (RM)	0.364
– tranche 2: vested on 3 May 2016 (RM)	0.388
– tranche 3: vested on 2 May 2017 (RM)	0.399
– tranche 4: not yet vested (RM)	0.405
Weighted average exercise price (RM)	9.28
Expected volatility (%)	15.60
Expected life (years)	1 – 3
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(ix) Fair value of share options granted on 30 September 2015

The fair value of share options granted on 30 September 2015 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before/ After DRP
Fair value of share options under ESOS	
Special Grant:	
– tranche 1: vested on 21 October 2015 (RM)	0.499
– tranche 2: vested on 3 May 2016 (RM)	0.530
– tranche 3: vested on 2 May 2017 (RM)	0.545
Weighted average exercise price (RM)	8.37
Expected volatility (%)	15.60
Expected life (years)	1 – 3
Risk free rate (%)	2.69
Expected dividend yield (%)	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

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

(e) Details of RSU

(i) Details of RSU granted

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

Grant date	Number of share options '000	Fair value RM	Vesting date
23.6.2011 – RSU First Grant	3,690	7.247	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2012 – RSU Second Grant	4,355	6.902	
30.4.2013 – RSU Third Grant	4,820	7.732	
30.4.2014 – RSU Fourth Grant	5,520	7.850	
30.4.2015 – RSU Fifth Grant	6,610	7.159	

The following table illustrates the number of, and movements in, RSU during the financial year ended 31 December 2017:

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year: Adjustment '000	Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000	Vesting date
23.6.2011 – RSU First Grant	**4**[1]	**–**	**–**	**–**	**4**	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2014 – RSU Fourth Grant	**4,865**	**446**[2]	**(4,113)**	**(1,198)**	**–**	
30.4.2015 – RSU Fifth Grant	**6,155**	**–**	**–**	**(490)**	**5,665**	
	11,024	**446**	**(4,113)**	**(1,688)**	**5,669**	

[1] Pending transfer of RSU shares to deceased employee's next of kin.

[2] Adjustment pursuant to DRP which vested during the financial year ended 31 December 2017.

Total RSU granted to the directors of the Bank as at 31 December 2017 are disclosed under the directors' interests section in the Directors' Report.

During the financial year ended 31 December 2017, the RSU Fourth Grant amounting to 4,113,031 options (including DRP) had been vested and awarded to a selected group of eligible employees. The RSU Third Grant amounting to 3,155,659 options (including DRP), the RSU Second Grant amounting to 2,784,277 options (including DRP) and the RSU First Grant amounting to 2,794,826 options (including DRP) had been vested and awarded to a selected group of eligible employees during the previous financial years ended 31 December 2016, 31 December 2015 and 31 December 2014 respectively. The remaining grant has not been vested as at 31 December 2017.

(ii) Fair value of RSU granted on 23 June 2011

The fair value of RSU granted on 23 June 2011 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU First Grant (RM)	7.247
Closing share price at grant date (RM)	8.82
Expected volatility (%)	14.59
Vesting period (years)	3
Risk free rate (%)	3.31
Expected dividend yield (%)	4.49

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

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

(e) Details of RSU (cont'd.)

(iii) Fair value of RSU granted on 30 April 2012

The fair value of RSU granted on 30 April 2012 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Second Grant (RM)	6.902
Closing share price at grant date (RM)	8.63
Expected volatility (%)	14.11
Vesting period (years)	3
Risk free rate (%)	3.19
Expected dividend yield (%)	5.49

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

(iv) Fair value of RSU granted on 30 April 2013

The fair value of RSU granted on 30 April 2013 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Third Grant (RM)	7.732
Closing share price at grant date (RM)	9.62
Expected volatility (%)	13.96
Vesting period (years)	3
Risk free rate (%)	3.03
Expected dividend yield (%)	5.35

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

(v) Fair value of RSU granted on 30 April 2014

The fair value of RSU granted on 30 April 2014 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Fourth Grant (RM)	7.850
Closing share price at grant date (RM)	9.90
Expected volatility (%)	13.87
Vesting period (years)	3
Risk free rate (%)	3.45
Expected dividend yield (%)	5.84

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

(vi) Fair value of RSU granted on 30 April 2015

The fair value of RSU granted on 30 April 2015 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Fifth Grant (RM)	7.159
Closing share price at grant date (RM)	9.21
Expected volatility (%)	13.08
Vesting period (years)	3
Risk free rate (%)	3.40
Expected dividend yield (%)	6.37

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

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

(e) Details of RSU (cont'd.)

(vii) Details of SRSU granted

During the financial year ended 31 December 2017, there is no new SRSU (2016: 34,000) granted to selected group of eligible employees. A total of 110,000 SRSU (2016: 184,000) had been vested as at 31 December 2017. The remaining grant has not been vested as at 31 December 2017.

The following table illustrates the number of, and movements in, SRSU during the financial year ended 31 December 2017:

Grant date	Fair value of SRSU RM	Outstanding as at 1.1.2017 '000	Movements during the financial year Granted '000	Vested '000	Outstanding as at 31.12.2017 '000
26.3.2014	**8.724**	**90**	**–**	**(90)**	**–**
1.3.2015	**8.165**	**20**	**–**	**(20)**	**–**
3.5.2016	**7.743**	**34**	**–**	**–**	**34**
		144	**–**	**(110)**	**34**

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

	Grant Date		
	2016	**2015**	**2014**
Fair value of SRSU (RM)	7.743	8.165	8.724
Closing share price at grant date (RM)	8.78	9.20	9.66
Expected volatility (%)	14.80	14.20	12.80
Vesting period (years)	2	2	2
Risk free rate (%)	3.10	3.43	3.22
Expected dividend yield (%)	6.42	6.14	5.84

(f) Details of CESOS

(i) Details of CESOS granted

The Bank granted a total of 719,500 CESOS to eligible employees in overseas branches on 23 June 2011 ("CESOS First Grant"). On 30 April 2012, the Bank granted second tranche of CESOS under the CESOS First Grant amounting to 394,800 to promoted employees in overseas branches. On 30 April 2013, the Bank granted third tranche of CESOS under the CESOS First Grant amounting to 671,600. On 30 April 2014, the Bank granted fourth tranche of CESOS under the CESOS First Grant amounting to 591,300. On 30 April 2015 and 30 September 2015, the Bank granted fifth and sixth tranche of CESOS under the CESOS First Grant amounting to 548,900 and 273,000 respectively.

The fourth tranche of CESOS under the CESOS First Grant amounting to 461,100 options have been vested as at 31 December 2017. The third tranche under the CESOS First Grant amounting to 518,000 options and the second tranche under the CESOS First Grant amounting to 286,500 options have been vested during the previous financial years ended 31 December 2016 and 31 December 2015 respectively. The remaining tranches have not been vested as at 31 December 2017.

During the previous financial year ended 31 December 2016, the Bank had granted 20,100 options relating to the change of staff's appointment date under the CESOS First Grant.

On 30 April 2012, the Bank granted a first tranche of CESOS under the CESOS Second Grant of 554,000 CESOS to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk. The second tranche of CESOS under the CESOS Second Grant of 1,302,800 has been granted on 30 April 2013. On 30 April 2014, the Bank granted third tranche of CESOS under the CESOS Second Grant amounting to 1,011,800. On 30 April 2015, the Bank granted fourth tranche of CESOS under the CESOS Second Grant amounting to 779,600 and during the previous financial year ended 31 December 2015, the Bank also granted 400 options for appeal cases for first tranche of CESOS Second Grant. On 30 September 2016, the Bank granted fifth tranche of CESOS under the CESOS Second Grant amounting to 70,200 options.

During the previous financial year ended 31 December 2016, the Bank also made an adjustment of 3,100 options relating to the change of staff's appointment date under the CESOS Second Grant.

The third tranche of CESOS under the CESOS Second Grant amounting to 708,700 options have been vested as at 31 December 2017. The second tranche of CESOS under the CESOS Second Grant amounting to 837,900 options and the first tranche of CESOS under the CESOS Second Grant amounting to 749,600 options have been vested during the previous financial years ended 31 December 2016 and 31 December 2015 repectively. The remaining tranches have not been vested as at 31 December 2017.

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

(f) Details of CESOS (cont'd.)

(i) Details of CESOS granted (cont'd.)

On 30 April 2013, the Bank granted first tranche of CESOS under the CESOS Third Grant amounting to 614,700 to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk. The second tranche of CESOS under the CESOS Third Grant of 695,000 has been granted on 30 April 2014. The third tranche of CESOS under the CESOS Third Grant of 518,700 has been granted on 30 April 2015.

During the previous financial year ended 31 December 2016, the Bank also granted 22,200 options relating to the change of staff's appointment date under the CESOS Third Grant.

The second tranche of CESOS under the CESOS Third Grant is not vested and considered forfeited as at 31 December 2017 due to vesting price was lower than award price. The first tranche of CESOS under the CESOS Third Grant amounting to 338,600 options have been vested as at 31 December 2016, whilst the remaining tranche has not been vested as at 31 December 2017.

On 30 April 2014, the Bank granted first tranche of CESOS under the CESOS Fourth Grant amounting to 556,500 to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk. The second tranche of CESOS under the CESOS Fourth Grant of 576,700 has been granted on 30 April 2015. The Bank also granted 5,100 options for appeal cases for first tranche of CESOS under the CESOS Fourth Grant in the previous financial year ended 31 December 2015.

During the previous financial year ended 31 December 2016, the Bank also granted 1,100 options relating to the change of staff's appointment date under the CESOS Fourth Grant.

The first tranche of CESOS under the CESOS Fourth Grant is not vested and considered as forfeited as at 31 December 2017 due to vesting price was lower than award price, whilst the remaining tranche has not been vested as at 31 December 2017.

On 30 April 2015, the Bank granted first tranche of CESOS under the CESOS Fifth Grant amounting to 773,200 to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk.

During the previous financial year ended 31 December 2016, the Bank also granted 1,200 options relating to change of staff's promotion date under the CESOS Fifth Grant.

The following tables illustrate the number of, and movements in, CESOS during the financial year:

CESOS First Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	480	(461)	(19)	–
30.4.2015	492	–	(40)	452
30.9.2015	253	–	(21)	232
	1,225	(461)	(80)	684

CESOS Second Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	806	(709)	(97)	–
30.4.2015	667	–	(64)	603
30.9.2016	67	–	(3)	64
	1,540	(709)	(164)	667

CESOS Third Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	401	–	(401)	–
30.4.2015	397	–	(65)	332
	798	–	(466)	332

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

(f) Details of CESOS (cont'd.)

(i) Details of CESOS granted (cont'd.)

The following tables illustrate the number of, and movements in, CESOS during the financial year (cont'd.):

CESOS Fourth Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2014	253	–	(253)	–
30.4.2015	360	–	(115)	245
	613	–	(368)	245

CESOS Fifth Grant

Grant date	Outstanding as at 1.1.2017 '000	Movements during the financial year Vested and awarded '000	Forfeited '000	Outstanding as at 31.12.2017 '000
30.4.2015	605	–	(53)	552

The remaining CESOS granted have not been vested as at 31 December 2017.

(ii) Fair value of CESOS granted

The fair value of CESOS granted was estimated by a valuer using the binomial model, taking into account the terms and conditions upon which the CESOS were granted.

(g) Details of CRSU

(i) Details of CRSU granted

All the CRSU granted by the Bank were allocated to eligible senior management of the Group and of the Bank. Details of the CRSU granted are as follows:

Grant date	Number of share options '000	Fair value RM	Vesting date
23.6.2011 – CRSU First Grant	15	7.247	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2012 – CRSU Second Grant	95	6.902	
30.4.2013 – CRSU Third Grant	185	7.732	
30.4.2014 – CRSU Fourth Grant	145	7.850	
30.4.2015 – CRSU Fifth Grant	238	7.159	

The CRSU Fourth Grant amounting to 42,897 options (including DRP) had been vested during the financial year ended 31 December 2017. The CRSU Third Grant amounting to 41,646 options (including DRP) and the CRSU Second Grant amounting to 54,117 options (including DRP) had been vested during the previous financial years ended 31 December 2016 and 31 December 2015 respectively. The remaining CRSU granted has not been vested as at 31 December 2017.

(ii) Fair value of CRSU granted

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

	Grant date				
	30.4.2015	30.4.2014	30.4.2013	30.4.2012	23.6.2011
Fair value of CRSU (RM)	7.159	7.850	7.732	6.902	7.247
Closing share price at grant date (RM)	9.21	9.90	9.62	8.63	8.82
Expected volatility (%)	13.08	13.87	13.96	14.11	14.59
Vesting period (years)	3	3	3	3	3
Risk free rate (%)	3.40	3.45	3.03	3.19	3.31
Expected dividend yield (%)	6.37	5.84	5.35	5.49	4.49

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33. RETAINED PROFITS

(a) The Group's retained profits

The retained profits of the Group include the non-distributable Non-DPF unallocated surplus of an insurance subsidiary as a result of the Revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers. This non-distributable Non-DPF unallocated surplus is only available for distribution to shareholders based on the amount recommended by the Appointed Actuary in accordance with the Financial Services Act 2013.

The breakdown of distributable and non-distributable retained profits of the Group are as follows:

Group As at 31 December 2017	*Non-Distributable* Non-DPF Unallocated Surplus RM'000	*Distributable* Retained Profits RM'000	Total Retained Profits RM'000
At 1 January 2017	**1,188,223**	**13,220,472**	**14,408,695**
Profit for the financial year	**112,427**	**7,408,115**	**7,520,542**
Total comprehensive income for the financial year	**112,427**	**7,408,115**	**7,520,542**
Transfer from non-par surplus upon recommendation by the Appointed Actuary	**(78,717)**	**78,717**	**–**
Transfer from revaluation reserve	**–**	**10,575**	**10,575**
Transfer from statutory reserve	**–**	**10,731,889**	**10,731,889**
Transfer to regulatory reserve	**–**	**(1,689,288)**	**(1,689,288)**
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 32(a)(iii))	**–**	**(5,113)**	**(5,113)**
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU") (Note 32(a)(iv))	**–**	**(14)**	**(14)**
Dividends (Note 50)	**–**	**(5,708,543)**	**(5,708,543)**
Total transactions with shareholders/other equity movements	**(78,717)**	**3,418,223**	**3,339,506**
At 31 December 2017	**1,221,933**	**24,046,810**	**25,268,743**

Group As at 31 December 2016	*Non-Distributable* Non-DPF Unallocated Surplus RM'000	*Distributable* Retained Profits RM'000	Total Retained Profits RM'000
At 1 January 2016	1,073,961	11,759,043	12,833,004
Profit for the financial year	114,262	6,628,730	6,742,992
Total comprehensive income for the financial year	114,262	6,628,730	6,742,992
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	–	13,060	13,060
Transfer to statutory reserve	–	(478,485)	(478,485)
Transfer from regulatory reserve	–	189,512	189,512
Transfer from profit equalisation reserve	–	34,456	34,456
Issue of shares pursuant to Restricted Share Unit ("RSU")	–	1,060	1,060
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	–	(15)	(15)
Dividends (Note 50)	–	(4,926,889)	(4,926,889)
Total transactions with shareholders/other equity movements	–	(5,167,301)	(5,167,301)
At 31 December 2016	1,188,223	13,220,472	14,408,695

(b) The Bank's retained profits

The retained profits of the Bank as at 31 December 2017 and 31 December 2016 are distributable profits and may be distributed as dividends under the single-tier system based on the tax regulations in Malaysia.

The breakdown of retained profits of the Bank are disclosed in the statement of changes in equity.

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34. RESERVES

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Non-distributable:					
Statutory reserve	(a)	**203,058**	10,934,947	**46,255**	10,325,216
Regulatory reserve	(b)	**2,747,285**	1,057,997	**2,233,563**	660,800
Other reserves	(c)	**(405,169)**	(476,340)	**–**	–
AFS reserve	2.3(v)(b)(4)	**29,616**	(269,131)	**(114,149)**	(453,145)
Exchange fluctuation reserve	2.3(xviii)(c)	**858,752**	3,592,057	**2,228,315**	2,747,423
ESS reserve	2.3(xxv)(e)	**219,387**	320,912	**219,387**	320,912
		3,652,929	15,160,442	**4,613,371**	13,601,206

(a) On 3 May 2017, BNM issued a Revised Policy Document on Capital Fund and Capital Funds for Islamic Banks ("Revised Policy Document"). The Revised Policy Document has been updated to remove the requirement for a banking institution to maintain a reserve fund.

The Group and the Bank had transferred the statutory reserve to retained profits as at 31 December 2017 amounting to RM10,731.9 million and RM10,279.0 million respectively.

The remaining statutory reserves are maintained in compliance with the requirements of certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

(b) Regulatory reserve is maintained in addition to the collective impairment allowance that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, in accordance with BNM's Revised Policy Document on Classification and Impairment Provisions for Loans/Financing issued on 6 April 2015.

(c) Other reserves

Group As at 31 December 2017	Capital Reserve (Note 34(c)(i)) RM'000	Revaluation Reserve (Note 34(c)(ii)) RM'000	Defined Benefit Reserve RM'000	Net Investment Hedge and Cash Flow Hedge Reserve (Note 12) RM'000	Total Other Reserves RM'000
At 1 January 2017	**13,557**	**8,147**	**(54,360)**	**(443,684)**	**(476,340)**
Other comprehensive income	**–**	**–**	**13,058**	**68,688**	**81,746**
Defined benefit plan actuarial gain	**–**	**–**	**13,058**	**–**	**13,058**
Net gain on net investment hedge	**–**	**–**	**–**	**69,135**	**69,135**
Net loss on cash flow hedge	**–**	**–**	**–**	**(447)**	**(447)**
Total comprehensive income for the financial year	**–**	**–**	**13,058**	**68,688**	**81,746**
Transfer to retained profits	**–**	**(10,575)**	**–**	**–**	**(10,575)**
Total other equity movements	**–**	**(10,575)**	**–**	**–**	**(10,575)**
At 31 December 2017	**13,557**	**(2,428)**	**(41,302)**	**(374,996)**	**(405,169)**

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34. RESERVES (CONT'D.)

(c) Other reserves (cont'd.)

Group As at 31 December 2016	Capital Reserve (Note 34(c)(i)) RM'000	Revaluation Reserve (Note 34(c)(ii)) RM'000	Profit Equalisation Reserve (Note 34(c)(iii)) RM'000	Defined Benefit Reserve RM'000	Net Investment Hedge and Cash Flow Hedge Reserve (Note 12) RM'000	Total Other Reserves RM'000
At 1 January 2016	13,557	11,836	34,456	(52,111)	(463,724)	(455,986)
Other comprehensive (loss)/income	–	(3,689)	–	(2,249)	20,040	14,102
Defined benefit plan actuarial loss	–	–	–	(2,239)	–	(2,239)
Net gain on net investment hedge	–	–	–	–	21,197	21,197
Net loss on cash flow hedge	–	–	–	–	(1,157)	(1,157)
Net loss on revaluation reserve	–	(3,689)	–	–	–	(3,689)
Share of associates' reserve	–	–	–	(10)	–	(10)
Total comprehensive (loss)/income for the financial year	–	(3,689)	–	(2,249)	20,040	14,102
Transfer to retained profits	–	–	(34,456)	–	–	(34,456)
Total other equity movements	–	–	(34,456)	–	–	(34,456)
At 31 December 2016	13,557	8,147	–	(54,360)	(443,684)	(476,340)

(i) The capital reserve of the Group arose from the corporate exercises undertaken by certain subsidiaries in previous years.

(ii) Revaluation reserve relates to the transfer of self-occupied properties to investment properties subsequent to the change on occupation intention.

(iii) The Profit Equalisation Reserve ("PER") of Islamic Banking Institution ("IBI") is classified as a separate reserve in equity as per BNM Revised Guidelines on Profit Equalisation Reserve issued on 1 July 2012. The Islamic banking subsidiary ceased such practice and the remaining balance has been transferred to retained profits during the previous financial year ended 31 December 2016.

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35. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the business of banking, income from Islamic Banking Scheme ("IBS") operations, finance, investment banking, general and life insurance (including takaful), stockbroking, leasing and factoring, trustee and nominee services, asset management and venture capital but excluding all transactions between related companies.

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

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income	36	**22,056,334**	20,940,499	**16,099,945**	15,076,353
Income derived from investment of depositors' funds	62(b)	**7,045,382**	6,148,251	**–**	–
Income derived from investment of investment account funds	62(b)	**1,526,848**	1,613,812	**–**	–
Income derived from investment of Islamic Banking Funds	62(b)	**402,161**	356,576	**–**	–
Net earned insurance premiums	38	**5,250,890**	4,444,057	**–**	–
Dividends from subsidiaries and associates	39	**–**	–	**1,920,144**	2,400,457
Other operating income	40	**6,027,304**	6,289,283	**3,681,248**	4,272,439
Excluding non-operating revenue which comprises the following items:					
– Interest expense on derivatives*		**3,308,839**	4,911,287	**3,248,909**	4,907,773
– Direct costs on brokerage of subsidiaries		**192,020**	90,040	**–**	–
– Loss/(gain) on liquidation/disposal of subsidiaries	40	**1,988**	378	**(101)**	–
– Loss on disposal/liquidation of associates	40	**30,719**	–	**–**	–
– Rental income	40	**(43,574)**	(44,480)	**(32,165)**	(30,401)
– Gain on disposal of property, plant and equipment	40	**(201,003)**	(68,736)	**(62,415)**	(15,242)
– Other non-operating income	40	**(17,598)**	(23,065)	**(14,247)**	(19,150)
		9,298,695	11,154,707	**6,821,229**	9,115,419
		45,580,310	44,657,902	**24,841,318**	26,592,229

* Interest expense on derivatives forms part of the "realised gain on derivatives" as disclosed in Note 40.

36. INTEREST INCOME

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans, advances and financing	**16,465,364**	16,066,134	**11,675,791**	11,231,324
Money at call and deposits and placements with financial institutions	**781,866**	728,156	**855,031**	736,324
Financial assets purchased under resale agreements	**119,247**	73,216	**57,403**	2,472
Financial assets at FVTPL	**956,075**	798,919	**263,415**	201,371
Financial investments AFS	**3,061,837**	2,715,479	**2,566,120**	2,326,933
Financial investments HTM	**617,810**	550,431	**574,497**	529,590
	22,002,199	20,932,335	**15,992,257**	15,028,014
Accretion of discounts, net	**54,135**	8,164	**107,688**	48,339
	22,056,334	20,940,499	**16,099,945**	15,076,353

Included in interest income for the current financial year was interest on impaired assets amounting to approximately RM313,375,000 (2016: RM286,199,000) for the Group and RM250,421,000 (2016: RM210,895,000) for the Bank.

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37. INTEREST EXPENSE

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deposits and placements from financial institutions	**671,140**	457,307	**629,109**	422,161
Deposits from customers	**6,628,172**	6,794,223	**4,736,950**	4,978,398
Floating rate certificates of deposits	**8,043**	23,121	**8,043**	23,121
Loans sold to Cagamas	**71,108**	36,134	**71,108**	36,134
Obligations on financial assets sold under repurchase agreements	**77,619**	20,876	**77,619**	20,876
Borrowings	**1,097,184**	885,491	**639,336**	481,941
Subordinated notes	**683,401**	783,544	**506,105**	621,920
Subordinated bonds	**34,209**	34,240	**–**	–
Capital securities	**394,863**	388,308	**395,175**	391,288
Structured deposits	**108,806**	111,942	**108,806**	111,942
Financial liabilities at fair value through profit or loss	**134,748**	46,843	**134,748**	46,843
	9,909,293	9,582,029	**7,306,999**	7,134,624

38. NET EARNED INSURANCE PREMIUMS

Group	**2017 RM'000**	**2016 RM'000**
Gross earned premiums	**6,219,425**	5,655,538
Premiums ceded to reinsurers	**(968,535)**	(1,211,481)
	5,250,890	4,444,057

39. DIVIDENDS FROM SUBSIDIARIES AND ASSOCIATES

Bank	**2017 RM'000**	**2016 RM'000**
Subsidiaries	**1,910,288**	2,392,278
Associates	**9,856**	8,179
	1,920,144	2,400,457

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40. OTHER OPERATING INCOME

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fee income:				
Commission	**1,329,124**	1,268,040	**1,155,792**	1,012,359
Service charges and fees	**1,448,488**	1,502,493	**1,058,425**	1,055,054
Underwriting fees	**80,237**	42,288	**24,073**	23,933
Brokerage income	**452,874**	506,515	**–**	–
Fees on loans, advances and financing	**253,102**	239,266	**139,580**	136,381
	3,563,825	3,558,602	**2,377,870**	2,227,727
Investment income:				
Net gain on disposal of financial assets at FVTPL				
– Designated upon initial recognition	**184,107**	54,176	**–**	–
– Held-for-trading	**124,359**	149,930	**129,630**	101,170
Net gain on disposal of financial investments AFS	**657,483**	1,039,601	**212,536**	923,826
Net gain on disposal/redemption of financial investments HTM	**182**	11,397	**182**	11,397
(Loss)/gain on liquidation/disposal of subsidiaries	**(1,988)**	(378)	**101**	–
Loss on disposal/liquidation of associates	**(30,719)**	–	**–**	–
	933,424	1,254,726	**342,449**	1,036,393
Gross dividends from:				
Financial investments AFS				
– Quoted in Malaysia	**63,562**	65,069	**2,363**	4,726
– Unquoted in Malaysia	**16,227**	12,507	**13,657**	11,630
– Quoted outside Malaysia	**11,186**	5,076	**–**	–
	90,975	82,652	**16,020**	16,356
Financial assets at FVTPL				
– Quoted in Malaysia	**20,283**	19,067	**189**	1,628
– Quoted outside Malaysia	**12,005**	7,042	**454**	585
	123,263	108,761	**16,663**	18,569
Unrealised gain/(loss) of:				
Financial assets at FVTPL				
– Designated upon initial recognition	**(36,272)**	116,258	**–**	–
– Held-for-trading	**179,112**	(45,836)	**31,878**	(12,265)
Financial liabilities at FVTPL	**20,824**	189,931	**20,824**	189,931
Derivatives	**(125,342)**	(90,318)	**(104,489)**	(107,060)
	38,322	170,035	**(51,787)**	70,606
Other income:				
Foreign exchange gain net	**558,867**	619,973	**559,006**	632,262
Realised gain on derivatives	**398,606**	262,953	**374,827**	210,882
Rental income	**43,574**	44,480	**32,165**	30,401
Gain on disposal of property, plant and equipment	**201,003**	68,736	**62,415**	15,242
Gain on disposal of foreclosed properties	**1,493**	3,546	**300**	–
Other operating income	**147,329**	174,406	**(46,907)**	11,207
Other non-operating income	**17,598**	23,065	**14,247**	19,150
	1,368,470	1,197,159	**996,053**	919,144
Total other operating income	**6,027,304**	6,289,283	**3,681,248**	4,272,439

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

Group	2017 RM'000	2016 RM'000
Gross benefits and claims paid	**3,862,105**	4,109,574
Claims ceded to reinsurers	**(732,284)**	(726,826)
Gross change to contract liabilities	**1,062,601**	397,660
Change in contract liabilities ceded to reinsurers	**632,337**	40,619
Net insurance benefits and claims incurred	**4,824,759**	3,821,027
Net fee and commission expenses	**196,760**	208,256
Change in expense liabilities	**(9,845)**	56,240
Taxation of life and takaful fund	**45,456**	22,386
Net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**232,371**	286,882
	5,057,130	4,107,909

42. OVERHEAD EXPENSES

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Personnel expenses				
Salaries, allowances and bonuses	**4,685,520**	4,281,737	**2,867,817**	2,555,688
Social security cost	**43,640**	40,749	**19,749**	17,495
Pension costs – defined contribution plan	**531,482**	478,480	**410,587**	358,877
ESS expenses[1]	**17,083**	40,251	**11,106**	28,592
Other staff related expenses	**850,287**	797,657	**485,970**	467,384
	6,128,012	5,638,874	**3,795,229**	3,428,036
Establishment costs				
Depreciation of property, plant and equipment (Note 19)	**418,917**	379,135	**186,605**	188,540
Amortisation of core deposit intangibles (Note 20)	**5,406**	10,024	**–**	–
Amortisation of agency force (Note 20)	**6,555**	7,913	**–**	–
Amortisation of customer relationship (Note 20)	**16,352**	18,465	**–**	–
Amortisation of computer software (Note 20)	**245,360**	254,089	**99,177**	128,718
Rental of leasehold land and premises	**374,128**	359,714	**151,534**	149,779
Repairs and maintenance of property, plant and equipment	**170,723**	160,443	**98,379**	88,242
Information technology expenses	**631,651**	659,073	**850,743**	814,191
Fair value adjustments on investment properties (Note 15)	**60,173**	(8,858)	**–**	–
Others	**51,644**	47,735	**7,493**	8,812
	1,980,909	1,887,733	**1,393,931**	1,378,282
Marketing costs				
Advertisement and publicity	**217,446**	254,363	**118,891**	126,259
Others	**297,638**	267,717	**215,719**	235,140
	515,084	522,080	**334,610**	361,399

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42. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Administration and general expenses				
Fees and brokerage	**995,078**	831,850	**664,526**	565,980
Administrative expenses	**622,214**	715,261	**278,537**	303,224
General expenses	**970,959**	865,485	**365,431**	316,785
Others	**144,802**	25,873	**116,205**	21,880
	2,733,053	2,438,469	**1,424,699**	1,207,869
Overhead expenses allocated to subsidiaries	**–**	–	**(1,067,766)**	(1,035,947)
Total overhead expenses	**11,357,058**	10,487,156	**5,880,703**	5,339,639
Cost to income ratio[2]	**48.7%**	47.1%	**40.9%**	36.5%
Included in overhead expenses are:				
Directors' fees and remuneration (Note 43)	**83,815**	79,349	**13,917**	11,461
Rental of equipment	**96,327**	87,006	**21,185**	22,086
Direct operating expenses of investment properties	**3,054**	3,081	**–**	–
Auditors' remuneration:				
Statutory audit:	**18,259**	16,427	**9,406**	8,149
– Ernst & Young Malaysia	**7,998**	6,909	**5,328**	4,391
– Other member firms of Ernst & Young Global	**9,793**	9,117	**3,810**	3,538
– Other auditors[3]	**468**	401	**268**	220
Assurance and compliance related services:				
– Reporting accountants, review engagements and regulatory-related services	**6,519**	5,130	**4,323**	2,851
Non-audit services:				
– Other services	**5,953**	4,389	**5,889**	4,100
Employee benefit expenses (Note 25(a)(ii))	**87,992**	94,151	**–**	–
Property, plant and equipment written-off (Note 19)	**546**	99	**437**	38
Intangible assets written-off (Note 20)	**1,233**	1,180	**3**	1,174
Impairment of investment properties (Note 15)	**–**	141	**–**	–

1 ESS expenses comprise cash-settled and equity-settled share-based payment transactions. The amount arising from equity-settled share-based payment transactions for the Group and the Bank are approximately RM17,083,000 and RM11,106,000 (2016: RM40,251,000 and RM28,592,000) respectively.

2 Cost to income ratio is computed using total cost over the net operating income. Total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank Maybank Indonesia Tbk and Maybank Kim Eng Holdings Limited of RM5,406,000 and RM22,907,000 (2016: RM10,024,000 and RM26,378,000) respectively. Income is the net operating income amount, as disclosed on the face of income statements.

3 Relates to fees paid and payable to accounting firms other than Ernst & Young.

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43. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Bank:				
Executive directors:				
Salary	**2,400**	1,800	**2,400**	1,800
Bonus	**4,300**	2,700	**4,300**	2,700
Pension cost – defined contribution plan	**1,075**	722	**1,075**	722
ESS expenses	**680**	1,198	**680**	1,198
Other remuneration	**241**	241	**241**	241
Estimated monetary value of benefits-in-kind	**39**	48	**39**	48
	8,735	6,709	**8,735**	6,709
Non-executive directors:				
Fees	**7,167**	6,704	**4,067**	3,853
Other remuneration	**1,352**	1,153	**1,154**	947
Estimated monetary value of benefits-in-kind	**247**	38	**247**	38
	8,766	7,895	**5,468**	4,838
Sub-total for directors of the Bank	**17,501**	14,604	**14,203**	11,547
Directors of the subsidiaries:				
Executive directors:				
Salary and other remuneration, including meeting allowance	**36,397**	35,943	**–**	–
Bonus	**15,086**	13,896	**–**	–
Pension cost – defined contribution plan	**674**	1,126	**–**	–
ESS expenses	**256**	598	**–**	–
Estimated monetary value of benefits-in-kind	**2,954**	301	**–**	–
	55,367	51,864	**–**	–
Non-executive directors:				
Fees	**9,748**	9,458	**–**	–
Other remuneration	**3,063**	1,587	**–**	–
ESS expenses	**1,376**	2,223	**–**	–
	14,187	13,268	**–**	–
Sub-total for directors of the subsidiaries	**69,554**	65,132	**–**	–
Indemnity given to or insurance effected for any directors	**1,135**	1,143	**1,092**	1,119
Total (including benefits-in-kind and indemnity given to or insurance effected for any directors) (Note 47(a)(iii))	**88,190**	80,879	**15,295**	12,666
Total (excluding benefits-in-kind and indemnity given to or insurance effected for any directors) (Note 42)	**83,815**	79,349	**13,917**	11,461

The Bank maintained on group basis, a Directors' and Officers' Liability Insurance against any legal liability incurred by the Directors in the discharge of their duties while holding office for the Bank. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

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

The remuneration attributable to the Group President & Chief Executive Officer of the Bank including benefits-in-kind during the financial year amounted to RM8,735,000 (2016: RM6,709,000).

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

	Group				Bank			
2017	Fees RM'000	Salary and/ or other emoluments* RM'000	Benefits-in-kind RM'000	Total RM'000	Fees RM'000	Salary and/ or other emoluments* RM'000	Benefits-in-kind RM'000	Total RM'000
Executive director:								
Datuk Abdul Farid bin Alias	–	8,696	39	8,735	–	8,696	39	8,735
Non-executive directors:								
Datuk Mohaiyani binti Shamsudin[1]	863	484	33	1,380	546	458	33	1,037
Dato' Johan bin Ariffin	797	92	6	895	356	53	6	415
Datuk R. Karunakaran	1,010	125	7	1,142	426	58	7	491
Mr Cheng Kee Check	527	86	–	613	434	81	–	515
Mr Edwin Gerungan	848	65	2	915	414	57	2	473
Mr Nor Hizam bin Hashim	502	75	3	580	369	54	3	426
Dr Hasnita binti Dato' Hashim	549	56	6	611	365	43	6	414
Mr Anthony Brent Elam	405	56	3	464	378	49	3	430
Datin Paduka Jamiah binti Abdul Hamid	483	84	3	570	430	79	3	512
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor[2]	360	199	136	695	153	197	136	486
Dato' Dr Tan Tat Wai[3]	493	19	43	555	115	14	43	172
Mr Renato Tinio De Guzman[4]	330	11	5	346	81	11	5	97
	7,167	1,352	247	8,766	4,067	1,154	247	5,468
Total directors' remuneration	7,167	10,048	286	17,501	4,067	9,850	286	14,203

* Includes bonus, pension cost, ESS expenses, duty allowances, social allowances, leave passage and meeting allowances.
[1] Redesignation as Chairman on 1 April 2017
[2] Retired on 31 March 2017
[3] Retired on 6 April 2017
[4] Appointed on 2 October 2017 and tendered his resignation on 18 January 2018

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

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

	Group				Bank			
2016	**Fees RM'000**	**Salary and/ or other emoluments* RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**	**Fees RM'000**	**Salary and/ or other emoluments* RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Executive director:								
Datuk Abdul Farid bin Alias	–	6,661	48	6,709	–	6,661	48	6,709
Non-executive directors:								
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	1,417	626	28	2,071	610	571	28	1,209
Dato' Dr Tan Tat Wai	712	48	–	760	426	45	–	471
Dato' Johan bin Ariffin	777	85	3	865	375	47	3	425
Datuk Mohaiyani binti Shamsudin	737	66	3	806	355	39	3	397
Datuk R. Karunakaran	1,172	138	3	1,313	415	64	3	482
Mr Cheng Kee Check	407	65	–	472	396	64	–	460
Mr Edwin Gerungan	430	60	–	490	430	60	–	490
Tan Sri Datuk Dr Hadenan bin A. Jalil[1]	150	9	1	160	92	5	1	98
Mr Nor Hizam bin Hashim[2]	202	26	–	228	178	23	–	201
Dr Hasnita binti Dato' Hashim[3]	159	17	–	176	159	17	–	176
Dato' Seri Ismail bin Shahudin[4]	496	5	–	501	372	4	–	376
Mr Anthony Brent Elam[5]	45	8	–	53	45	8	–	53
	6,704	1,153	38	7,895	3,853	947	38	4,838
Total directors' remuneration	6,704	7,814	86	14,604	3,853	7,608	86	11,547

* Includes bonus, pension cost, ESS expenses, duty allowances, social allowances, leave passage and meeting allowances.
[1] Retired on 7 April 2016
[2] Appointed on 13 June 2016
[3] Appointed on 1 July 2016
[4] Demised on 30 July 2016
[5] Appointed on 15 November 2016

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowances for/(writeback of) impairment losses on loans, advances and financing:				
– Individual allowance (Note 11(ix))				
Allowance made	**1,830,104**	2,390,222	**1,237,538**	1,592,007
Amount written back	**(326,072)**	(115,272)	**(238,042)**	(80,690)
Net	**1,504,032**	2,274,950	**999,496**	1,511,317
– Collective allowance (Note 11(ix))				
Allowance made	**836,425**	1,100,315	**346,381**	522,087
Amount written back	**(390)**	(30,762)	**–**	–
Net	**836,035**	1,069,553	**346,381**	522,087
Bad debts and financing:				
– Written-off	**101,765**	107,481	**74,245**	64,021
– Recovered	**(485,473)**	(598,563)	**(259,169)**	(308,214)
Net	**(383,708)**	(491,082)	**(184,924)**	(244,193)
Allowances for/(writeback of) impairment losses on other debts	**2,701**	(20,673)	**2,285**	(1,343)
	1,959,060	2,832,748	**1,163,238**	1,787,868

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial investments AFS (Note 9(c))				
– Allowance made	**69,725**	265,440	**1,071**	213,464
– Amount written back in respect of recoveries	**(856)**	(83,187)	**(3,288)**	(73,613)
Net	**68,869**	182,253	**(2,217)**	139,851
Financial investments HTM (Note 10(c))				
– Amount written back in respect of recoveries	**(107)**	–	**–**	–
Net	**(107)**	–	**–**	–
	68,762	182,253	**(2,217)**	139,851

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46. TAXATION AND ZAKAT

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysian income tax	**2,159,444**	1,671,721	**1,329,138**	1,020,447
Foreign income tax	**595,539**	482,240	**295,562**	187,752
Less: Double taxation relief	**(282,811)**	(179,899)	**(282,811)**	(179,899)
	2,472,172	1,974,062	**1,341,889**	1,028,300
(Over)/underprovision in respect of prior years:				
Malaysian income tax	**(15,409)**	(103,528)	**1,272**	(78,977)
Foreign income tax	**(48,272)**	(51,971)	**(50,134)**	(52,368)
	2,408,491	1,818,563	**1,293,027**	896,955
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	**(130,945)**	42,014	**(63,288)**	27,668
Tax expense for the financial year	**2,277,546**	1,860,577	**1,229,739**	924,623
Zakat	**23,676**	19,981	**–**	–
	2,301,222	1,880,558	**1,229,739**	924,623

The Group's and the Bank's effective tax rate for the financial year ended 31 December 2017 was lower than the statutory tax rate due to certain income not subject to tax.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated chargeable profit for the financial year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	**10,098,096**	8,844,450	**7,352,614**	7,347,267
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	**2,423,543**	2,122,668	**1,764,627**	1,763,344
Different tax rates in other countries	**16,632**	15,980	**14,644**	10,529
Income not subject to tax	**(557,188)**	(327,688)	**(600,055)**	(793,416)
Expenses not deductible for tax purposes	**507,040**	319,860	**99,385**	75,511
Overprovision in income tax expense in prior years	**(63,681)**	(155,499)	**(48,862)**	(131,345)
Share of profits in associates and joint ventures	**(48,800)**	(114,744)	**–**	–
Tax expense for the financial year	**2,277,546**	1,860,577	**1,229,739**	924,623

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Group and of the Bank.

The Group and the Bank have related party relationships with their substantial shareholders, subsidiaries, associates and key management personnel.

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

(a) Significant related party transactions

(i) Subsidiaries

	Bank	
	2017 RM'000	**2016 RM'000**
Income:		
Interest on deposits	**1,077,042**	846,600
Dividend income (Note 39)	**1,910,288**	2,392,278
Rental of premises	**3,090**	3,096
Other income	**312,037**	290,113
	3,302,457	3,532,087
Expenditure:		
Interest on deposits	**44,912**	63,813
Information technology expenses	**511,610**	479,861
Other expenses	**96,412**	82,753
	652,934	626,427
Others:		
ESS expenses charged to subsidiaries	**9,644**	12,190
Overhead expenses allocated to subsidiaries (Note 42)	**1,067,766**	1,035,947
	1,077,410	1,048,137

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

(ii) Associates

	Bank	
	2017 RM'000	**2016 RM'000**
Income:		
Dividend income (Note 39)	**9,856**	8,179

There were no significant transactions with joint ventures for the financial year ended 31 December 2017.

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

(a) Significant related party transactions (cont'd.):

(iii) Key management personnel

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits				
– Fees	**16,915**	16,162	**4,067**	3,853
– Salaries, allowances and bonuses	**72,037**	66,280	**8,096**	5,688
– Pension cost-defined contribution plan	**3,398**	3,382	**1,075**	722
– Other staff benefits	**6,803**	2,870	**285**	86
Share-based payment				
– ESS expenses	**3,000**	6,405	**680**	1,198
Others				
– Indemnity given to or insurance effected for any directors (Note 43)	**1,135**	1,143	**1,092**	1,119
	103,288	96,242	**15,295**	12,666

Included in the total key management personnel compensation are:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (including benefits-in-kind and indemnity given to or insurance effected for any directors) (Note 43)	**88,190**	80,879	**15,295**	12,666

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

	Group		Bank	
	2017 '000	2016 '000	2017 '000	2016 '000
ESOS vested				
At 1 January	**10,908**	9,611	**1,601**	1,501
Adjustment*	**90**	881	**–**	–
Vested and exercisable	**1,490**	1,438	**300**	300
Exercised	**(3,884)**	(240)	**(375)**	–
Forfeited	**(247)**	–	**–**	–
Expired	**(20)**	(782)	**–**	(200)
At 31 December	**8,337**	10,908	**1,526**	1,601

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

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

(a) Significant related party transactions (cont'd.):

(iii) Key management personnel (cont'd.)

The movements in the number of RSU to key management personnel are as follows:

		Movements during the financial year			
Group **Grant date**	**Outstanding as at 1.1.2017 '000**	**Adjustment* '000**	**Vested and awarded '000**	**Not vested during the financial year '000**	**Outstanding as at 31.12.2017 '000**
30.4.2014 – RSU Fourth Grant	**955**	**88**	**(810)**	**(233)**	**–**
30.4.2015 – RSU Fifth Grant	**1,140**	**(135)**	**–**	**–**	**1,005**
	2,095	**(47)**	**(810)**	**(233)**	**1,005**

		Movements during the financial year			
Bank **Grant date**	**Outstanding as at 1.1.2017 '000**	**Adjustment* '000**	**Vested and awarded '000**	**Not vested during the financial year '000**	**Outstanding as at 31.12.2017 '000**
30.4.2014 – RSU Fourth Grant	**200**	**21**	**(191)**	**(30)**	**–**
30.4.2015 – RSU Fifth Grant	**200**	**–**	**–**	**–**	**200**
	400	**21**	**(191)**	**(30)**	**200**

* Adjustment due to DRP and relates to changes in key management personnel during the financial year ended 31 December 2017.

The RSU Fifth Grant has not been vested as at 31 December 2017.

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

(b) Significant related party balances

(i) Subsidiaries

	Bank	
	2017 RM'000	**2016 RM'000**
Amounts due from:		
Current accounts and deposits	**7,219,071**	9,797,348
Negotiable instruments of deposits	**–**	2,995,936
Loans, advances and financing	**17,944,182**	18,374,778
Interest and other receivable on deposits	**508,777**	628,894
Corporate bonds and sukuk	**8,988,217**	3,295,238
Derivative assets	**556,968**	589,894
	35,217,215	35,682,088
Amounts due to:		
Current accounts and deposits	**3,087,278**	3,220,706
Private debt securities	**9,999**	35,421
Interest payable on deposits	**4,216**	5,617
Deposits and other creditors	**7,192,640**	4,711,637
Derivative liabilities	**424,050**	373,042
	10,718,183	8,346,423
Commitments and contingencies	**148,300**	231,400

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

(ii) Associates

	Bank	
	2017 RM'000	**2016 RM'000**
Amount due from:		
Current accounts and deposits	**6,091**	345

There were no significant balances with joint ventures as at 31 December 2017.

(iii) Key management personnel

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans, advances and financing	**29,851**	37,770	**7,367**	8,721
Deposits from customers	**41,517**	60,945	**22,621**	29,933

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

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

(c) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government-linked entity and a shareholder with significant influence on the Bank, with direct shareholding of 7.40% (2016: 6.48%) and indirect shareholding of 33.97% (2016: 35.54%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2017. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Group and the Bank.

All the transactions entered into by the Group and the Bank with the government-related entities are conducted in the ordinary course of the Group's and of the Bank's business on terms comparable to those with other entities that are not government-related. The Group has established credit policies, pricing strategy and approval process for loans and financing, which are independent of whether the counterparties are government-related entities or not.

(i) Individually significant transactions and balances with PNB due to its size of transactions:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transactions during the financial year:				
Interest and finance income	**381,148**	360,895	**289,789**	217,361
Balances as at reporting dates:				
Loans, advances and financing	**8,446,507**	9,459,175	**3,695,000**	4,307,680

(ii) Collectively, but not individually, significant transactions

The Group has transactions with other government-related entities including but not limited to provision of loans and financing, deposits placement, brokerage services and underwriting of insurance and takaful.

For the financial year ended 31 December 2017, management estimates that the aggregate amount of the significant transactions with other government-related entities for the Group is at 0.2% (2016: 0.1%) and the Bank is at 0.2% (2016: 0.2%) of their total interest and finance income.

For the financial year ended 31 December 2017, management estimates that the aggregate amount of the significant balances due from other government-related entities for the Group and the Bank are 0.2% and 0.1% (2016: 0.2% and 0.1%) respectively of their total loans, advances and financing.

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48. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

The credit exposures disclosed below are based on the requirement of Paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder of the Bank and his close relatives;

(iii) Influential shareholder of the Bank and his close relatives;

(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;

(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;

(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and

(viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed below include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

	Group		Bank	
	2017	**2016**	**2017**	**2016**
Outstanding credit exposures with connected parties (RM'000)	**20,923,529**	21,695,021	**32,673,755**	37,789,161
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**2.7%**	3.0%	**6.0%**	7.1%
Percentage of outstanding credit exposures to connected parties which is impaired* or in default	**–**	–	**–**	–

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

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49. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

The basic EPS of the Group and of the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2017	**2016**	**2017**	**2016**
Net profit for the financial year attributable to equity holders of the Bank (RM'000)	**7,520,542**	6,742,992	**6,122,875**	6,422,644
Weighted average number of ordinary shares in issue ('000)	**10,439,428**	9,939,881	**10,439,428**	9,939,881
Basic earnings per share (sen)	**72.0**	67.8	**58.7**	64.6

(b) Diluted EPS

The diluted EPS of the Group and of the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue, which has been adjusted for the number of ordinary shares that could have been issued under the Maybank Group Employees' Share Scheme ("ESS"). The details of ESS are disclosed in Note 32(c).

In the diluted EPS calculation, it is assumed that certain number of ordinary shares under the ESS relating to the RSU are vested and awarded to employees through issuance of additional ordinary shares. A calculation is done to determine the number of ordinary shares that could have been issued at fair value (determined as the last 5-day Volume Weighted Average Market Price ("VWAMP") of the Bank's ordinary shares during the financial year) based on the monetary value of the ESS entitlement attached to the outstanding RSU granted. This calculation serves to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment is made to the net profit for the financial year.

	Group		Bank	
	2017	**2016**	**2017**	**2016**
Net profit for the financial year attributable to equity holders of the Bank (RM'000)	**7,520,542**	6,742,992	**6,122,875**	6,422,644
Weighted average number of ordinary shares in issue ('000)	**10,439,428**	9,939,881	**10,439,428**	9,939,881
Effects of dilution ('000)	**2,317**	385	**2,317**	385
Adjusted weighted average number of ordinary shares in issue ('000)	**10,441,745**	9,940,266	**10,441,745**	9,940,266
Diluted earnings per share (sen)	**72.0**	67.8	**58.6**	64.6

ESOS granted to employees under the ESS have not been included in the calculation of diluted earnings per share for the financial year ended 31 December 2016, as the ESOS are non-dilutive potential ordinary shares as at 31 December 2016.

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50. DIVIDENDS

Group and Bank	2017 RM'000	2016 RM'000	Net dividends per share 2017 sen	Net dividends per share 2016 sen
Final dividend of 32 sen single-tier dividend in respect of the financial year ended 31 December 2016 (Note 50(c)(i))	**3,282,722**	–	**32.00**	–
First single-tier interim dividend of 23 sen in respect of the financial year ended 31 December 2017 (Note 50(c)(ii))	**2,436,992**	–	**23.00**	–
Final dividend of 30 sen single-tier dividend in respect of the financial year ended 31 December 2015	**–**	2,932,078	**–**	30.00
First single-tier interim dividend of 20 sen in respect of the financial year ended 31 December 2016	**–**	2,001,766	**–**	20.00
	5,719,714	4,933,844	**55.00**	50.00
Less: Dividend on shares held-in-trust pursuant to ETF mechanism	**(11,171)**	(6,955)		
	5,708,543	4,926,889		

(a) Proposed final dividend

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2017 of 32 sen single-tier dividend per ordinary share, amounting to a net dividend payable of RM3,450,478,489 (based on 10,782,745,278 ordinary shares in issue as at 31 December 2017) will be proposed for the shareholders' approval.

The proposed final single-tier dividend consists of cash portion of 18 sen per ordinary share to be paid in cash amounting to RM1,940,894,150 and an electable portion of 14 sen per ordinary share amounting to RM1,509,584,339.

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 32(b) and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year ended 31 December 2017 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

(b) Dividend Reinvestment Plan ("DRP")

The Bank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional DRP that allows shareholders of the Bank to reinvest electable portion of their dividends into new ordinary share(s) in the Bank.

Details of the DRP are disclosed in Note 32(b).

(c) Dividends paid during the financial year

(i) The final dividend consists of cash portion of 10 sen single-tier dividend per ordinary share paid in cash amounting to RM1,025,850,715 and an electable portion of 22 sen per ordinary share amounting to RM2,256,871,573 which elected to be reinvested in new Maybank Shares in accordance with the DRP, in respect of the financial year ended 31 December 2016.

(ii) The interim single-tier dividend consists of cash portion of 5 sen per ordinary share paid in cash amounting to RM529,780,796 and an electable portion of 18 sen per ordinary share amounting to RM1,907,210,867 which elected to be reinvested in new Maybank Shares in accordance with the DRP, in respect of the current financial year ended 31 December 2017.

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

Dividends paid by Maybank's subsidiaries to non-controlling interests amounting to RM99,998,000 during the financial year ended 31 December 2017 (2016: RM95,077,000).

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51. COMMITMENTS AND CONTINGENCIES

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

The risk-weighted exposures of the Group and of the Bank are as follows:

Group 2017	Full commitment RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	12,970,421	12,064,534	6,552,472
Certain transaction-related contingent items	18,427,282	9,348,060	6,086,500
Short-term self-liquidating trade-related contingencies	6,029,951	1,107,435	694,977
	37,427,654	22,520,029	13,333,949
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	102,342,408	20,083,466	10,313,630
– Maturity exceeding one year	37,907,505	26,263,062	12,565,526
	140,249,913	46,346,528	22,879,156
Miscellaneous commitments and contingencies	12,098,705	412,246	180,312
Total credit-related commitments and contingencies	189,776,272	69,278,803	36,393,417
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	281,135,919	4,013,251	1,058,177
– One year to less than five years	30,150,396	1,450,112	1,176,205
– Five years and above	4,084,188	89,195	48,174
	315,370,503	5,552,558	2,282,556
Interest rate related contracts:			
– Less than one year	77,147,663	434,138	193,277
– One year to less than five years	163,085,655	4,039,064	1,659,736
– Five years and above	56,135,013	1,867,117	1,613,596
	296,368,331	6,340,319	3,466,609
Equity and commodity related contracts:			
– Less than one year	5,631,415	10,492	3,792
– One year to less than five years	4,193,817	10,944	1,976
– Five years and above	33,663	–	–
	9,858,895	21,436	5,768
Total treasury-related commitments and contingencies	621,597,729	11,914,313	5,754,933
Total commitments and contingencies	811,374,001	81,193,116	42,148,350

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

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51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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

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

Group 2016	Full commitment RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	12,656,766	11,637,132	6,773,719
Certain transaction-related contingent items	20,138,714	9,865,761	6,526,837
Short-term self-liquidating trade-related contingencies	6,332,853	1,206,287	806,417
Obligations under underwriting agreements	65,885	–	–
	39,194,218	22,709,180	14,106,973
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	104,587,826	16,793,150	9,513,436
– Maturity exceeding one year	40,215,328	29,185,348	14,299,675
	144,803,154	45,978,498	23,813,111
Miscellaneous commitments and contingencies	9,567,119	720,161	366,431
Total credit-related commitments and contingencies	193,564,491	69,407,839	38,286,515
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	225,896,876	4,022,354	1,714,681
– One year to less than five years	25,804,447	2,706,778	1,715,007
– Five years and above	5,914,955	1,045,414	680,700
	257,616,278	7,774,546	4,110,388
Interest rate related contracts:			
– Less than one year	98,606,680	446,302	235,998
– One year to less than five years	144,934,350	2,615,144	1,163,462
– Five years and above	60,944,220	1,371,891	1,008,054
	304,485,250	4,433,337	2,407,514
Equity and commodity related contracts:			
– Less than one year	7,708,321	43,124	21,111
– One year to less than five years	3,030,606	–	–
– Five years and above	33,663	–	–
	10,772,590	43,124	21,111
Total treasury-related commitments and contingencies	572,874,118	12,251,007	6,539,013
Total commitments and contingencies	766,438,609	81,658,846	44,825,528

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

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51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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

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

Bank 2017	Full commitment RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	10,665,916	10,373,876	5,071,621
Certain transaction-related contingent items	14,618,417	7,207,090	4,429,669
Short-term self-liquidating trade-related contingencies	5,600,847	937,807	548,026
	30,885,180	18,518,773	10,049,316
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	79,885,420	14,787,173	6,948,719
– Maturity exceeding one year	30,199,078	23,168,096	10,967,370
	110,084,498	37,955,269	17,916,089
Miscellaneous commitments and contingencies	9,798,574	411,803	180,312
Total credit-related commitments and contingencies	150,768,252	56,885,845	28,145,717
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	273,366,420	3,815,458	991,438
– One year to less than five years	30,556,992	1,366,385	1,118,455
– Five years and above	4,084,188	243	125
	308,007,600	5,182,086	2,110,018
Interest rate related contracts:			
– Less than one year	75,797,820	296,628	148,788
– One year to less than five years	163,096,687	3,484,049	1,374,343
– Five years and above	55,929,064	1,879,885	1,610,746
	294,823,571	5,660,562	3,133,877
Equity and commodity related contracts:			
– Less than one year	3,649,780	10,492	3,792
– One year to less than five years	4,192,152	10,944	1,976
	7,841,932	21,436	5,768
Total treasury-related commitments and contingencies	610,673,103	10,864,084	5,249,663
Total commitments and contingencies	761,441,355	67,749,929	33,395,380

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

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51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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

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

Bank 2016	Full commitment RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
Contingent liabilities			
Direct credit substitutes	10,494,313	10,133,153	5,276,902
Certain transaction-related contingent items	17,336,804	8,226,900	5,175,883
Short-term self-liquidating trade-related contingencies	5,767,014	1,029,670	644,283
	33,598,131	19,389,723	11,097,068
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	80,959,286	10,987,463	6,040,954
– Maturity exceeding one year	31,500,386	25,583,666	12,464,323
	112,459,672	36,571,129	18,505,277
Miscellaneous commitments and contingencies	8,007,674	346,853	161,538
Total credit-related commitments and contingencies	154,065,477	56,307,705	29,763,883
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	221,711,497	3,860,533	1,657,761
– One year to less than five years	26,688,364	2,669,793	1,703,282
– Five years and above	5,914,955	944,436	639,275
	254,314,816	7,474,762	4,000,318
Interest rate related contracts:			
– Less than one year	97,180,404	296,982	169,061
– One year to less than five years	145,209,928	2,279,530	931,515
– Five years and above	60,944,220	1,376,823	945,673
	303,334,552	3,953,335	2,046,249
Equity and commodity related contracts:			
– Less than one year	6,387,247	43,124	21,111
– One year to less than five years	3,027,432	–	–
	9,414,679	43,124	21,111
Total treasury-related commitments and contingencies	567,064,047	11,471,221	6,067,678
Total commitments and contingencies	721,129,524	67,778,926	35,831,561

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

51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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

(i) The Group's and the Bank's derivative financial instruments are subject to market, credit and liquidity risks, as follows:

- Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange rates, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amount at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions;
- Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. As at 31 December 2017, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM6,704.7 million (2016: RM8,311.7 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices; and
- Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

(ii) There have been no changes since the end of the previous financial year in respect of the following:

- The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- The risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- The related accounting policies.

(b) Arising from the recourse obligation on loans and financing sold to Cagamas Berhad as disclosed in Note 26, the Group and the Bank are contingently liable in respect of loans and financing sold to Cagamas Berhad on the condition that they undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

(c) Contingent liabilities

There is no material contingent liabilities during the financial year ended 31 December 2017.

52. FINANCIAL RISK MANAGEMENT POLICIES

(a) Financial risk management overview

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are business sectors and support sectors. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Group.

The Management-level Risk Management Committees, which include the Group Executive Risk Committee, Group Operational Risk Management Committee, Group Asset and Liability Management Committee ("Group ALCO") and Group Management Credit Committee, are responsible for the management of all material risks within the Group.

The Group's approach to risk management is premised on the following Seven Principles of Risk Management:

(a) Establishment of a risk appetite and strategy which articulates the nature, type and level of risk the Group is willing to assume and must be approved by the Board.

(b) Capital management driven by the Group's strategic objectives and accounts for the relevant regulatory, economic and commercial environments in which the Group operates.

(c) 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.

(d) Promotion of a strong risk culture which supports and provides appropriate standards and incentives for professional and responsible behaviour.

(e) Implementation of risk frameworks and policies to ensure that risk management practices and processes are effective at all levels.

(f) 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.

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

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

(b) Financial instrument by category

Group 2017	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets								
Cash and short-term funds	–	–	–	–	50,334,290	50,334,290	–	50,334,290
Deposits and placements with financial institutions	–	–	–	–	16,988,391	16,988,391	–	16,988,391
Financial assets purchased under resale agreements	–	–	–	–	8,514,283	8,514,283	–	8,514,283
Financial investments portfolio*	11,930,365	13,187,128	109,070,244	20,184,773	–	154,372,510	–	154,372,510
Loans, advances and financing	–	–	–	–	485,584,362	485,584,362	–	485,584,362
Derivative assets	6,704,651	–	–	–	–	6,704,651	–	6,704,651
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	711,317	711,317	3,222,455	3,933,772
Other assets	–	–	–	–	7,588,054	7,588,054	2,110,086	9,698,140
Investment properties	–	–	–	–	–	–	753,555	753,555
Statutory deposits with central banks	–	–	–	–	15,397,213	15,397,213	–	15,397,213
Interest in associates and joint ventures	–	–	–	–	–	–	2,772,324	2,772,324
Property, plant and equipment	–	–	–	–	–	–	2,635,018	2,635,018
Intangible assets	–	–	–	–	–	–	6,753,939	6,753,939
Deferred tax assets	–	–	–	–	–	–	859,318	859,318
Total assets	18,635,016	13,187,128	109,070,244	20,184,773	585,117,910	746,195,071	19,106,695	765,301,766

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Group 2017	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Customers' funding:						
– Deposits from customers	–	–	502,017,445	502,017,445	–	502,017,445
– Investment accounts of customers***	–	–	24,555,445	24,555,445	–	24,555,445
Deposits and placements from financial institutions	–	–	42,598,131	42,598,131	–	42,598,131
Obligations on financial assets sold under repurchase agreements	–	–	5,367,086	5,367,086	–	5,367,086
Bills and acceptances payable	–	–	1,894,046	1,894,046	–	1,894,046
Financial liabilities at fair value through profit or loss	–	6,375,815	–	6,375,815	–	6,375,815
Derivative liabilities**	7,221,015	–	–	7,221,015	–	7,221,015
Insurance/takaful contract liabilities and other insurance payables	–	–	541,275	541,275	24,577,568	25,118,843
Other liabilities	–	–	15,456,842	15,456,842	3,722,298	19,179,140
Recourse obligation on loans and financing sold to Cagamas	–	–	1,543,501	1,543,501	–	1,543,501
Provision for taxation and zakat	–	–	–	–	746,494	746,494
Deferred tax liabilities	–	–	–	–	732,079	732,079
Borrowings	–	–	34,505,618	34,505,618	–	34,505,618
Subordinated obligations	–	–	11,979,323	11,979,323	–	11,979,323
Capital securities	–	–	6,284,180	6,284,180	–	6,284,180
Total liabilities	7,221,015	6,375,815	646,742,892	660,339,722	29,778,439	690,118,161

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.
*** Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

Group 2016	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets								
Cash and short-term funds	–	–	–	–	58,140,545	58,140,545	–	58,140,545
Deposits and placements with financial institutions	–	–	–	–	13,444,630	13,444,630	–	13,444,630
Financial assets purchased under resale agreements	–	–	–	–	2,492,412	2,492,412	–	2,492,412
Financial investments portfolio*	10,586,369	12,909,681	92,384,834	15,021,597	–	130,902,481	–	130,902,481
Loans, advances and financing	–	–	–	–	477,774,903	477,774,903	–	477,774,903
Derivative assets	8,311,703	–	–	–	–	8,311,703	–	8,311,703
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	447,015	447,015	3,692,581	4,139,596
Other assets	–	–	–	–	8,557,540	8,557,540	1,968,020	10,525,560
Investment properties	–	–	–	–	–	–	758,488	758,488
Statutory deposits with central banks	–	–	–	–	15,384,134	15,384,134	–	15,384,134
Interest in associates and joint ventures	–	–	–	–	–	–	3,210,436	3,210,436
Property, plant and equipment	–	–	–	–	–	–	2,595,497	2,595,497
Intangible assets	–	–	–	–	–	–	7,345,524	7,345,524
Deferred tax assets	–	–	–	–	–	–	930,344	930,344
Total assets	18,898,072	12,909,681	92,384,834	15,021,597	576,241,179	715,455,363	20,500,890	735,956,253

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Group 2016	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Customers' funding:						
– Deposits from customers	–	–	485,523,920	485,523,920	–	485,523,920
– Investment accounts of customers***	–	–	31,544,587	31,544,587	–	31,544,587
Deposits and placements from financial institutions	–	–	30,854,693	30,854,693	–	30,854,693
Obligations on financial assets sold under repurchase agreements	–	–	2,957,951	2,957,951	–	2,957,951
Bills and acceptances payable	–	–	1,808,066	1,808,066	–	1,808,066
Financial liabilities at fair value through profit or loss	–	3,587,230	–	3,587,230	–	3,587,230
Derivative liabilities**	8,828,060	–	–	8,828,060	–	8,828,060
Insurance/takaful contract liabilities and other insurance payables	–	–	435,507	435,507	23,513,212	23,948,719
Other liabilities	–	–	14,116,139	14,116,139	3,172,167	17,288,306
Recourse obligation on loans and financing sold to Cagamas	–	–	974,588	974,588	–	974,588
Provision for taxation and zakat	–	–	–	–	419,729	419,729
Deferred tax liabilities	–	–	–	–	777,826	777,826
Borrowings	–	–	34,867,056	34,867,056	–	34,867,056
Subordinated obligations	–	–	15,900,706	15,900,706	–	15,900,706
Capital securities	–	–	6,199,993	6,199,993	–	6,199,993
Total liabilities	8,828,060	3,587,230	625,183,206	637,598,496	27,882,934	665,481,430

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.
*** Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

Bank 2017	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets								
Cash and short-term funds	–	–	–	–	30,714,527	30,714,527	–	30,714,527
Deposits and placements with financial institutions	–	–	–	–	21,382,493	21,382,493	–	21,382,493
Financial assets purchased under resale agreements	–	–	–	–	7,633,503	7,633,503	–	7,633,503
Financial investments portfolio*	7,896,677	–	89,286,739	17,763,565	–	114,946,981	–	114,946,981
Loans, advances and financing	–	–	–	–	290,997,969	290,997,969	–	290,997,969
Derivative assets	6,865,221	–	–	–	–	6,865,221	–	6,865,221
Other assets	–	–	–	–	4,207,727	4,207,727	593,670	4,801,397
Statutory deposits with central banks	–	–	–	–	7,746,700	7,746,700	–	7,746,700
Investment in subsidiaries	–	–	–	–	–	–	22,057,063	22,057,063
Interest in associates and joint ventures	–	–	–	–	–	–	472,016	472,016
Property, plant and equipment	–	–	–	–	–	–	1,165,908	1,165,908
Intangible assets	–	–	–	–	–	–	568,030	568,030
Deferred tax assets	–	–	–	–	–	–	315,013	315,013
Total assets	14,761,898	–	89,286,739	17,763,565	362,682,919	484,495,121	25,171,700	509,666,821

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Bank 2017	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Deposits from customers	–	–	328,938,600	328,938,600	–	328,938,600
Deposits and placements from financial institutions	–	–	37,645,134	37,645,134	–	37,645,134
Obligations on financial assets sold under repurchase agreements	–	–	5,189,316	5,189,316	–	5,189,316
Bills and acceptances payable	–	–	1,384,983	1,384,983	–	1,384,983
Financial liabilities at fair value through profit or loss	–	5,483,120	–	5,483,120	–	5,483,120
Derivative liabilities**	7,179,998	–	–	7,179,998	–	7,179,998
Other liabilities	–	–	15,207,920	15,207,920	1,702,677	16,910,597
Recourse obligation on loans and financing sold to Cagamas	–	–	1,543,501	1,543,501	–	1,543,501
Provision for taxation and zakat	–	–	–	–	385,876	385,876
Borrowings	–	–	27,106,442	27,106,442	–	27,106,442
Subordinated obligations	–	–	9,362,526	9,362,526	–	9,362,526
Capital securities	–	–	6,284,180	6,284,180	–	6,284,180
Total liabilities	7,179,998	5,483,120	432,662,602	445,325,720	2,088,553	447,414,273

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.

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

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

Bank 2016	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets								
Cash and short-term funds	–	–	–	–	38,350,931	38,350,931	–	38,350,931
Deposits and placements with financial institutions	–	–	–	–	19,339,287	19,339,287	–	19,339,287
Financial assets purchased under resale agreements	–	–	–	–	2,213,113	2,213,113	–	2,213,113
Financial investments portfolio*	7,980,314	–	74,904,201	12,582,311	–	95,466,826	–	95,466,826
Loans, advances and financing	–	–	–	–	295,020,136	295,020,136	–	295,020,136
Derivative assets	8,320,918	–	–	–	–	8,320,918	–	8,320,918
Other assets	–	–	–	–	4,937,972	4,937,972	665,540	5,603,512
Statutory deposits with central banks	–	–	–	–	7,530,325	7,530,325	–	7,530,325
Investment in subsidiaries	–	–	–	–	–	–	21,586,547	21,586,547
Interest in associates and joint ventures	–	–	–	–	–	–	451,518	451,518
Property, plant and equipment	–	–	–	–	–	–	1,290,761	1,290,761
Intangible assets	–	–	–	–	–	–	530,049	530,049
Deferred tax assets	–	–	–	–	–	–	358,687	358,687
Total assets	16,301,232	–	74,904,201	12,582,311	367,391,764	471,179,508	24,883,102	496,062,610

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Bank 2016	Held-for-trading RM'000	Designated at fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Deposits from customers	–	–	331,878,295	331,878,295	–	331,878,295
Deposits and placements from financial institutions	–	–	29,856,710	29,856,710	–	29,856,710
Obligations on financial assets sold under repurchase agreements	–	–	2,957,951	2,957,951	–	2,957,951
Bills and acceptances payable	–	–	1,000,777	1,000,777	–	1,000,777
Financial liabilities at fair value through profit or loss	–	2,685,139	–	2,685,139	–	2,685,139
Derivative liabilities**	8,802,221	–	–	8,802,221	–	8,802,221
Other liabilities	–	–	11,081,676	11,081,676	1,417,022	12,498,698
Recourse obligation on loans and financing sold to Cagamas	–	–	974,588	974,588	–	974,588
Provision for taxation and zakat	–	–	–	–	47,374	47,374
Borrowings	–	–	28,927,427	28,927,427	–	28,927,427
Subordinated obligations	–	–	13,202,872	13,202,872	–	13,202,872
Capital securities	–	–	6,225,926	6,225,926	–	6,225,926
Total liabilities	8,802,221	2,685,139	426,106,222	437,593,582	1,464,396	439,057,978

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.

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

(c) Credit risk management

1. Credit risk management overview

Credit risk definition

Credit risk is the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.

Management of credit risk

Corporate and institutional credit risks are assessed by business units and evaluated and approved by an independent party within the Group, where each customer is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including borrower's/customer's financial position, future cash flows, types of facilities and securities offered.

Reviews are conducted at least once a year with updated information on borrower's/customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when the accounts show signs of credit deterioration.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on credit programmes are conducted at least once a year to assess the performance of the portfolios.

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities. Counterparty credit risk originates from the Group's lending business, investment and treasury activities that impact the Group's trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter ("OTC") derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows.

Counterparty credit risk exposures are managed via counterparty limits either on a single counterparty basis or counterparty group basis that adheres to BNM's Single Counterparty Exposure Limits. The Group actively monitors and manages its exposure to ensure that exposures to a single counterparty or a group of connected counterparties are within prudent limits at all times. Counterparty risk exposures which may be materially affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees.

For counterparty risk exposures (on-balance sheet), the Group employs risk treatments that are in accordance with BNM Guidelines and Basel II requirements. While for off-balance sheet exposures, the Group measures the credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Group's credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM Guidelines and Basel II requirements.

The Group wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Group.

In managing large exposures and to avoid undue concentration of credit risk in its loans and financing portfolio, the Group has emplaced, amongst others, the following limits and related lending guidelines, for:

- Countries;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks and non-bank financial institutions;
- Counterparties; and
- Collaterals.

Reviews of the said limits and related lending guidelines are undertaken on a periodic basis, whereupon any emerging concentration risks are addressed accordingly. Any exception to the limits and lending guidelines would be subject to approvals from higher credit authorities.

The Group has dedicated teams at Head Office and Regional Offices to effectively manage vulnerable corporate, institutional and consumer credits of the Group. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to prevent further deterioration or to accelerate remedial action.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. Group Risk is responsible for developing, enhancing and communicating an effective and consistent credit risk management policies, tools and methodologies across the Group to ensure appropriate standards are in place to identify, measure, control, monitor and report such risks.

In view that authority limits are directly related to the risk levels of the borrower and transaction, a Risk-Based Authority Limit structure was implemented based on the Expected Loss ("EL") principles and internally developed Credit Risk Rating System ("CRRS").

Credit risk measurement

The Group's retail portfolios are under Basel II Advanced Internal Ratings-Based ("AIRB") Approach. This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of Risk-Weighted Assets ("RWA") calculation namely Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at the respective retail portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimates derived from the models are used as input for RWA calculations.

For non-retail portfolios, the Group uses internal credit models for evaluating the majority of its credit risk exposures. For Corporate and Bank portfolios, the Group has adopted the Foundation Internal Ratings-Based ("FIRB") Approach, which allows the Group to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD.

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

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

1. Credit risk management overview (cont'd.)

Credit risk measurement (cont'd.)

CRRS is developed to allow the Group to identify, assess and measure corporate, commercial and small business borrowers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Group's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL principles employed in the Group enables the calculation of expected loss using PD estimates (facilitated by the CRRS), LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial borrowers by their respective industry segments (i.e. manufacturing, services, trading, contractors, property developers (single project) and property investors (single property)).

2. Maximum exposure to credit risk

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers/borrowers.

	Maximum exposure	
Group	**2017 RM'000**	**2016 RM'000**
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**50,334,290**	58,140,545
Deposits and placements with financial institutions	**16,988,391**	13,444,630
Financial assets purchased under resale agreements	**8,514,283**	2,492,412
Financial investments portfolio*	**148,439,618**	126,232,668
Loans, advances and financing	**485,584,362**	477,774,903
Derivative assets	**6,704,651**	8,311,703
Reinsurance/retakaful assets and other insurance receivables	**711,317**	447,015
Other assets	**7,588,054**	8,557,540
Statutory deposits with central banks	**15,397,213**	15,384,134
	740,262,179	710,785,550
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**12,970,421**	12,656,766
Certain transaction-related contingent items	**18,427,282**	20,138,714
Short-term self-liquidating trade-related contingencies	**6,029,951**	6,332,853
Obligations under underwriting agreements	**–**	65,885
Irrevocable commitments to extend credit	**140,249,913**	144,803,154
Miscellaneous	**12,098,705**	9,567,119
	189,776,272	193,564,491
Total maximum credit risk exposure	**930,038,451**	904,350,041

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

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

	Maximum exposure	
Bank	2017 RM'000	2016 RM'000
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**30,714,527**	38,350,931
Deposits and placements with financial institutions	**21,382,493**	19,339,287
Financial assets purchased under resale agreements	**7,633,503**	2,213,113
Financial investments portfolio*	**114,607,977**	95,183,910
Loans, advances and financing	**290,997,969**	295,020,136
Derivative assets	**6,865,221**	8,320,918
Other assets	**4,207,727**	4,937,972
Statutory deposits with central banks	**7,746,700**	7,530,325
	484,156,117	470,896,592
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**10,665,916**	10,494,313
Certain transaction-related contingent items	**14,618,417**	17,336,804
Short-term self-liquidating trade-related contingencies	**5,600,847**	5,767,014
Irrevocable commitments to extend credit	**110,084,498**	112,459,672
Miscellaneous	**9,798,574**	8,007,674
	150,768,252	154,065,477
Total maximum credit risk exposure	**634,924,369**	624,962,069

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing as at 31 December 2017 for the Group is at 63% (2016: 62%) and the Bank is at 63% (2016: 61%). The financial effect of collateral held for other financial assets is not significant.

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

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

3. Credit risk concentration profile

Concentration risk is the risk that can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector. The Group analysed the concentration of credit risk by geographic purpose and industry sector as follows:

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows:

Group	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
2017											
Malaysia	26,585,108	2,562,324	–	106,898,454	284,754,428	3,560,461	581,522	4,029,855	7,069,370	436,041,522	117,918,567
Singapore	4,112,611	4,620,647	7,633,506	19,051,616	122,790,709	527,585	43,263	315,916	3,635,712	162,731,565	45,956,214
Indonesia	2,492,214	200,448	476,499	6,991,198	38,318,562	56,347	85,847	833,810	2,728,919	52,183,844	2,526,779
Labuan Offshore	365	–	–	55,107	14,213,613	3	–	329,004	–	14,598,092	78,694
Hong Kong SAR	5,325,636	2,218,776	–	8,779,923	7,614,672	531,727	–	326,883	–	24,797,617	3,682,442
United States of America	2,258,930	4,300,872	–	1,388,580	800,909	17,622	–	47,903	–	8,814,816	1,848,672
People's Republic of China	1,455,553	429,563	–	1,709,284	4,038,448	955,283	–	121,178	–	8,709,309	6,079,806
Vietnam	444,866	5,378	–	9,226	834,459	69	–	354,289	113,327	1,761,614	990,946
United Kingdom	571,868	91,817	–	367,530	1,667,590	871,106	–	220,944	–	3,790,855	1,895,693
Philippines	1,168,721	456,139	401,739	946,088	5,747,122	8,967	–	211,341	1,231,862	10,171,979	2,244,685
Brunei	152,510	–	–	48,028	644,542	20	685	13	–	845,798	206,584
Cambodia	288,102	694,171	–	–	2,182,505	3	–	–	447,627	3,612,408	608,068
Bahrain	537	–	–	–	113,363	–	–	–	–	113,900	246,984
Thailand	79,760	3,159	–	406,803	1,483,931	1,350	–	588,840	–	2,563,843	119,353
India	55,502	4,985	2,539	439,366	–	–	–	35,175	–	537,567	1,263,798
Others	5,342,007	1,400,112	–	1,348,415	379,509	174,108	–	172,903	170,396	8,987,450	4,108,987
	50,334,290	16,988,391	8,514,283	148,439,618	485,584,362	6,704,651	711,317	7,588,054	15,397,213	740,262,179	189,776,272
2016											
Malaysia	28,310,042	1,570,540	213,970	89,636,943	270,487,252	4,362,974	416,364	2,950,598	6,781,599	404,730,282	121,569,505
Singapore	4,275,667	2,220,722	1,999,143	18,277,599	120,820,329	594,369	30,208	727,983	3,697,356	152,643,376	48,275,038
Indonesia	3,713,146	247,225	279,299	6,498,514	41,263,643	87,454	–	962,493	3,152,642	56,204,416	2,118,065
Labuan Offshore	375	–	–	–	18,344,825	1	–	3,527	–	18,348,728	–
Hong Kong SAR	2,952,460	3,822,226	–	5,124,775	9,850,008	813,757	–	174,499	–	22,737,725	4,229,134
United States of America	5,904,501	1,684,425	–	1,500,159	822,655	140,190	–	2,215,102	–	12,267,032	2,396,837
People's Republic of China	1,564,805	1,007,302	–	327,735	3,494,302	865,574	–	150	–	7,259,868	4,438,400
Vietnam	416,187	341,968	–	–	792,568	48	–	24,666	32,306	1,607,743	733,084
United Kingdom	2,340,612	24,887	–	217,951	1,392,694	1,126,365	–	129,981	–	5,232,490	2,139,852
Philippines	1,598,311	199,387	–	692,356	5,434,982	10,591	–	330,561	1,211,195	9,477,383	2,054,687
Brunei	155,368	–	–	30,745	623,946	–	443	260,059	81,860	1,152,421	219,404
Cambodia	318,607	980,154	–	–	2,435,384	–	–	–	419,867	4,154,012	546,960
Bahrain	2,683	–	–	–	437,262	–	–	–	–	439,945	3,987
Thailand	87,370	1,811	–	1,255,425	1,369,037	90	–	595,762	–	3,309,495	112,369
India	35,081	6,423	–	10,963	–	–	–	2,543	–	55,010	1,187,469
Others	6,465,330	1,337,560	–	2,659,503	206,016	310,290	–	179,616	7,309	11,165,624	3,539,700
	58,140,545	13,444,630	2,492,412	126,232,668	477,774,903	8,311,703	447,015	8,557,540	15,384,134	710,785,550	193,564,491

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

3. Credit risk concentration profile (cont'd.)

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Bank	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
2017										
Malaysia	10,130,929	7,923,886	–	82,624,979	139,999,199	3,834,737	3,296,793	3,827,265	251,637,788	83,904,983
Singapore	3,962,754	4,470,317	7,633,503	18,494,956	121,253,828	514,272	242,750	3,635,712	160,208,092	45,932,762
Indonesia	370,622	181,967	–	283,168	–	3,929	–	–	839,686	213,846
Labuan Offshore	363	–	–	–	14,213,613	3	158,186	–	14,372,165	78,694
Hong Kong SAR	5,298,635	2,218,776	–	8,667,128	7,314,211	531,584	21,572	–	24,051,906	3,681,634
United States of America	2,222,352	4,300,872	–	1,196,260	800,909	17,622	1,859	–	8,539,874	1,848,315
People's Republic of China	1,455,553	429,563	–	1,593,290	4,038,448	955,283	120,943	–	8,593,080	6,079,806
Vietnam	393,368	–	–	9,226	612,173	69	330,376	113,327	1,458,539	988,161
United Kingdom	524,390	91,817	–	271,947	1,667,540	834,392	33,188	–	3,423,274	1,886,252
Philippines	759,902	364,581	–	114,286	–	1,259	–	–	1,240,028	161,115
Brunei	152,510	–	–	48,028	644,542	20	13	–	845,113	206,584
Cambodia	19,556	–	–	–	–	–	–	–	19,556	96,784
Bahrain	537	–	–	–	113,363	–	–	–	113,900	246,984
Thailand	30,698	–	–	75,580	–	–	–	–	106,278	92,918
India	53,081	602	–	–	–	–	–	–	53,683	1,240,427
Others	5,339,277	1,400,112	–	1,229,129	340,143	172,051	2,047	170,396	8,653,155	4,108,987
	30,714,527	21,382,493	7,633,503	114,607,977	290,997,969	6,865,221	4,207,727	7,746,700	484,156,117	150,768,252
2016										
Malaysia	13,539,407	8,589,960	213,969	67,118,915	139,870,209	4,557,502	2,156,703	3,711,494	239,758,159	86,445,557
Singapore	4,073,746	2,085,504	1,999,144	18,031,128	119,844,252	556,551	434,693	3,697,356	150,722,374	48,164,286
Indonesia	462,730	195,576	–	480,527	–	265	–	–	1,139,098	214,434
Labuan Offshore	370	–	–	–	18,344,825	–	–	–	18,345,195	–
Hong Kong SAR	2,910,641	3,822,226	–	5,110,182	9,379,696	812,849	–	–	22,035,594	4,217,371
United States of America	5,864,149	1,684,425	–	1,249,983	822,655	132,563	2,086,517	–	11,840,292	2,393,978
People's Republic of China	1,564,805	1,007,302	–	320,437	3,494,302	865,574	–	–	7,252,420	4,438,400
Vietnam	395,141	313,347	–	–	647,919	48	–	32,306	1,388,761	729,040
United Kingdom	2,302,765	24,886	–	211,221	1,392,671	1,083,817	–	–	5,015,360	2,128,984
Philippines	504,873	143,921	–	89,610	–	2,731	–	–	741,135	212,337
Brunei	155,368	–	–	30,745	623,946	–	260,059	81,860	1,151,978	219,404
Cambodia	75,887	134,580	–	–	–	–	–	–	210,467	88,114
Bahrain	2,683	–	–	–	437,262	–	–	–	439,945	3,987
Thailand	29,188	–	–	–	–	4	–	–	29,192	82,918
India	34,118	–	–	–	–	–	–	–	34,118	1,186,967
Others	6,435,060	1,337,560	–	2,541,162	162,399	309,014	–	7,309	10,792,504	3,539,700
	38,350,931	19,339,287	2,213,113	95,183,910	295,020,136	8,320,918	4,937,972	7,530,325	470,896,592	154,065,477

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows:

Group	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
2017											
Agriculture	–	–	–	869,939	9,908,387	11,780	–	–	–	10,790,106	1,036,750
Mining and quarrying	–	–	–	632,155	5,427,444	–	–	–	–	6,059,599	1,359,453
Manufacturing	–	–	–	230,201	30,237,828	478,109	–	–	–	30,946,138	9,780,850
Construction	–	–	–	3,526,543	47,742,244	20,628	–	–	–	51,289,415	17,303,882
Electricity, gas and water supply	–	–	–	6,596,996	10,715,173	25,908	–	74	–	17,338,151	1,578,786
Wholesale, retail trade, restaurants and hotels	–	–	–	1,064,696	43,939,750	17,733	–	262,761	–	45,284,940	27,578,961
Finance, insurance, real estate and business	49,932,599	16,988,391	8,514,283	101,697,798	66,468,786	4,466,617	711,317	5,688,401	15,397,213	269,865,405	63,862,004
Transport, storage and communication	–	–	–	4,268,343	17,715,545	9,185	–	180	–	21,993,253	2,543,293
Education, health and others	–	–	–	378,641	8,990,098	2	–	–	–	9,368,741	3,010,687
Household	–	–	–	–	215,757,454	20,159	–	776,582	–	216,554,195	45,251,527
Others	401,691	–	–	29,174,306	28,681,653	1,654,530	–	860,056	–	60,772,236	16,470,079
	50,334,290	16,988,391	8,514,283	148,439,618	485,584,362	6,704,651	711,317	7,588,054	15,397,213	740,262,179	189,776,272
2016											
Agriculture	–	–	–	1,030,195	10,929,886	318,911	–	–	–	12,278,992	1,336,770
Mining and quarrying	–	–	–	638,197	4,136,263	2,026	–	–	–	4,776,486	1,866,722
Manufacturing	–	–	–	167,058	31,148,589	797,915	–	–	–	32,113,562	10,638,988
Construction	–	–	–	3,216,081	45,757,600	23,526	–	13	–	48,997,220	19,095,832
Electricity, gas and water supply	–	–	–	6,318,925	13,015,272	22,359	–	77	–	19,356,633	1,066,921
Wholesale, retail trade, restaurants and hotels	–	–	–	884,351	45,196,197	59,886	–	482	–	46,140,916	29,077,578
Finance, insurance, real estate and business	57,880,343	13,444,630	2,492,412	91,860,833	68,126,734	6,789,295	447,015	6,975,594	15,384,134	263,400,990	56,954,755
Transport, storage and communication	–	–	–	2,568,794	17,620,368	17,895	–	17	–	20,207,074	2,963,974
Education, health and others	–	–	–	381,791	12,208,300	3,613	–	–	–	12,593,704	5,287,854
Household	–	–	–	–	205,397,426	2,166	–	596,465	–	205,996,057	47,253,976
Others	260,202	–	–	19,166,443	24,238,268	274,111	–	984,892	–	44,923,916	18,021,121
	58,140,545	13,444,630	2,492,412	126,232,668	477,774,903	8,311,703	447,015	8,557,540	15,384,134	710,785,550	193,564,491

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
2017										
Agriculture	–	–	–	711,635	4,296,204	4,841	–	–	5,012,680	774,373
Mining and quarrying	–	–	–	592,830	3,935,894	–	–	–	4,528,724	932,301
Manufacturing	–	–	–	230,201	16,215,956	476,725	–	–	16,922,882	8,099,976
Construction	–	–	–	3,266,376	36,449,121	20,628	–	–	39,736,125	13,421,834
Electricity, gas and water supply	–	–	–	3,466,794	7,913,991	379	–	–	11,381,164	1,376,310
Wholesale, retail trade, restaurants and hotels	–	–	–	740,375	28,003,517	16,998	255,412	–	29,016,302	26,394,121
Finance, insurance, real estate and business	30,312,836	21,382,493	7,633,503	84,062,723	61,897,920	4,702,177	3,952,315	7,746,700	221,690,667	45,521,010
Transport, storage and communication	–	–	–	4,035,776	12,420,090	9,185	–	–	16,465,051	2,330,052
Education, health and others	–	–	–	378,641	6,975,728	2	–	–	7,354,371	2,779,504
Household	–	–	–	–	110,113,407	20,159	–	–	110,133,566	37,117,965
Others	401,691	–	–	17,122,626	2,776,141	1,614,127	–	–	21,914,585	12,020,806
	30,714,527	21,382,493	7,633,503	114,607,977	290,997,969	6,865,221	4,207,727	7,746,700	484,156,117	150,768,252
2016										
Agriculture	–	–	–	865,827	5,500,956	310,067	–	–	6,676,850	808,887
Mining and quarrying	–	–	–	627,929	1,492,395	2,025	–	–	2,122,349	754,216
Manufacturing	–	–	–	166,754	16,431,375	786,696	–	–	17,384,825	9,056,876
Construction	–	–	–	2,972,095	37,019,351	23,526	–	–	40,014,972	14,924,376
Electricity, gas and water supply	–	–	–	3,392,206	11,307,804	4,003	–	–	14,704,013	934,347
Wholesale, retail trade, restaurants and hotels	–	–	–	840,495	29,174,684	58,363	–	–	30,073,542	27,940,824
Finance, insurance, real estate and business	38,090,729	19,339,287	2,213,113	69,976,341	63,040,902	6,838,469	4,937,972	7,530,325	211,967,138	41,010,491
Transport, storage and communication	–	–	–	2,343,562	11,435,513	17,880	–	–	13,796,955	2,402,270
Education, health and others	–	–	–	381,791	10,305,759	3,613	–	–	10,691,163	4,947,612
Household	–	–	–	–	106,769,186	2,166	–	–	106,771,352	36,723,306
Others	260,202	–	–	13,616,910	2,542,211	274,110	–	–	16,693,433	14,562,272
	38,350,931	19,339,287	2,213,113	95,183,910	295,020,136	8,320,918	4,937,972	7,530,325	470,896,592	154,065,477

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

4. Collateral

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

- For mortgages – charges over residential properties;
- For auto loans and financing – ownership claims over the vehicles financed;
- For share margin financing – pledges over securities from listed exchanges;
- For commercial property loans and financing – charges over the properties financed;
- For other loans and financing – charges over business assets such as premises, inventories, trade receivables or deposits; and
- For derivatives – cash and securities collateral for over-the-counter ("OTC") traded derivatives.

5. Credit quality of financial assets

Credit classification for financial assets

For the purposes of disclosure relating to MFRS 7, all financial assets are categorised into the following:

- Neither past due nor impaired;
- Past due but not impaired; and
- Past due and impaired.

The four (4) risks categories as set out and defined below and on the following page, from very low to high, apart from impaired, describe the credit quality of the Group's lending. These classifications encompass a range of more granular, internal gradings assigned to loans, advances and financing whilst external gradings are applied to financial investments. There is no direct correlation between the internal and external ratings at a granular level, except to the extent that each falls within a single credit quality band.

Risk Category (Non-Retail)	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	BBB+ to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk Category (Retail)	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 2	AAA to BBB-	AAA to A
Low	3 – 5	BB+ to BB-	A to BBB
Medium	6 – 8	B+ to CCC	BB to B
High	9 – 11	CCC to C	B to C

Risk category is as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.3(v)(d).
Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.
Sovereign : Refer to obligors which are governments and/or government-related agencies.

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

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

6. Credit quality of financial assets – gross loans, advances and financing

Group 2017	Neither past due nor impaired RM'000	<-------- Past due but not impaired -------> Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	20,593,848	284,732	54,712	79,714	21,013,006	1,164,231	22,177,237
Term loans	354,562,810	14,687,124	4,444,313	1,750,375	375,444,622	8,117,433	383,562,055
Others	85,338,648	333,031	148,056	17,820	85,837,555	2,268,239	88,105,794
Gross loans, advances and financing	460,495,306	15,304,887	4,647,081	1,847,909	482,295,183	11,549,903	493,845,086
Less:							
– Individual allowance							(4,120,531)
– Collective allowance							(4,140,193)
							(8,260,724)
Net loans, advances and financing							485,584,362
As a percentage of total gross loans, advances and financing	93.25%	3.10%	0.94%	0.37%	97.66%	2.34%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

Group 2017	<---------- Neither past due nor impaired ----------> Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
Overdrafts	1,968,356	3,092,429	4,848,686	1,299,621	9,384,756	20,593,848
Term loans	106,609,469	121,718,034	74,709,634	9,005,572	42,520,101	354,562,810
Others	21,012,309	33,396,814	21,931,313	2,853,269	6,144,943	85,338,648
Total – Neither past due nor impaired	129,590,134	158,207,277	101,489,633	13,158,462	58,049,800	460,495,306
As a percentage of total gross loans, advances and financing	26.24%	32.04%	20.55%	2.67%	11.75%	93.25%

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

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

6. Credit quality of financial assets – gross loans, advances and financing (cont'd.)

		<-------- Past due but not impaired ------->					
Group 2016	**Neither past due nor impaired RM'000**	**Due within 30 days RM'000**	**Due within 31 to 60 days RM'000**	**Due within 61 to 90 days RM'000**	**Non-impaired total RM'000**	**Impaired RM'000**	**Total RM'000**
Overdrafts	19,884,500	210,567	77,837	22,627	20,195,531	1,678,190	21,873,721
Term loans	348,433,498	14,990,003	4,496,175	1,637,746	369,557,422	7,241,565	376,798,987
Others	84,454,197	381,011	71,796	20,374	84,927,378	2,135,625	87,063,003
Gross loans, advances and financing	452,772,195	15,581,581	4,645,808	1,680,747	474,680,331	11,055,380	485,735,711
Less:							
– Individual allowance							(3,764,929)
– Collective allowance							(4,195,879)
							(7,960,808)
Net loans, advances and financing							477,774,903
As a percentage of total gross loans, advances and financing	93.21%	3.21%	0.95%	0.35%	97.72%	2.28%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

	<---------- Neither past due nor impaired ---------->					
Group 2016	**Very low RM'000**	**Low RM'000**	**Medium RM'000**	**High RM'000**	**Unrated RM'000**	**Total RM'000**
Overdrafts	1,659,114	3,046,915	4,958,243	1,139,597	9,080,631	19,884,500
Term loans	90,489,921	129,412,772	73,246,286	10,421,267	44,863,252	348,433,498
Others	15,919,704	31,943,617	20,874,362	2,219,474	13,497,040	84,454,197
Total – Neither past due nor impaired	108,068,739	164,403,304	99,078,891	13,780,338	67,440,923	452,772,195
As a percentage of total gross loans, advances and financing	22.25%	33.84%	20.40%	2.84%	13.88%	93.21%

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

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

6. Credit quality of financial assets – gross loans, advances and financing (cont'd.)

		<-------- Past due but not impaired ------->					
Bank 2017	Neither past due nor impaired RM'000	Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	9,928,925	189,320	43,808	76,251	10,238,304	778,279	11,016,583
Term loans	202,208,532	5,807,097	1,791,765	617,022	210,424,416	5,317,741	215,742,157
Others	67,707,853	247,081	133,992	12,772	68,101,698	1,974,821	70,076,519
Gross loans, advances and financing	279,845,310	6,243,498	1,969,565	706,045	288,764,418	8,070,841	296,835,259
Less:							
– Individual allowance							(3,002,620)
– Collective allowance							(2,834,670)
							(5,837,290)
Net loans, advances and financing							290,997,969
As a percentage of total gross loans, advances and financing	94.28%	2.10%	0.66%	0.24%	97.28%	2.72%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

	<---------- Neither past due nor impaired ---------->					
Bank 2017	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
Overdrafts	593,876	1,884,035	2,078,607	705,296	4,667,111	9,928,925
Term loans	57,852,338	72,489,707	49,170,364	5,896,747	16,799,376	202,208,532
Others	13,531,481	25,465,030	14,092,267	1,603,676	13,015,399	67,707,853
Total – Neither past due nor impaired	71,977,695	99,838,772	65,341,238	8,205,719	34,481,886	279,845,310
As a percentage of total gross loans, advances and financing	24.25%	33.64%	22.01%	2.76%	11.62%	94.28%

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

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

6. Credit quality of financial assets – gross loans, advances and financing (cont'd.)

		<-------- Past due but not impaired ------->					
Bank 2016	**Neither past due nor impaired RM'000**	**Due within 30 days RM'000**	**Due within 31 to 60 days RM'000**	**Due within 61 to 90 days RM'000**	**Non-impaired total RM'000**	**Impaired RM'000**	**Total RM'000**
Overdrafts	9,972,629	119,833	38,494	6,935	10,137,891	675,234	10,813,125
Term loans	206,093,946	5,901,679	1,947,471	586,983	214,530,079	4,819,815	219,349,894
Others	68,173,709	270,743	56,318	9,048	68,509,818	1,685,340	70,195,158
Gross loans, advances and financing	284,240,284	6,292,255	2,042,283	602,966	293,177,788	7,180,389	300,358,177
Less:							
– Individual allowance							(2,493,534)
– Collective allowance							(2,844,507)
							(5,338,041)
Net loans, advances and financing							295,020,136
As a percentage of total gross loans, advances and financing	94.63%	2.10%	0.68%	0.20%	97.61%	2.39%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

	<---------- Neither past due nor impaired ---------->					
Bank 2016	**Very low RM'000**	**Low RM'000**	**Medium RM'000**	**High RM'000**	**Unrated RM'000**	**Total RM'000**
Overdrafts	487,994	2,004,684	2,064,599	663,910	4,751,442	9,972,629
Term loans	52,971,345	80,720,643	46,473,820	7,094,031	18,834,107	206,093,946
Others	9,374,803	22,917,482	12,717,738	1,546,762	21,616,924	68,173,709
Total – Neither past due nor impaired	62,834,142	105,642,809	61,256,157	9,304,703	45,202,473	284,240,284
As a percentage of total gross loans, advances and financing	20.92%	35.17%	20.39%	3.10%	15.05%	94.63%

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

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

7. Credit quality of financial assets – financial investments portfolio and other financial assets

Group 2017	Neither past due nor impaired RM'000	<----- Past due but not impaired------> Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000	Non-impaired total RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short-term funds	50,334,290	–	–	–	50,334,290	–	50,334,290	–	50,334,290
Deposits and placements with financial institutions	16,988,391	–	–	–	16,988,391	–	16,988,391	–	16,988,391
Financial assets purchased under resale agreements	8,514,283	–	–	–	8,514,283	–	8,514,283	–	8,514,283
Financial investments portfolio*	148,044,361	39,583	–	–	148,083,944	539,552	148,623,496	(183,878)	148,439,618
Derivative assets	6,704,651	–	–	–	6,704,651	–	6,704,651	–	6,704,651
Reinsurance/retakaful assets and other insurance receivables	710,157	–	–	–	710,157	17,908	728,065	(16,748)	711,317
Other assets	7,425,707	125,196	10,317	409	7,561,629	72,250	7,633,879	(45,825)	7,588,054
Statutory deposits with central banks	15,397,213	–	–	–	15,397,213	–	15,397,213	–	15,397,213
	254,119,053	164,779	10,317	409	254,294,558	629,710	254,924,268	(246,451)	254,677,817
As a percentage of gross balances	99.69%	0.06%	0.00%	0.00%	99.75%	0.25%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

Group 2017	<---------- Neither past due nor impaired ----------> Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Netting effects under MFRS 132 Amendments RM'000	Total RM'000
Cash and short-term funds	25,100,022	8,946,386	6,147,413	2,878,746	42,175	7,219,548	–	50,334,290
Deposits and placements with financial institutions	2,759,845	617,266	6,745,128	575,848	134,460	6,155,844	–	16,988,391
Financial assets purchased under resale agreements	8,514,279	–	–	–	–	4	–	8,514,283
Financial investments portfolio*	65,609,168	39,440,835	24,083,008	7,149,546	953,537	10,808,267	–	148,044,361
Derivative assets	–	945,867	991,288	1,668,259	295,445	3,095,568	(291,776)	6,704,651
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	43,263	666,894	–	710,157
Other assets	2,074	133,389	2,876,052	622,226	288	3,791,678	–	7,425,707
Statutory deposits with central banks	15,397,213	–	–	–	–	–	–	15,397,213
Total – Neither past due nor impaired	117,382,601	50,083,743	40,842,889	12,894,625	1,469,168	31,737,803	(291,776)	254,119,053
As a percentage of gross balances	46.05%	19.65%	16.02%	5.06%	0.58%	12.44%	(0.11%)	99.69%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

7. Credit quality of financial assets – financial investments portfolio and other financial assets (cont'd.)

		<----- Past due but not impaired ----->							
Group 2016	Neither past due nor impaired RM'000	Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000	Non-impaired total RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short-term funds	58,140,545	–	–	–	58,140,545	–	58,140,545	–	58,140,545
Deposits and placements with financial institutions	13,444,630	–	–	–	13,444,630	–	13,444,630	–	13,444,630
Financial assets purchased under resale agreements	2,492,412	–	–	–	2,492,412	–	2,492,412	–	2,492,412
Financial investments portfolio*	125,784,477	59,192	–	19,913	125,863,582	627,314	126,490,896	(258,228)	126,232,668
Derivative assets	8,311,703	–	–	–	8,311,703	–	8,311,703	–	8,311,703
Reinsurance/retakaful assets and other insurance receivables	447,015	–	–	–	447,015	19,027	466,042	(19,027)	447,015
Other assets	8,501,092	22,548	1,027	10,348	8,535,015	91,905	8,626,920	(69,380)	8,557,540
Statutory deposits with central banks	15,384,134	–	–	–	15,384,134	–	15,384,134	–	15,384,134
	232,506,008	81,740	1,027	30,261	232,619,036	738,246	233,357,282	(346,635)	233,010,647
As a percentage of gross balances	99.64%	0.03%	0.00%	0.01%	99.68%	0.32%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

	<---------- Neither past due nor impaired ---------->							
Group 2016	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Netting effects under MFRS 132 Amendments RM'000	Total RM'000
Cash and short-term funds	22,514,762	15,503,146	9,172,713	1,106,272	88,557	9,755,095	–	58,140,545
Deposits and placements with financial institutions	2,513,429	550,943	2,405,692	489,624	134,580	7,350,362	–	13,444,630
Financial assets purchased under resale agreements	2,278,442	–	–	–	–	213,970	–	2,492,412
Financial investments portfolio*	54,779,969	34,869,745	27,890,337	2,135,430	65,161	6,043,835	–	125,784,477
Derivative assets	812	2,421,990	2,887,110	1,628,252	210,259	1,993,564	(830,284)	8,311,703
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	447,015	–	447,015
Other assets	1,086	972	–	1,276,869	5,293	7,216,872	–	8,501,092
Statutory deposits with central banks	15,384,134	–	–	–	–	–	–	15,384,134
Total – Neither past due nor impaired	97,472,634	53,346,796	42,355,852	6,636,447	503,850	33,020,713	(830,284)	232,506,008
As a percentage of gross balances	41.77%	22.86%	18.15%	2.85%	0.22%	14.15%	(0.36%)	99.64%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

7. Credit quality of financial assets – financial investments portfolio and other financial assets (cont'd.)

Bank 2017	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short-term funds	30,714,527	–	30,714,527	–	30,714,527
Deposits and placements with financial institutions	21,382,493	–	21,382,493	–	21,382,493
Financial assets purchased under resale agreements	7,633,503	–	7,633,503	–	7,633,503
Financial investments portfolio*	114,272,287	459,731	114,732,018	(124,041)	114,607,977
Derivative assets	6,865,221	–	6,865,221	–	6,865,221
Other assets	4,189,492	33,561	4,223,053	(15,326)	4,207,727
Statutory deposits with central banks	7,746,700	–	7,746,700	–	7,746,700
	192,804,223	493,292	193,297,515	(139,367)	193,158,148
As a percentage of gross balances	99.74%	0.26%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

	<---------- Neither past due nor impaired ---------->							
Bank 2017	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Netting effects under MFRS 132 Amendments RM'000	Total RM'000
Cash and short-term funds	7,277,348	7,819,948	5,379,222	2,819,701	37,842	7,380,466	–	30,714,527
Deposits and placements with financial institutions	2,200,134	421,412	12,114,347	565,228	–	6,081,372	–	21,382,493
Financial assets purchased under resale agreements	7,633,503	–	–	–	–	–	–	7,633,503
Financial investments portfolio*	48,035,365	31,457,107	15,758,687	6,690,900	888,618	11,441,610	–	114,272,287
Derivative assets	–	1,291,129	953,881	1,623,959	294,626	2,993,402	(291,776)	6,865,221
Other assets	–	56,822	2,876,052	622,226	–	634,392	–	4,189,492
Statutory deposits with central banks	7,746,700	–	–	–	–	–	–	7,746,700
Total – Neither past due nor impaired	72,893,050	41,046,418	37,082,189	12,322,014	1,221,086	28,531,242	(291,776)	192,804,223
As a percentage of gross balances	37.71%	21.23%	19.18%	6.38%	0.63%	14.76%	(0.15%)	99.74%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

7. Credit quality of financial assets – financial investments portfolio and other financial assets (cont'd.)

Bank 2016	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short-term funds	38,350,931	–	38,350,931	–	38,350,931
Deposits and placements with financial institutions	19,339,287	–	19,339,287	–	19,339,287
Financial assets purchased under resale agreements	2,213,113	–	2,213,113	–	2,213,113
Financial investments portfolio*	94,828,431	488,357	95,316,788	(132,878)	95,183,910
Derivative assets	8,320,918	–	8,320,918	–	8,320,918
Other assets	4,919,732	42,345	4,962,077	(24,105)	4,937,972
Statutory deposits with central banks	7,530,325	–	7,530,325	–	7,530,325
	175,502,737	530,702	176,033,439	(156,983)	175,876,456
As a percentage of gross balances	99.70%	0.30%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

	‹---------- Neither past due nor impaired ----------›							
Bank 2016	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Netting effects under MFRS 132 Amendments RM'000	Total RM'000
Cash and short-term funds	7,847,309	13,023,012	6,674,487	1,011,433	81,755	9,712,935	–	38,350,931
Deposits and placements with financial institutions	1,665,221	335,658	9,456,241	471,980	134,580	7,275,607	–	19,339,287
Financial assets purchased under resale agreements	1,999,143	–	–	–	–	213,970	–	2,213,113
Financial investments portfolio*	44,061,826	24,507,489	18,766,454	1,421,929	58,380	6,012,353	–	94,828,431
Derivative assets	–	2,967,905	2,631,703	1,517,085	173,021	1,861,488	(830,284)	8,320,918
Other assets	–	–	–	1,276,869	5,293	3,637,570	–	4,919,732
Statutory deposits with central banks	7,530,325	–	–	–	–	–	–	7,530,325
Total – Neither past due nor impaired	63,103,824	40,834,064	37,528,885	5,699,296	453,029	28,713,923	(830,284)	175,502,737
As a percentage of gross balances	35.85%	23.20%	21.32%	3.24%	0.25%	16.31%	(0.47%)	99.70%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

8. Credit quality of impaired financial assets

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

Group	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
2017					
Malaysia	**5,619,324**	**299,157**	**16,359**	**38,723**	**5,973,563**
Singapore	**2,931,842**	**174,046**	**1,549**	**14,465**	**3,121,902**
Indonesia	**1,417,698**	**21,314**	**–**	**–**	**1,439,012**
Labuan Offshore	**244,722**	**–**	**–**	**–**	**244,722**
Hong Kong SAR	**886,737**	**–**	**–**	**13,052**	**899,789**
United States of America	**572**	**–**	**–**	**–**	**572**
People's Republic of China	**1,054**	**–**	**–**	**–**	**1,054**
Vietnam	**68,271**	**–**	**–**	**10**	**68,281**
Philippines	**123,185**	**482**	**–**	**568**	**124,235**
Brunei	**38,529**	**–**	**–**	**–**	**38,529**
Cambodia	**97,667**	**–**	**–**	**–**	**97,667**
Bahrain	**5,063**	**–**	**–**	**–**	**5,063**
Thailand	**38,438**	**1,824**	**–**	**5,432**	**45,694**
Laos	**41,730**	**–**	**–**	**–**	**41,730**
Others	**35,071**	**42,729**	**–**	**–**	**77,800**
	11,549,903	**539,552**	**17,908**	**72,250**	**12,179,613**
2016					
Malaysia	5,754,507	299,411	18,123	55,791	6,127,832
Singapore	1,587,853	201,918	904	15,316	1,805,991
Indonesia	1,993,758	76,426	–	1,119	2,071,303
Labuan Offshore	209,957	–	–	–	209,957
Hong Kong SAR	1,031,921	–	–	13,372	1,045,293
United States of America	633	–	–	494	1,127
People's Republic of China	5,878	–	–	–	5,878
Vietnam	82,976	–	–	–	82,976
United Kingdom	–	–	–	2	2
Philippines	185,823	17,136	–	418	203,377
Brunei	21,888	–	–	–	21,888
Cambodia	95,619	–	–	–	95,619
Bahrain	5,608	–	–	–	5,608
Thailand	31,887	1,836	–	5,347	39,070
Laos	8,214	–	–	–	8,214
Others	38,858	30,587	–	46	69,491
	11,055,380	627,314	19,027	91,905	11,793,626

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

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

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

Bank	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
2017				
Malaysia	**3,896,008**	**298,957**	**33,561**	**4,228,526**
Singapore	**2,897,765**	**160,774**	**–**	**3,058,539**
Labuan Offshore	**244,722**	**–**	**–**	**244,722**
Hong Kong SAR	**878,849**	**–**	**–**	**878,849**
People's Republic of China	**1,054**	**–**	**–**	**1,054**
Vietnam	**67,121**	**–**	**–**	**67,121**
Brunei	**38,529**	**–**	**–**	**38,529**
Bahrain	**5,063**	**–**	**–**	**5,063**
Laos	**41,730**	**–**	**–**	**41,730**
	8,070,841	**459,731**	**33,561**	**8,564,133**
2016				
Malaysia	4,246,493	298,957	42,345	4,587,795
Singapore	1,570,036	189,400	–	1,759,436
Labuan Offshore	209,957	–	–	209,957
Hong Kong SAR	1,031,921	–	–	1,031,921
People's Republic of China	5,878	–	–	5,878
Vietnam	80,394	–	–	80,394
Brunei	21,888	–	–	21,888
Bahrain	5,608	–	–	5,608
Laos	8,214	–	–	8,214
	7,180,389	488,357	42,345	7,711,091

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

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

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

Group	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
2017					
Agriculture	**85,760**	**–**	**–**	**–**	**85,760**
Mining and quarrying	**380,252**	**45,443**	**–**	**–**	**425,695**
Manufacturing	**1,279,606**	**–**	**–**	**–**	**1,279,606**
Construction	**821,101**	**139,129**	**–**	**–**	**960,230**
Electricity, gas and water supply	**447,444**	**–**	**–**	**–**	**447,444**
Wholesale, retail trade, restaurants and hotels	**1,856,751**	**7,066**	**–**	**–**	**1,863,817**
Finance, insurance, real estate and business	**2,584,452**	**129,120**	**17,908**	**47,659**	**2,779,139**
Transport, storage and communication	**2,543,342**	**21,314**	**–**	**–**	**2,564,656**
Education, health and others	**32,454**	**1,435**	**–**	**–**	**33,889**
Household	**1,344,443**	**–**	**–**	**6,263**	**1,350,706**
Others	**174,298**	**196,045**	**–**	**18,328**	**388,671**
	11,549,903	**539,552**	**17,908**	**72,250**	**12,179,613**
2016					
Agriculture	306,765	–	–	–	306,765
Mining and quarrying	536,016	60,514	–	–	596,530
Manufacturing	1,376,882	–	–	–	1,376,882
Construction	814,598	131,078	–	–	945,676
Electricity, gas and water supply	641,238	–	–	–	641,238
Wholesale, retail trade, restaurants and hotels	1,832,007	–	–	–	1,832,007
Finance, insurance, real estate and business	2,614,440	42,487	19,027	67,645	2,743,599
Transport, storage and communication	1,549,355	52,905	–	–	1,602,260
Education, health and others	82,041	–	–	–	82,041
Household	1,085,238	–	–	17,380	1,102,618
Others	216,800	340,330	–	6,880	564,010
	11,055,380	627,314	19,027	91,905	11,793,626

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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

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

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

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

Bank	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
2017				
Agriculture	**50,850**	**–**	**–**	**50,850**
Mining and quarrying	**43,218**	**45,443**	**–**	**88,661**
Manufacturing	**912,283**	**–**	**–**	**912,283**
Construction	**682,670**	**139,129**	**–**	**821,799**
Electricity, gas and water supply	**253,586**	**–**	**–**	**253,586**
Wholesale, retail trade, restaurants and hotels	**1,349,902**	**7,065**	**–**	**1,356,967**
Finance, insurance, real estate and business	**2,280,798**	**114,386**	**33,561**	**2,428,745**
Transport, storage and communication	**1,702,644**	**–**	**–**	**1,702,644**
Education, health and others	**13,873**	**–**	**–**	**13,873**
Household	**763,610**	**–**	**–**	**763,610**
Others	**17,407**	**153,708**	**–**	**171,115**
	8,070,841	**459,731**	**33,561**	**8,564,133**
2016				
Agriculture	59,054	–	–	59,054
Mining and quarrying	11,081	60,514	–	71,595
Manufacturing	1,120,741	–	–	1,120,741
Construction	714,441	131,078	–	845,519
Electricity, gas and water supply	268,389	–	–	268,389
Wholesale, retail trade, restaurants and hotels	1,289,386	–	–	1,289,386
Finance, insurance, real estate and business	2,193,512	23,062	42,345	2,258,919
Transport, storage and communication	827,594	–	–	827,594
Education, health and others	11,466	–	–	11,466
Household	671,837	–	–	671,837
Others	12,888	273,703	–	286,591
	7,180,389	488,357	42,345	7,711,091

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

9. Possessed collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing and held as at the financial year end are as follows:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Residential properties	**125,228**	116,552	**–**	–
Others	**163,775**	130,313	**29,409**	34,430
	289,003	246,865	**29,409**	34,430

Repossessed collaterals are sold as soon as practicable. Repossessed collaterals are included under 'other assets' on the statement of financial position. The Group and the Bank do not occupy repossessed properties or assets for its business use.

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

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

10. Reconciliation of allowance account

Movements in allowances for impairment losses for financial assets are as follows:

Group	Loans, advances and financing RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
As at 31 December 2017						
Individual allowance						
At 1 January 2017	**3,764,929**	**233,946**	**24,282**	**19,027**	**69,380**	**4,111,564**
Allowance made during the financial year	**1,830,104**	**5,890**	**–**	**9,624**	**1,218**	**1,846,836**
Amount written back	**(326,072)**	**(1,111)**	**(107)**	**(11,903)**	**(4,412)**	**(343,605)**
Amount written-off	**(858,546)**	**(46,137)**	**(20,053)**	**–**	**(16,729)**	**(941,465)**
Transferred to collective allowance	**(31,234)**	**–**	**–**	**–**	**–**	**(31,234)**
Exchange differences	**(258,650)**	**(12,934)**	**102**	**–**	**(3,632)**	**(275,114)**
At 31 December 2017	**4,120,531**	**179,654**	**4,224**	**16,748**	**45,825**	**4,366,982**
Collective allowance						
At 1 January 2017	**4,195,879**	**–**	**–**	**–**	**–**	**4,195,879**
Allowance made during the financial year	**836,425**	**–**	**–**	**–**	**–**	**836,425**
Amount written back	**(390)**	**–**	**–**	**–**	**–**	**(390)**
Amount written-off	**(789,601)**	**–**	**–**	**–**	**–**	**(789,601)**
Transferred from individual allowance	**31,234**	**–**	**–**	**–**	**–**	**31,234**
Exchange differences	**(133,354)**	**–**	**–**	**–**	**–**	**(133,354)**
At 31 December 2017	**4,140,193**	**–**	**–**	**–**	**–**	**4,140,193**
As at 31 December 2016						
Individual allowance						
At 1 January 2016	2,259,910	200,270	24,248	42,121	57,753	2,584,302
Allowance made during the financial year	2,390,222	216,432	–	4,293	18,016	2,628,963
Amount written back	(115,272)	(73,344)	–	(21,752)	(139)	(210,507)
Amount written-off	(858,279)	(114,075)	–	(5,635)	(4,525)	(982,514)
Transferred to collective allowance	(30,057)	–	–	–	–	(30,057)
Exchange differences	118,405	4,663	34	–	(1,725)	121,377
At 31 December 2016	3,764,929	233,946	24,282	19,027	69,380	4,111,564
Collective allowance						
At 1 January 2016	3,899,141	–	–	–	–	3,899,141
Allowance made during the financial year	1,100,315	–	–	–	–	1,100,315
Amount written back	(30,762)	–	–	–	–	(30,762)
Amount written-off	(834,868)	–	–	–	–	(834,868)
Transferred from individual allowance	30,057	–	–	–	–	30,057
Exchange differences	31,996	–	–	–	–	31,996
At 31 December 2016	4,195,879	–	–	–	–	4,195,879

* Financial investments available-for-sale exclude quoted equity investments.

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

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

10. Reconciliation of allowance account (cont'd.)

Movements in allowances for impairment losses for financial assets are as follows (cont'd.):

Bank	Loans, advances and financing RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Total RM'000
As at 31 December 2017					
Individual allowance					
At 1 January 2017	**2,493,534**	**129,102**	**3,776**	**24,105**	**2,650,517**
Allowance made during the financial year	**1,237,538**	**1,071**	**–**	**–**	**1,238,609**
Amount written back	**(238,042)**	**(3,288)**	**–**	**–**	**(241,330)**
Amount written-off	**(317,726)**	**–**	**–**	**(8,779)**	**(326,505)**
Transferred to collective allowance	**(26,013)**	**–**	**–**	**–**	**(26,013)**
Exchange differences	**(146,671)**	**(6,620)**	**–**	**–**	**(153,291)**
At 31 December 2017	**3,002,620**	**120,265**	**3,776**	**15,326**	**3,141,987**
Collective allowance					
At 1 January 2017	**2,844,507**	**–**	**–**	**–**	**2,844,507**
Allowance made during the financial year	**346,381**	**–**	**–**	**–**	**346,381**
Amount written-off	**(330,885)**	**–**	**–**	**–**	**(330,885)**
Transferred from individual allowance	**26,013**	**–**	**–**	**–**	**26,013**
Exchange differences	**(51,346)**	**–**	**–**	**–**	**(51,346)**
At 31 December 2017	**2,834,670**	**–**	**–**	**–**	**2,834,670**
As at 31 December 2016					
Individual allowance					
At 1 January 2016	1,422,090	85,518	3,776	17,690	1,529,074
Allowance made during the financial year	1,592,007	213,122	–	6,415	1,811,544
Amount written back	(80,690)	(73,344)	–	–	(154,034)
Amount written-off	(510,376)	(99,951)	–	–	(610,327)
Transferred to collective allowance	(18,990)	–	–	–	(18,990)
Exchange differences	89,493	3,757	–	–	93,250
At 31 December 2016	2,493,534	129,102	3,776	24,105	2,650,517
Collective allowance					
At 1 January 2016	2,627,341	–	–	–	2,627,341
Allowance made during the financial year	522,087	–	–	–	522,087
Amount written-off	(346,521)	–	–	–	(346,521)
Transferred from individual allowance	18,990	–	–	–	18,990
Exchange differences	22,610	–	–	–	22,610
At 31 December 2016	2,844,507	–	–	–	2,844,507

* Financial investments available-for-sale exclude quoted equity investments.

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

(d) Market risk management

1. Market risk management overview

Market risk management

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

(i) Interest/profit rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
(ii) Foreign exchange rate risk: arising from adverse movements in the exchange rates of two currencies; and
(iii) Equity price risk: arising from changes in the prices of equities, equity indices and equity baskets.

2. Market risk management

Management of trading activities

The Group's traded market risk exposures are primarily from proprietary trading, flow trading and market making. The risk measurement techniques employed by the Group comprise both quantitative and qualitative measures.

Value at Risk ("VaR") measures the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence under normal business situations. The method adopted is based on historical simulation, at a 99% confidence level using a 1 day holding period. The VaR model is back tested and is subject to periodic independent validation to ensure it meets its intended use. Also, the Group computes a Stressed VaR based on a 1-day holding period to measure the VaR arising from market movements over a previously identified stress period.

Besides VaR, the Group utilises other non-statistical risk measures, such as exposure to a one basis point increase in yield ("PV01") for managing portfolio sensitivity to market interest rate movements, net open position ("NOP") limit for managing foreign currency exposure and Greek limits for controlling options risk. These measures provide granular information on the Group's market risk exposures and are used for control and monitoring purposes.

Management and measurement of Interest Rate Risk ("IRR")/ Rate of Return Risk ("RoR") in the banking book

The Group emphasises the importance of managing IRR/RoR in the banking book as most of the balance sheet items of the Group generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Group's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Group's overall capital adequacy.

IRR/RoR in the banking book encompasses repricing risk, yield curve risk, basis risk and option risk arising from movement in interest rate. In addition, Islamic operation is exposed to displace commercial risk. The objective of the Group's IRR/RoR in the banking book framework is to ensure that all IRR/RoR in the banking book is managed within its risk appetite.

IRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- Repricing Gap Analysis
- Economic Value at Risk
- Stress Testing

3. Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Group ALCO to protect total net interest income from changes in market interest rates.

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

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

3. Interest rate risk (cont'd.)

The tables below summarise the Group's and the Bank's exposure to interest rate risk as at 31 December 2017 and 31 December 2016. The tables indicate effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	43,490,766	2,525	–	–	–	6,840,999	–	50,334,290	2.22
Deposits and placements with financial institutions	–	8,775,726	4,662,150	1,417,902	822,127	1,310,486	–	16,988,391	2.39
Financial assets purchased under resale agreements	8,514,283	–	–	–	–	–	–	8,514,283	1.59
Financial assets at fair value through profit or loss	–	–	–	–	–	–	25,117,493	25,117,493	3.70
Financial investments available-for-sale	3,641,696	8,078,826	10,529,641	26,474,951	56,361,410	3,983,720	–	109,070,244	3.28
Financial investments held-to-maturity	550,696	281,737	1,376,899	6,884,494	10,918,368	172,579	–	20,184,773	5.37
Loans, advances and financing									
– Non-impaired	306,825,576	53,143,637	40,490,674	40,416,965	41,418,331	–	–	482,295,183	4.86
– Impaired*	7,429,372	–	–	–	–	–	–	7,429,372	–
– Collective allowance	–	–	–	–	–	(4,140,193)	–	(4,140,193)	–
Derivative assets	–	–	–	–	–	–	6,704,651	6,704,651	–
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	3,933,772	–	3,933,772	–
Other assets	–	–	–	–	–	9,698,140	–	9,698,140	–
Investment properties	–	–	–	–	–	753,555		753,555	–
Other non-interest sensitive balances	–	–	–	–	–	28,417,812	–	28,417,812	–
Total assets	370,452,389	70,282,451	57,059,364	75,194,312	109,520,236	50,970,870	31,822,144	765,301,766	
Liabilities and shareholders' equity									
Customers' funding:									
– Deposits from customers	179,991,172	82,788,794	131,431,200	107,795,933	10,346	–	–	502,017,445	2.38
– Investment accounts of customers^	4,968,432	3,793,912	8,570,575	7,222,526	–	–	–	24,555,445	3.00
Deposits and placements from financial institutions	22,634,868	11,930,485	3,983,976	2,287,049	118	1,761,635	–	42,598,131	2.05
Obligations on financial assets sold under repurchase agreements	2,401,378	2,965,708	–	–	–	–	–	5,367,086	2.07
Bills and acceptances payable	505,271	–	–	–	–	1,388,775	–	1,894,046	3.16
Financial liabilities at fair value through profit or loss	–	–	–	6,133,415	242,400	–	–	6,375,815	4.39
Derivative liabilities	–	–	–	–	–	–	7,221,015	7,221,015	–
Insurance/takaful contract liabilities and other insurance payables	–	–	–	–	–	25,118,843	–	25,118,843	–
Other liabilities	1,750,718	3,122,047	90,354	64,723	–	14,151,298	–	19,179,140	1.80
Recourse obligation on loans and financing sold to Cagamas	–	–	–	1,543,501	–	–	–	1,543,501	4.20
Borrowings	5,486,609	3,059,771	7,087,693	17,734,912	1,136,633	–	–	34,505,618	3.20
Subordinated obligations	–	–	870,430	9,370,549	1,738,344	–	–	11,979,323	4.74
Capital securities	–	–	2,784,180	3,500,000	–	–	–	6,284,180	6.06
Other non-interest sensitive balances	–	–	–	–	–	1,478,573	–	1,478,573	–
Total liabilities	217,738,448	107,660,717	154,818,408	155,652,608	3,127,841	43,899,124	7,221,015	690,118,161	
Shareholders' equity	–	–	–	–	–	72,988,614	–	72,988,614	–
Non-controlling interests	–	–	–	–	–	2,194,991	–	2,194,991	–
	–	–	–	–	–	75,183,605	–	75,183,605	
Total liabilities and shareholders' equity	217,738,448	107,660,717	154,818,408	155,652,608	3,127,841	119,082,729	7,221,015	765,301,766	
On-balance sheet interest sensitivity gap	152,713,941	(37,378,266)	(97,759,044)	(80,458,296)	106,392,395	(68,111,859)	24,601,129		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(3,036,935)	(564,339)	1,497,160	1,139,878	964,236	–	–		
Total interest sensitivity gap	149,677,006	(37,942,605)	(96,261,884)	(79,318,418)	107,356,631	(68,111,859)	24,601,129		
Cumulative interest rate sensitivity gap	149,677,006	111,734,401	15,472,517	(63,845,901)	43,510,730	(24,601,129)	–		

* This is arrived after deducting the individual allowance from gross impaired loans.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

3. Interest rate risk (cont'd.)

Group 2016	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	49,622,134	–	–	–	–	8,518,411	–	58,140,545	1.21
Deposits and placements with financial institutions	357,707	6,923,750	4,870,413	1,057	–	1,291,703	–	13,444,630	3.43
Financial assets purchased under resale agreements	2,010,649	481,763	–	–	–	–	–	2,492,412	0.83
Financial assets at fair value through profit or loss	–	–	–	–	–	–	23,496,050	23,496,050	3.66
Financial investments available-for-sale	7,701,014	4,711,802	11,306,614	27,598,662	38,206,221	2,860,521	–	92,384,834	3.83
Financial investments held-to-maturity	343,921	565,381	1,169,330	4,911,545	7,901,328	130,092	–	15,021,597	4.98
Loans, advances and financing									
– Non-impaired	293,132,222	50,377,299	47,568,306	39,817,720	43,784,782	–	–	474,680,329	4.80
– Impaired*	7,290,453	–	–	–	–	–	–	7,290,453	–
– Collective allowance	–	–	–	–	–	(4,195,879)	–	(4,195,879)	–
Derivative assets	–	–	–	–	–	–	8,311,703	8,311,703	–
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	4,139,596	–	4,139,596	–
Other assets	–	–	–	–	–	10,525,560	–	10,525,560	–
Investment properties	–	–	–	–	–	758,488	–	758,488	–
Other non-interest sensitive balances	–	–	–	–	–	29,465,935	–	29,465,935	–
Total assets	360,458,100	63,059,995	64,914,663	72,328,984	89,892,331	53,494,427	31,807,753	735,956,253	
Liabilities and shareholders' equity									
Customers' funding:									
– Deposits from customers	212,696,015	71,069,990	93,558,511	108,189,056	10,348	–	–	485,523,920	2.01
– Investment accounts of customers^	10,366,305	1,026,110	14,940,830	5,211,342	–	–	–	31,544,587	3.27
Deposits and placements from financial institutions	16,934,993	7,759,316	2,922,948	2,108,890	38,620	1,089,926	–	30,854,693	1.85
Obligations on financial assets sold under repurchase agreements	611,730	1,974,878	46,507	133,476	191,360	–	–	2,957,951	3.01
Bills and acceptances payable	761,944	–	–	–	–	1,046,122	–	1,808,066	2.41
Financial liabilities at fair value through profit or loss	–	–	–	3,344,846	242,384	–	–	3,587,230	4.40
Derivative liabilities	–	–	–	–	–	–	8,828,060	8,828,060	–
Insurance/takaful contract liabilities and other insurance payables	–	–	–	–	–	23,948,719	–	23,948,719	–
Other liabilities	372,962	399,345	500,003	3,036,147	–	12,979,849	–	17,288,306	1.19
Recourse obligation on loans and financing sold to Cagamas	–	–	–	974,588	–	–	–	974,588	3.86
Borrowings	2,468,287	5,307,146	13,661,792	11,954,158	1,471,757	3,916	–	34,867,056	2.91
Subordinated obligations	121,073	–	3,589,989	11,246,745	942,899	–	–	15,900,706	4.45
Capital securities	–	–	–	6,136,993	63,000	–	–	6,199,993	6.18
Other non-interest sensitive balances	–	–	–	–	–	1,197,555	–	1,197,555	–
Total liabilities	244,333,309	87,536,785	129,220,580	152,336,241	2,960,368	40,266,087	8,828,060	665,481,430	
Shareholders' equity	–	–	–	–	–	68,515,731	–	68,515,731	–
Non-controlling interests	–	–	–	–	–	1,959,092	–	1,959,092	–
	–	–	–	–	–	70,474,823	–	70,474,823	
Total liabilities and shareholders' equity	244,333,309	87,536,785	129,220,580	152,336,241	2,960,368	110,740,910	8,828,060	735,956,253	
On-balance sheet interest sensitivity gap	116,124,791	(24,476,790)	(64,305,917)	(80,007,257)	86,931,963	(57,246,483)	22,979,693		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,242,854)	(218,264)	1,525,848	(1,450,371)	1,385,641	–	–		
Total interest sensitivity gap	114,881,937	(24,695,054)	(62,780,069)	(81,457,628)	88,317,604	(57,246,483)	22,979,693		
Cumulative interest rate sensitivity gap	114,881,937	90,186,883	27,406,814	(54,050,814)	34,266,790	(22,979,693)	–		

* This is arrived after deducting the individual allowance from gross impaired loans.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

3. Interest rate risk (cont'd.)

Bank 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	24,682,086	–	–	–	–	6,032,441	–	30,714,527	1.55
Deposits and placements with financial institutions	–	10,546,240	5,698,921	3,284,332	1,044,484	808,516	–	21,382,493	1.84
Financial assets purchased under resale agreements	7,633,503	–	–	–	–	–	–	7,633,503	1.47
Financial assets at fair value through profit or loss	–	–	–	–	–	–	7,896,677	7,896,677	2.94
Financial investments available-for-sale	3,029,936	7,200,307	8,835,644	22,539,607	46,559,064	1,122,181	–	89,286,739	3.07
Financial investments held-to-maturity	–	15,053	621,075	8,377,447	8,578,337	171,653	–	17,763,565	4.38
Loans, advances and financing									
– Non-impaired	189,492,921	38,650,324	31,799,565	16,325,169	12,496,439	–	–	288,764,418	4.29
– Impaired*	5,068,221	–	–	–	–	–	–	5,068,221	–
– Collective allowance	–	–	–	–	–	(2,834,670)	–	(2,834,670)	–
Derivative assets	–	–	–	–	–	–	6,865,221	6,865,221	–
Other assets	–	–	–	–	–	4,801,397	–	4,801,397	–
Other non-interest sensitive balances	–	–	–	–	–	32,324,730	–	32,324,730	–
Total assets	229,906,667	56,411,924	46,955,205	50,526,555	68,678,324	42,426,248	14,761,898	509,666,821	
Liabilities and shareholders' equity									
Deposits from customers	126,834,193	46,827,223	85,249,557	70,027,627	–	–	–	328,938,600	1.61
Deposits and placements from financial institutions	20,956,110	10,130,118	4,647,617	556,384	–	1,354,905	–	37,645,134	2.06
Obligations on financial assets sold under repurchase agreements	2,223,608	2,965,708	–	–	–	–	–	5,189,316	2.14
Bills and acceptances payable	5,933	–	–	–	–	1,379,050	–	1,384,983	4.32
Financial liabilities at fair value through profit or loss	–	–	–	5,240,720	242,400	–	–	5,483,120	4.49
Derivative liabilities	–	–	–	–	–	–	7,179,998	7,179,998	–
Other liabilities	1,750,721	3,122,047	90,354	64,723	–	11,882,752	–	16,910,597	1.80
Recourse obligation on loans and financing sold to Cagamas	–	–	–	1,543,501	–	–	–	1,543,501	4.20
Borrowings	1,965,631	2,309,066	6,427,833	15,495,961	907,951	–	–	27,106,442	2.46
Subordinated obligations	–	–	337,526	9,025,000	–	–	–	9,362,526	4.51
Capital securities	–	–	2,784,180	3,500,000	–	–	–	6,284,180	6.06
Other non-interest sensitive balances	–	–	–	–	–	385,876	–	385,876	–
Total liabilities	153,736,196	65,354,162	99,537,067	105,453,916	1,150,351	15,002,583	7,179,998	447,414,273	
Shareholders' equity	–	–	–	–	–	62,252,548	–	62,252,548	
Total liabilities and shareholders' equity	153,736,196	65,354,162	99,537,067	105,453,916	1,150,351	77,255,131	7,179,998	509,666,821	
On-balance sheet interest sensitivity gap	76,170,471	(8,942,238)	(52,581,862)	(54,927,361)	67,527,973	(34,828,883)	7,581,900		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,800,573)	(319,309)	1,497,069	658,576	964,237	–	–		
Total interest sensitivity gap	73,369,898	(9,261,547)	(51,084,793)	(54,268,785)	68,492,210	(34,828,883)	7,581,900		
Cumulative interest rate sensitivity gap	73,369,898	64,108,351	13,023,558	(41,245,227)	27,246,983	(7,581,900)	–		

* This is arrived after deducting the individual allowance from gross impaired loans.

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

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

3. Interest rate risk (cont'd.)

Bank 2016	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	31,004,209	–	–	–	–	7,346,722	–	38,350,931	1.19
Deposits and placements with financial institutions	–	9,163,967	6,298,142	2,765,932	311,494	799,752	–	19,339,287	2.27
Financial assets purchased under resale agreements	1,731,350	481,763	–	–	–	–	–	2,213,113	0.83
Financial assets at fair value through profit or loss	–	–	–	–	–	–	7,980,314	7,980,314	2.94
Financial investments available-for-sale	5,407,292	3,257,355	9,603,559	25,562,681	30,139,558	933,756	–	74,904,201	3.72
Financial investments held-to-maturity	5,004	39,975	577,333	4,858,487	6,975,530	125,982	–	12,582,311	4.65
Loans, advances and financing									
– Non-impaired	195,747,299	34,073,787	37,407,291	17,561,948	8,387,463	–	–	293,177,788	4.17
– Impaired*	4,686,855	–	–	–	–	–	–	4,686,855	–
– Collective allowance	–	–	–	–	–	(2,844,507)	–	(2,844,507)	–
Derivative assets	–	–	–	–	–	–	8,320,918	8,320,918	–
Other assets	–	–	–	–	–	5,603,512	–	5,603,512	–
Other non-interest sensitive balances	–	–	–	–	–	31,747,887	–	31,747,887	–
Total assets	238,582,009	47,016,847	53,886,325	50,749,048	45,814,045	43,713,104	16,301,232	496,062,610	
Liabilities and shareholders' equity									
Deposits from customers	127,257,046	54,327,438	79,019,513	71,274,298	–	–	–	331,878,295	1.45
Deposits and placements from financial institutions	18,126,952	7,645,511	2,784,178	602,208	–	697,861	–	29,856,710	1.71
Obligations on financial assets sold under repurchase agreements	611,730	1,974,878	46,507	133,476	191,360	–	–	2,957,951	3.01
Bills and acceptances payable	7,969	–	–	–	–	992,808	–	1,000,777	4.35
Financial liabilities at fair value through profit or loss	–	–	–	2,442,755	242,384	–	–	2,685,139	4.74
Derivative liabilities	–	–	–	–	–	–	8,802,221	8,802,221	–
Other liabilities	372,962	399,345	500,003	3,036,147	–	8,190,241	–	12,498,698	1.19
Recourse obligation on loans and financing sold to Cagamas	–	–	–	974,588	–	–	–	974,588	3.86
Borrowings	941,619	4,994,552	11,599,123	10,050,385	1,341,748	–	–	28,927,427	2.10
Subordinated obligations	121,072	–	3,588,800	9,493,000	–	–	–	13,202,872	4.17
Capital securities	–	–	–	6,162,926	63,000	–	–	6,225,926	6.15
Other non-interest sensitive balances	–	–	–	–	–	47,374	–	47,374	–
Total liabilities	147,439,350	69,341,724	97,538,124	104,169,783	1,838,492	9,928,284	8,802,221	439,057,978	
Shareholders' equity	–	–	–	–	–	57,004,632	–	57,004,632	
Total liabilities and shareholders' equity	147,439,350	69,341,724	97,538,124	104,169,783	1,838,492	66,932,916	8,802,221	496,062,610	
On-balance sheet interest sensitivity gap	91,142,659	(22,324,877)	(43,651,799)	(53,420,735)	43,975,553	(23,219,812)	7,499,011		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,251,266)	(217,742)	1,533,738	(1,450,371)	1,385,641	–	–		
Total interest sensitivity gap	89,891,393	(22,542,619)	(42,118,061)	(54,871,106)	45,361,194	(23,219,812)	7,499,011		
Cumulative interest rate sensitivity gap	89,891,393	67,348,774	25,230,713	(29,640,393)	15,720,801	(7,499,011)	–		

* This is arrived after deducting the individual allowance from gross impaired loans.

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

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

4. Yield/Profit rate risk on IBS portfolio

The Group and the Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the ALCO to protect the income from IBS operations.

The tables below summarise the Group's exposure to yield/profit rate risk for the IBS operations as at 31 December 2017 and 31 December 2016. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments are either repriced or mature, whichever is earlier.

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	17,147,071	–	–	–	–	3,331	–	17,150,402	2.99
Financial assets at fair value through profit or loss	–	–	–	–	–	–	240,571	240,571	1.66
Financial investments available-for-sale	276,081	298,751	495,052	3,352,476	5,459,644	–	–	9,882,004	3.93
Financial investments held-to-maturity	174,618	–	24,113	564,414	2,206,844	–	–	2,969,989	5.91
Financing and advances									
– Non-impaired	106,008,886	9,660,255	2,490,174	14,419,971	29,366,583	–	–	161,945,869	5.09
– Impaired*	1,049,353	–	10,425	34,340	–	–	–	1,094,118	–
– Collective allowance	–	–	–	–	–	(825,954)	–	(825,954)	–
Derivative assets	–	–	–	–	–	–	487,989	487,989	–
Other assets	–	–	–	–	–	7,233,195	–	7,233,195	–
Other non-yield/profit sensitive balances	–	–	–	–	–	3,282,972	–	3,282,972	–
Total assets	124,656,009	9,959,006	3,019,764	18,371,201	37,033,071	9,693,544	728,560	203,461,155	
Liabilities and Islamic banking capital funds									
Customers' funding:									
– Deposits from customers	36,803,869	27,711,854	40,761,388	24,791,877	–	–	–	130,068,988	2.83
– Investment accounts of customers^	4,968,432	3,793,912	8,570,575	7,222,526	–	–	–	24,555,445	3.00
Deposits and placements from financial institutions	9,184,384	5,537,942	1,458,668	7,940,707	3,741,025	388,545	–	28,251,271	2.80
Financial liabilities at fair value through profit or loss	–	–	–	892,695	–	–	–	892,695	3.75
Bills and acceptances payable	–	–	–	–	–	8,854	–	8,854	–
Derivative liabilities	–	–	–	–	–	–	650,320	650,320	–
Other liabilities	–	–	–	–	–	660,680	–	660,680	–
Term funding	249,400	496,893	2,195,922	2,003,222	–	–	–	4,945,437	3.99
Subordinated sukuk	–	–	–	2,534,105	–	–	–	2,534,105	4.71
Capital securities	–	–	–	1,002,441	–	–	–	1,002,441	4.95
Other non-yield/profit sensitive balances	–	–	–	–	–	148,510	–	148,510	–
Total liabilities	51,206,085	37,540,601	52,986,553	46,387,573	3,741,025	1,206,589	650,320	193,718,746	
Islamic banking capital funds	–	–	–	–	–	9,742,409	–	9,742,409	
Total liabilities and Islamic banking capital funds	51,206,085	37,540,601	52,986,553	46,387,573	3,741,025	10,948,998	650,320	203,461,155	
On-balance sheet yield/profit rate sensitivity gap	73,449,924	(27,581,595)	(49,966,789)	(28,016,372)	33,292,046	(1,255,454)	78,240		
Cumulative yield/profit rate sensitivity gap	73,449,924	45,868,329	(4,098,460)	(32,114,832)	1,177,214	(78,240)	–		

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.
^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

4. Yield/Profit rate risk on IBS portfolio (cont'd.)

Group 2016	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	15,547,094	–	–	–	–	5,851	–	15,552,945	3.07
Deposits and placements with financial institutions	–	654,194	–	–	–	–	–	654,194	3.50
Financial assets at fair value through profit or loss	–	–	–	–	–	–	252,451	252,451	4.38
Financial investments available-for-sale	1,597,324	1,248,368	426,114	1,295,364	4,152,484	–	–	8,719,654	3.91
Financial investments held-to-maturity	92,924	–	–	116,962	–	–	–	209,886	6.97
Financing and advances									
– Non-impaired	89,120,797	10,494,776	3,684,127	13,237,392	32,010,440	–	–	148,547,532	5.10
– Impaired*	921,778	–	–	–	–	–	–	921,778	–
– Collective allowance	–	–	–	–	–	(758,418)	–	(758,418)	–
Derivative assets	–	–	–	–	–	–	515,554	515,554	–
Other assets	–	–	–	–	–	4,959,989	–	4,959,989	–
Other non-yield/profit sensitive balances	–	–	–	–	–	3,094,192	–	3,094,192	–
Total assets	107,279,917	12,397,338	4,110,241	14,649,718	36,162,924	7,301,614	768,005	182,669,757	
Liabilities and Islamic banking capital funds									
Customers' funding:									
– Deposits from customers	70,202,334	7,002,203	8,227,755	21,410,669	–	–	–	106,842,961	2.77
– Investment accounts of customers^	10,366,305	1,026,110	14,940,830	5,211,342	–	–	–	31,544,587	3.27
Deposits and placements from financial institutions	9,609,438	3,949,454	5,195,811	9,659,253	1,540,438	391,903	–	30,346,297	3.91
Financial liabilities at fair value through profit or loss	–	–	–	902,091	–	–	–	902,091	3.40
Bills and acceptances payable	–	–	–	–	–	53,220	–	53,220	–
Derivative liabilities	–	–	–	–	–	–	535,161	535,161	–
Other liabilities	–	–	–	–	–	388,615	–	388,615	–
Subordinated sukuk	–	–	–	2,534,496	–	–	–	2,534,496	4.75
Other non-yield/profit sensitive balances	–	–	–	–	–	98,561	–	98,561	–
Total liabilities	90,178,077	11,977,767	28,364,396	39,717,851	1,540,438	932,299	535,161	173,245,989	
Islamic banking capital funds	–	–	–	–	–	9,423,768	–	9,423,768	
Total liabilities and Islamic banking capital funds	90,178,077	11,977,767	28,364,396	39,717,851	1,540,438	10,356,067	535,161	182,669,757	
On-balance sheet yield/profit rate sensitivity gap	17,101,840	419,571	(24,254,155)	(25,068,133)	34,622,486	(3,054,453)	232,844		
Cumulative yield/profit rate sensitivity gap	17,101,840	17,521,411	(6,732,744)	(31,800,877)	2,821,609	(232,844)	–		

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

5. Sensitivity analysis for interest rate risk

The tables below show the sensitivity of the Group's and of the Bank's profit after tax to an up and down 100 basis points parallel rate shock.

		Group		Bank	
	Tax rate	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2017					
Impact to profit before tax		**992,995**	**(992,995)**	**507,041**	**(507,041)**
Impact to profit after tax	**24%**	**754,676**	**(754,676)**	**385,351**	**(385,351)**
2016					
Impact to profit before tax		879,957	(879,957)	587,527	(587,527)
Impact to profit after tax	24%	668,767	(668,767)	446,521	(446,521)

Impact to profit after tax is measured using Earnings-at-Risk (EaR) methodology which is simulated based on a set of standardised rate shocks on the interest rate gap profile derived from the financial position of the Group and of the Bank. The interest rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking into consideration the earlier of repricing or remaining maturity, behavioural assumptions of certain indeterminate maturity products such as current and savings deposits, to reflect the actual sensitivity behaviour of these interest bearing liabilities.

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shocks to the yield curve to model the impact on mark-to-market of financial investments available-for-sale ("AFS").

	Group		Bank	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2017				
Impact to revaluation reserve for AFS	**(4,603,871)**	**4,603,871**	**(3,774,607)**	**3,774,607**
2016				
Impact to revaluation reserve for AFS	(3,095,287)	3,095,287	(2,719,049)	2,719,049

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.

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

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

6. Foreign exchange risk (cont'd.)

The tables below analyse the net foreign exchange positions of the Group and of the Bank as at 31 December 2017 and 31 December 2016, by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, Great Britain Pound, Hong Kong Dollar, US Dollar, Indonesia Rupiah and Euro. The "others" foreign exchange risk include mainly exposure to Australian Dollar, Japanese Yen, Chinese Renminbi, Philippine Peso and Brunei Dollar.

Group 2017	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	27,036,482	5,891,940	215,438	1,053,201	8,996,026	1,167,142	879,998	5,094,063	50,334,290
Deposits and placements with financial institutions	1,241,208	69,414	122,916	–	14,227,734	18,481	552,058	756,580	16,988,391
Financial assets purchased under resale agreements	–	7,633,503	–	–	–	476,500	–	404,280	8,514,283
Financial assets at fair value through profit or loss	14,331,241	3,820,275	42	498,178	1,831,980	1,875,371	–	2,760,406	25,117,493
Financial investments available-for-sale	62,894,171	16,493,759	211,667	2,451,516	12,751,067	3,317,704	1,385,683	9,564,677	109,070,244
Financial investments held-to-maturity	15,402,820	–	–	–	2,781,572	1,511,475	–	488,906	20,184,773
Loans, advances and financing	273,295,410	108,952,379	5,218,063	3,307,915	48,455,892	32,535,988	553,063	13,265,652	485,584,362
Derivative assets*	27,260,976	(349,748)	(932,297)	(1,112,395)	(36,880,505)	40,606	1,512,174	17,165,840	6,704,651
Reinsurance/retakaful assets and other insurance receivables	3,556,056	134,233	–	–	–	241,697	–	1,786	3,933,772
Other assets*	2,724,633	1,087,204	245,822	900,823	2,422,598	1,271,292	43,480	1,002,288	9,698,140
Investment properties	748,443	–	–	–	990	–	–	4,122	753,555
Statutory deposits with central banks	7,069,370	3,635,712	–	–	1,294,708	2,067,650	–	1,329,773	15,397,213
Interest in associates and joint ventures	5,715	–	–	–	22,887	–	–	2,743,722	2,772,324
Property, plant and equipment	1,286,398	820,982	28,861	21,790	51,300	345,780	–	79,907	2,635,018
Intangible assets	719,897	1,740,874	–	83,029	12,245	3,352,021	–	845,873	6,753,939
Deferred tax assets*	612,792	(2,380)	–	–	17,491	126,783	–	104,632	859,318
Total assets	438,185,612	149,928,147	5,110,512	7,204,057	55,985,985	48,348,490	4,926,456	55,612,507	765,301,766
Liabilities									
Customers' funding:									
– Deposits from customers	270,233,455	120,856,838	2,279,943	3,153,453	58,396,379	28,802,791	1,629,874	16,664,712	502,017,445
– Investment accounts of customers^	24,555,445	–	–	–	–	–	–	–	24,555,445
Deposits and placements from financial institutions	12,560,267	1,880,331	112,512	2,536,306	22,884,164	895,556	290,789	1,438,206	42,598,131
Obligations on financial assets sold under repurchase agreements	2,907,423	461,478	–	–	393,202	177,771	762,869	664,343	5,367,086
Bills and acceptances payable	1,050,998	333,258	80	577	350,554	151,463	5,217	1,899	1,894,046
Financial liabilities at fair value through profit or loss	3,013,088	–	–	–	3,362,727	–	–	–	6,375,815
Derivative liabilities*	33,199,149	3,493,480	2,254,716	(3,148,768)	(44,115,467)	449,614	1,998,298	13,089,993	7,221,015
Insurance/takaful contract liabilities and other insurance payables	23,278,821	1,508,757	–	–	3,089	256,009	–	72,167	25,118,843
Other liabilities*	7,302,358	5,759,628	742,770	943,583	(176,807)	1,579,649	1,192,733	1,835,226	19,179,140
Recourse obligation on loans and financing sold to Cagamas	1,543,501	–	–	–	–	–	–	–	1,543,501
Provision for taxation and zakat	365,275	191,723	3,635	(34,676)	14,884	163,141	–	42,512	746,494
Deferred tax liabilities	690,702	29,617	67	–	–	–	–	11,693	732,079
Borrowings	3,230,388	2,017,175	–	2,912,727	13,492,772	3,767,197	193,671	8,891,688	34,505,618
Subordinated obligations	8,937,055	–	–	–	2,035,330	1,006,938	–	–	11,979,323
Capital securities	4,672,482	1,611,698	–	–	–	–	–	–	6,284,180
Total liabilities	397,540,407	138,143,983	5,393,723	6,363,202	56,640,827	37,250,129	6,073,451	42,712,439	690,118,161
On-balance sheet open position	40,645,205	11,784,164	(283,211)	840,855	(654,842)	11,098,361	(1,146,995)	12,900,068	75,183,605
Less: Derivative assets	(27,260,976)	349,748	932,297	1,112,395	36,880,505	(40,606)	(1,512,174)	(17,165,840)	(6,704,651)
Add: Derivative liabilities	33,199,149	3,493,480	2,254,716	(3,148,768)	(44,115,467)	449,614	1,998,298	13,089,993	7,221,015
Add: Net forward position	(4,043,565)	(5,040,586)	(3,827,732)	3,448,764	14,116,356	(763,420)	(1,586,405)	(700,020)	1,603,392
Net open position	42,539,813	10,586,806	(923,930)	2,253,246	6,226,552	10,743,949	(2,247,276)	8,124,201	77,303,361
Net structural currency exposures	–	12,102,517	4,517	1,615,451	2,330,061	9,171,453	(3,966)	5,596,941	30,816,974

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

6. Foreign exchange risk (cont'd.)

Group 2016	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	26,922,703	3,499,513	976,046	842,016	17,072,643	1,648,109	501,841	6,677,674	58,140,545
Deposits and placements with financial institutions	1,707,533	757,438	–	376,000	8,217,216	5,044	47,101	2,334,298	13,444,630
Financial assets purchased under resale agreements	–	1,999,143	–	–	213,969	279,300	–	–	2,492,412
Financial assets at fair value through profit or loss	14,556,527	2,746,390	879	80,468	3,728,387	1,423,162	–	960,237	23,496,050
Financial investments available-for-sale	50,019,460	16,310,086	184,516	1,520,462	13,102,392	3,263,476	1,955,110	6,029,332	92,384,834
Financial investments held-to-maturity	10,947,650	–	–	–	1,365,467	1,278,011	–	1,430,469	15,021,597
Loans, advances and financing	258,447,144	106,534,305	4,219,036	3,461,901	58,053,946	35,271,395	287,197	11,499,979	477,774,903
Derivative assets*	(4,588,316)	(10,563,334)	(2,062,431)	777,398	37,730,797	(345,106)	(1,252,485)	(11,384,820)	8,311,703
Reinsurance/retakaful assets and other insurance receivables	4,007,339	129,722	–	–	–	–	–	2,535	4,139,596
Other assets*	3,445,172	761,317	(272,577)	591,922	2,105,678	1,269,220	91,836	2,532,992	10,525,560
Investment properties	753,885	–	–	–	985	–	–	3,618	758,488
Statutory deposits with central banks	6,781,599	3,697,356	–	–	1,190,763	2,400,461	–	1,313,955	15,384,134
Interest in associates and joint ventures	6,037	–	–	–	23,329	–	–	3,181,070	3,210,436
Property, plant and equipment	1,112,568	879,468	32,282	11,380	64,342	382,191	–	113,266	2,595,497
Intangible assets	760,467	1,751,923	–	85,706	13,172	3,868,738	–	865,518	7,345,524
Deferred tax assets*	667,079	(21,632)	32	1,854	15,656	154,154	–	113,201	930,344
Total assets	375,546,847	128,481,695	3,077,783	7,749,107	142,898,742	50,898,155	1,630,600	25,673,324	735,956,253
Liabilities									
Customers' funding:									
– Deposits from customers	245,642,389	120,883,114	2,621,775	2,912,949	66,797,285	31,325,656	1,341,929	13,998,823	485,523,920
– Investment accounts of customers^	31,544,587	–	–	–	–	–	–	–	31,544,587
Deposits and placements from financial institutions	4,795,675	1,215,517	505,415	1,688,267	17,601,666	646,808	552,016	3,849,329	30,854,693
Obligations on financial assets sold under repurchase agreements	1,974,878	752,735	–	13,611	216,727	–	–	–	2,957,951
Bills and acceptances payable	729,890	309,942	80	6,692	496,639	249,269	5,076	10,478	1,808,066
Financial liabilities at fair value through profit or loss	2,142,765	–	–	–	1,444,465	–	–	–	3,587,230
Derivative liabilities*	(9,168,881)	(7,079,892)	(327,414)	291,814	39,804,285	24,630	(48,293)	(14,668,189)	8,828,060
Insurance/takaful contract liabilities and other insurance payables	23,068,595	832,995	–	–	3,511	–	–	43,618	23,948,719
Other liabilities*	6,032,863	(2,751,902)	391,260	5,928	5,738,890	1,689,425	100,013	6,081,829	17,288,306
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	–	–	–	974,588	974,588
Provision for taxation and zakat	32,503	147,190	154	(37,562)	20,770	221,678	–	34,996	419,729
Deferred tax liabilities	701,429	36,722	–	–	–	26,842	–	12,833	777,826
Borrowings	1,571,625	1,318,461	–	2,821,196	18,306,733	3,769,791	466	7,078,784	34,867,056
Subordinated obligations	8,902,249	–	–	–	5,875,299	1,123,158	–	–	15,900,706
Capital securities	4,551,493	1,648,500	–	–	–	–	–	–	6,199,993
Total liabilities	322,522,060	117,313,382	3,191,270	7,702,895	156,306,270	39,077,257	1,951,207	17,417,089	665,481,430
On-balance sheet open position	53,024,787	11,168,313	(113,487)	46,212	(13,407,528)	11,820,898	(320,607)	8,256,235	70,474,823
Less: Derivative assets	4,588,316	10,563,334	2,062,431	(777,398)	(37,730,797)	345,106	1,252,485	11,384,820	(8,311,703)
Add: Derivative liabilities	(9,168,881)	(7,079,892)	(327,414)	291,814	39,804,285	24,630	(48,293)	(14,668,189)	8,828,060
Add: Net forward position	5,338,103	3,215,533	(1,917,938)	1,295,488	10,581,100	(887,240)	(940,370)	1,049,345	17,734,021
Net open position	53,782,325	17,867,288	(296,408)	856,116	(752,940)	11,303,394	(56,785)	6,022,211	88,725,201
Net structural currency exposures	–	11,806,220	(40,368)	1,297,285	1,180,660	9,852,551	(3,038)	7,379,295	31,472,605

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

6. Foreign exchange risk (cont'd.)

Bank 2017	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	9,487,476	5,769,098	197,938	1,032,442	8,329,514	164,219	867,262	4,866,578	30,714,527
Deposits and placements with financial institutions	2,724,923	288,854	713,828	–	16,289,356	–	552,058	813,474	21,382,493
Financial assets purchased under resale agreements	–	7,633,503	–	–	–	–	–	–	7,633,503
Financial assets at fair value through profit or loss	1,639,953	2,769,440	–	365,685	616,317	560,813	–	1,944,469	7,896,677
Financial investments available-for-sale	47,256,707	16,036,105	211,667	2,450,895	11,576,193	1,116,264	1,385,683	9,253,225	89,286,739
Financial investments held-to-maturity	15,263,322	–	–	–	2,452,215	–	–	48,028	17,763,565
Loans, advances and financing	132,626,152	107,345,696	4,441,020	2,987,063	37,244,714	–	519,492	5,833,832	290,997,969
Derivative assets*	28,063,743	475,288	(771,341)	(1,112,742)	(38,452,913)	16,066	1,505,254	17,141,866	6,865,221
Other assets*	859,662	518,591	245,050	640,462	2,501,547	10,081	38,077	(12,073)	4,801,397
Statutory deposits with central banks	3,827,265	3,635,712	–	–	186,724	–	–	96,999	7,746,700
Investment in subsidiaries	6,599,450	2,853,843	–	173,400	585,591	7,704,270	–	4,140,509	22,057,063
Interest in associates and joint ventures	31,342	–	–	–	6,140	–	–	434,534	472,016
Property, plant and equipment	778,405	330,235	26,927	5,904	7,698	–	–	16,739	1,165,908
Intangible assets	314,742	235,212	–	4,370	7,808	–	–	5,898	568,030
Deferred tax assets*	310,215	(26,523)	–	–	151	–	–	31,170	315,013
Total assets	249,783,357	147,865,054	5,065,089	6,547,479	41,351,055	9,571,713	4,867,826	44,615,248	509,666,821
Liabilities									
Deposits from customers	146,208,075	120,617,636	2,206,772	3,149,513	44,521,196	103	1,386,674	10,848,631	328,938,600
Deposits and placements from financial institutions	8,447,655	1,882,997	168,944	2,542,306	22,904,352	–	298,328	1,400,552	37,645,134
Obligations on financial assets sold under repurchase agreements	2,907,423	461,478	–	–	393,202	–	762,869	664,344	5,189,316
Bills and acceptances payable	1,041,273	333,258	80	577	8,438	276	253	828	1,384,983
Financial liabilities at fair value through profit or loss	2,120,393	–	–	–	3,362,727	–	–	–	5,483,120
Derivative liabilities*	32,260,252	4,326,604	2,254,552	(3,151,474)	(44,019,383)	444,849	1,995,140	13,069,458	7,179,998
Other liabilities	8,087,616	6,191,972	730,034	582,416	(69,128)	82,346	1,115,373	189,968	16,910,597
Recourse obligation on loans and financing sold to Cagamas	1,543,501	–	–	–	–	–	–	–	1,543,501
Provision for taxation and zakat	205,157	179,316	3,463	(34,654)	3,323	–	–	29,271	385,876
Borrowings	3,230,388	164,087	–	2,790,822	13,081,666	–	193,671	7,645,808	27,106,442
Subordinated obligations	7,327,196	–	–	–	2,035,330	–	–	–	9,362,526
Capital securities	4,672,482	1,611,698	–	–	–	–	–	–	6,284,180
Total liabilities	218,051,411	135,769,046	5,363,845	5,879,506	42,221,723	527,574	5,752,308	33,848,860	447,414,273
On-balance sheet open position	31,731,946	12,096,008	(298,756)	667,973	(870,668)	9,044,139	(884,482)	10,766,388	62,252,548
Less: Derivative assets	(28,063,743)	(475,288)	771,341	1,112,742	38,452,913	(16,066)	(1,505,254)	(17,141,866)	(6,865,221)
Add: Derivative liabilities	32,260,252	4,326,604	2,254,552	(3,151,474)	(44,019,383)	444,849	1,995,140	13,069,458	7,179,998
Add: Net forward position	(4,218,737)	(5,214,522)	(3,681,013)	3,451,123	12,881,111	(836,358)	(1,773,013)	(708,142)	(99,551)
Net open position	31,709,718	10,732,802	(953,876)	2,080,364	6,443,973	8,636,564	(2,167,609)	5,985,838	62,467,774
Net structural currency exposures	–	11,793,424	4,517	1,600,552	1,936,383	7,704,270	(3,966)	5,075,418	28,110,598

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

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

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

6. Foreign exchange risk (cont'd.)

Bank 2016	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	11,445,863	3,286,065	1,131,607	819,553	15,028,225	225,101	480,518	5,933,999	38,350,931
Deposits and placements with financial institutions	4,935,299	843,885	315,746	376,000	10,584,438	–	47,101	2,236,818	19,339,287
Financial assets purchased under resale agreements	–	1,999,143	–	–	213,970	–	–	–	2,213,113
Financial assets at fair value through profit or loss	1,793,438	2,328,820	–	446	2,934,234	625,286	–	298,090	7,980,314
Financial investments available-for-sale	35,925,065	15,967,871	184,516	1,519,770	12,188,145	1,383,628	1,955,110	5,780,096	74,904,201
Financial investments held-to-maturity	11,640,466	–	–	–	911,100	–	–	30,745	12,582,311
Loans, advances and financing	130,117,983	105,583,756	3,519,758	2,948,650	47,871,513	–	281,888	4,696,588	295,020,136
Derivative assets*	(5,493,293)	(9,689,577)	(1,877,842)	776,449	37,779,511	(379,040)	(1,254,642)	(11,540,648)	8,320,918
Other assets*	1,149,571	454,851	(279,080)	440,526	2,953,090	(22,905)	52,880	854,579	5,603,512
Statutory deposits with central banks	3,711,494	3,697,356	–	–	22,282	–	–	99,193	7,530,325
Investment in subsidiaries	6,505,060	2,852,896	–	173,400	377,555	7,537,127	–	4,140,509	21,586,547
Interest in associates and joint ventures	10,845	–	–	–	6,140	–	–	434,533	451,518
Property, plant and equipment	859,988	357,592	30,162	6,979	11,085	–	–	24,955	1,290,761
Intangible assets	306,830	200,860	–	7,024	8,027	–	–	7,308	530,049
Deferred tax assets*	368,815	(32,573)	–	–	214	–	–	22,231	358,687
Total assets	203,277,424	127,850,945	3,024,867	7,068,797	130,889,529	9,369,197	1,562,855	13,018,996	496,062,610
Liabilities									
Deposits from customers	144,004,912	120,605,792	2,562,826	2,912,997	52,945,507	115	1,239,775	7,606,371	331,878,295
Deposits and placements from financial institutions	4,123,047	1,235,225	544,766	1,691,901	17,890,369	–	561,322	3,810,080	29,856,710
Obligations on financial assets sold under repurchase agreements	1,974,878	752,735	–	13,611	216,727	–	–	–	2,957,951
Bills and acceptances payable	676,663	308,233	80	6,692	4,500	164	227	4,218	1,000,777
Financial liabilities at fair value through profit or loss	1,240,674	–	–	–	1,444,465	–	–	–	2,685,139
Derivative liabilities*	(9,930,663)	(6,224,199)	(330,488)	291,179	39,675,108	(12,351)	(52,578)	(14,613,787)	8,802,221
Other liabilities*	4,782,162	(2,703,301)	374,324	(142,397)	6,889,713	301,511	50,270	2,946,416	12,498,698
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	–	–	–	974,588	974,588
Provision for taxation and zakat	(71,840)	138,110	–	(37,544)	1,836	–	–	16,812	47,374
Borrowings	1,571,625	323,479	–	2,752,552	18,074,888	–	–	6,204,883	28,927,427
Subordinated obligations	7,327,573	–	–	–	5,875,299	–	–	–	13,202,872
Capital securities	4,577,426	1,648,500	–	–	–	–	–	–	6,225,926
Total liabilities	160,276,457	116,084,574	3,151,508	7,488,991	143,018,412	289,439	1,799,016	6,949,581	439,057,978
On-balance sheet open position	43,000,967	11,766,371	(126,641)	(420,194)	(12,128,883)	9,079,758	(236,161)	6,069,415	57,004,632
Less: Derivative assets	5,493,293	9,689,577	1,877,842	(776,449)	(37,779,511)	379,040	1,254,642	11,540,648	(8,320,918)
Add: Derivative liabilities	(9,930,663)	(6,224,199)	(330,488)	291,179	39,675,108	(12,351)	(52,578)	(14,613,787)	8,802,221
Add: Net forward position	(10,290,930)	3,174,891	(1,756,614)	1,295,847	9,617,235	(1,149,074)	(1,006,605)	863,129	747,879
Net open position	28,272,667	18,406,640	(335,901)	390,383	(616,051)	8,297,373	(40,702)	3,859,405	58,233,814
Net structural currency exposures	–	11,277,935	(40,368)	1,262,738	199,058	7,537,127	(3,038)	6,290,414	26,523,866

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

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

(d) Market Risk Management (cont'd.)

6. Foreign exchange risk (cont'd.)

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and of the Bank's overseas branches and investments in overseas subsidiaries.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

The structural currency exposures of the Group and of the Bank as at the reporting dates are as follows:

Group	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
2017			
Singapore Dollar	**15,112,947**	**(3,010,430)**	**12,102,517**
Great Britain Pound	**4,517**	**–**	**4,517**
Hong Kong Dollar	**1,615,451**	**–**	**1,615,451**
United States Dollar	**6,167,530**	**(3,837,469)**	**2,330,061**
Indonesia Rupiah	**9,171,453**	**–**	**9,171,453**
Euro	**(3,966)**	**–**	**(3,966)**
Others	**5,596,941**	**–**	**5,596,941**
	37,664,873	**(6,847,899)**	**30,816,974**
2016			
Singapore Dollar	14,696,325	(2,890,105)	11,806,220
Great Britain Pound	(40,368)	–	(40,368)
Hong Kong Dollar	1,297,285	–	1,297,285
United States Dollar	4,185,814	(3,005,154)	1,180,660
Indonesia Rupiah	9,852,551	–	9,852,551
Euro	(3,038)	–	(3,038)
Others	7,379,295	–	7,379,295
	37,367,864	(5,895,259)	31,472,605

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

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

6. Foreign exchange risk (cont'd.)

The structural currency exposures of the Group and of the Bank as at the reporting dates are as follows (cont'd.):

Bank	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
2017			
Singapore Dollar	**14,803,854**	**(3,010,430)**	**11,793,424**
Great Britain Pound	**4,517**	**–**	**4,517**
Hong Kong Dollar	**1,600,552**	**–**	**1,600,552**
United States Dollar	**5,757,105**	**(3,820,722)**	**1,936,383**
Indonesia Rupiah	**7,704,270**	**–**	**7,704,270**
Euro	**(3,966)**	**–**	**(3,966)**
Others	**5,075,418**	**–**	**5,075,418**
	34,941,750	**(6,831,152)**	**28,110,598**
2016			
Singapore Dollar	14,168,040	(2,890,105)	11,277,935
Great Britain Pound	(40,368)	–	(40,368)
Hong Kong Dollar	1,262,738	–	1,262,738
United States Dollar	3,339,749	(3,140,691)	199,058
Indonesia Rupiah	7,537,127	–	7,537,127
Euro	(3,038)	–	(3,038)
Others	6,290,414	–	6,290,414
	32,554,662	(6,030,796)	26,523,866

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

(d) Market Risk Management (cont'd.)

7. Sensitivity analysis for foreign exchange risk

Foreign exchange risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group's and of the Bank's foreign currency positions. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and the Bank on their unhedged position are as follows:

	Group		Bank	
	1% Appreciation RM'000	1% Depreciation RM'000	1% Appreciation RM'000	1% Depreciation RM'000
2017				
Impact to profit after taxation	**(20,644)**	**20,644**	**(26,098)**	**26,098**
2016				
Impact to profit after taxation	(21,969)	21,969	(33,058)	33,058

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against the functional currency – Ringgit Malaysia ("RM"). The result implies that the Group and the Bank may be subject to additional translation (losses)/gains if the RM appreciates/depreciates against other currencies and vice versa.

8. Equity price risk

Equity price risk arises from the unfavourable movements in share price of quoted shares that adversely affect the Group's and the Bank's mark-to-market valuation on quoted shares. There is a direct correlation between movements in share price of quoted shares and movements in stock market index. The Group's equity price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans and limits on investment in each country, sector, market and issuer.

Considering that other risk variables remain constant, the sensitivity of mark-to-market valuation of quoted shares for the Group and the Bank against the stock market index are as follows:

	Group Change in market index		Bank Change in market index	
	+10% RM'000	–10% RM'000	+10% RM'000	–10% RM'000
2017				
Impact to profit after tax	**230,144**	**(230,144)**	**10,823**	**(10,823)**
Impact to post-tax equity	**220,755**	**(220,755)**	**14,941**	**(14,941)**
2016				
Impact to profit after tax	177,786	(177,786)	10,691	(10,691)
Impact to post-tax equity	177,120	(177,120)	10,810	(10,810)

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

(e) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity risk is defined as the risk of an adverse impact to the Group's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The Group has taken BNM Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure. The Group also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Group are monitored regularly against the established policies, procedures and limits.

The Group has a diversified liability structure to meet its funding requirements. The primary source of funding includes customer deposits, interbank deposits, debt securities, swap market, bank loan syndication and medium term funds. The Group also initiates and implements strategic fund raising programmes as well as institutes standby lines with external parties on a need basis. Sources of fund providers are regularly reviewed to maintain a wide diversification by currency, provider, product and term, thus minimising excessive funding concentration.

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Group and the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure proper funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Recovery Plan ("RCP") testing to examine the effectiveness and robustness of the plans to avert any potential liquidity disasters affecting the Group's and the Bank's liquidity soundness and financial solvency.

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

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

2. Contractual maturity of total assets and liabilities

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2017 and 31 December 2016.

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

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	50,334,290	–	–	–	–	–	–	–	50,334,290
Deposits and placements with financial institutions	–	10,853,851	513,318	1,292,406	2,368,898	1,737,837	222,081	–	16,988,391
Financial assets purchased under resale agreements	5,916,473	2,597,810	–	–	–	–	–	–	8,514,283
Financial investments portfolio*	6,636,051	13,437,404	7,697,157	11,254,934	23,215,372	21,942,954	63,685,263	6,503,375	154,372,510
Loans, advances and financing	77,765,837	26,562,868	13,196,664	10,637,235	52,774,753	62,323,121	242,323,884	–	485,584,362
Derivative assets	1,086,043	1,085,728	553,632	472,997	1,516,628	1,285,332	704,291	–	6,704,651
Reinsurance/retakaful assets and other insurance receivables	3,355,257	43,263	–	412,598	78,279	–	44,375	–	3,933,772
Other assets	5,339,570	143,376	58,621	331,266	3,819	4,506	6,732	3,810,250	9,698,140
Investment properties	–	–	–	–	–	–	–	753,555	753,555
Statutory deposits with central banks	–	–	–	–	–	–	–	15,397,213	15,397,213
Interest in associates and joint ventures	–	–	–	–	–	–	–	2,772,324	2,772,324
Property, plant and equipment	–	–	–	–	–	–	–	2,635,018	2,635,018
Intangible assets	–	–	–	–	–	–	–	6,753,939	6,753,939
Deferred tax assets	–	–	–	–	–	–	–	859,318	859,318
Total assets	150,433,521	54,724,300	22,019,392	24,401,436	79,957,749	87,293,750	306,986,626	39,484,992	765,301,766
Liabilities									
Customers' funding:									
– Deposits from customers	222,182,058	80,364,672	58,679,768	68,612,221	65,721,600	6,437,962	19,164	–	502,017,445
– Investment accounts of customers^	13,868,567	3,169,363	4,964,199	2,532,512	2,564	18,240	–	–	24,555,445
Deposits and placements from financial institutions	22,691,639	12,489,098	3,435,797	899,755	1,855,936	1,225,788	118	–	42,598,131
Obligations on financial assets sold under repurchase agreements	2,401,379	2,965,707	–	–	–	–	–	–	5,367,086
Bills and acceptances payable	1,505,572	169,851	199,724	18,485	–	–	337	77	1,894,046
Financial liabilities at fair value through profit or loss	–	–	–	–	–	2,131,807	4,244,008	–	6,375,815
Derivative liabilities	1,005,919	1,268,296	793,739	641,117	1,473,202	1,839,666	199,076	–	7,221,015
Insurance/takaful contract liabilities and other insurance payables	11,907,491	1,527,071	738,403	3,620,226	315	1,896,082	5,168,499	260,756	25,118,843
Other liabilities	8,919,064	4,227,187	193,784	1,441,868	936,920	485,050	622,698	2,352,569	19,179,140
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	1,543,501	–	–	–	1,543,501
Provision for taxation and zakat	7,191	4,737	8,594	78,220	–	–	–	647,752	746,494
Deferred tax liabilities	–	–	–	–	–	–	–	732,079	732,079
Borrowings	4,461,164	2,995,772	4,681,544	2,850,694	9,023,601	6,691,891	3,800,952	–	34,505,618
Subordinated obligations	9	–	449,175	149,221	399,619	–	10,981,299	–	11,979,323
Capital securities	–	–	–	–	–	–	6,284,180	–	6,284,180
Total liabilities	288,950,053	109,181,754	74,144,727	80,844,319	80,957,258	20,726,486	31,320,331	3,993,233	690,118,161
Net liquidity gap	(138,516,532)	(54,457,454)	(52,125,335)	(56,442,883)	(999,509)	66,567,264	275,666,295	35,491,759	75,183,605

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

2. Contractual maturity of total assets and liabilities (cont'd.)

Group 2016	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	58,140,545	–	–	–	–	–	–	–	58,140,545
Deposits and placements with financial institutions	–	4,477,912	2,701,071	2,272,020	2,105,110	1,559,079	329,438	–	13,444,630
Financial assets purchased under resale agreements	2,004,337	488,075	–	–	–	–	–	–	2,492,412
Financial investments portfolio*	4,567,932	9,486,123	7,136,429	6,804,464	28,594,057	13,068,733	57,962,855	3,281,888	130,902,481
Loans, advances and financing	55,257,173	25,286,755	18,474,218	25,648,216	55,643,228	62,596,054	234,869,259	–	477,774,903
Derivative assets	769,366	718,836	833,580	280,739	1,389,435	1,786,193	2,533,554	–	8,311,703
Reinsurance/retakaful assets and other insurance receivables	3,582,543	115,796	–	392,784	17,682	–	30,791	–	4,139,596
Other assets	3,283,763	71,475	6,932	383,524	19,963	191,639	264,873	6,303,391	10,525,560
Investment properties	–	–	–	–	–	–	–	758,488	758,488
Statutory deposits with central banks	–	–	–	–	–	–	–	15,384,134	15,384,134
Interest in associates and joint ventures	–	–	–	–	–	–	–	3,210,436	3,210,436
Property, plant and equipment	–	–	–	–	–	–	–	2,595,497	2,595,497
Intangible assets	–	–	–	–	–	–	–	7,345,524	7,345,524
Deferred tax assets	–	–	–	–	–	–	–	930,344	930,344
Total assets	127,605,659	40,644,972	29,152,230	35,781,747	87,769,475	79,201,698	295,990,770	39,809,702	735,956,253
Liabilities									
Customers' funding:									
– Deposits from customers	227,873,657	71,182,258	44,577,108	47,696,890	62,045,128	32,148,879	–	–	485,523,920
– Investment accounts of customers^	16,840,520	728,366	5,040,636	8,929,760	3,513	1,792	–	–	31,544,587
Deposits and placements from financial institutions	17,867,696	7,377,593	2,120,247	720,883	1,326,669	1,405,601	36,004	–	30,854,693
Obligations on financial assets sold under repurchase agreements	983,074	1,974,877	–	–	–	–	–	–	2,957,951
Bills and acceptances payable	1,277,936	266,311	236,975	7,888	15,913	–	2,957	86	1,808,066
Financial liabilities at fair value through profit or loss	–	–	–	–	–	1,328,591	2,258,639	–	3,587,230
Derivative liabilities	736,127	592,352	1,054,740	277,461	1,780,153	2,109,732	2,277,495	–	8,828,060
Insurance/takaful contract liabilities and other insurance payables	12,127,809	823,301	688,294	3,859,561	750	1,587,576	4,772,949	88,479	23,948,719
Other liabilities	8,690,429	515,635	609,920	526,174	3,521,120	108,825	987,973	2,328,230	17,288,306
Recourse obligation on loans and financing sold to Cagamas	–	–	–	974,588	–	–	–	–	974,588
Provision for taxation and zakat	14,727	1,451	28,981	50,518	28,706	–	–	295,346	419,729
Deferred tax liabilities	–	–	–	–	–	–	–	777,826	777,826
Borrowings	2,170,640	3,894,674	3,931,468	5,499,688	9,798,189	5,049,890	4,522,507	–	34,867,056
Subordinated obligations	85,059	–	1,255	30,770	1,205,758	–	14,577,864	–	15,900,706
Capital securities	–	–	–	–	–	–	6,199,993	–	6,199,993
Total liabilities	288,667,674	87,356,818	58,289,624	68,574,181	79,725,899	43,740,886	35,636,381	3,489,967	665,481,430
Net liquidity gap	(161,062,015)	(46,711,846)	(29,137,394)	(32,792,434)	8,043,576	35,460,812	260,354,389	36,319,735	70,474,823

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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

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

2. Contractual maturity of total assets and liabilities (cont'd.)

Bank 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	30,714,527	–	–	–	–	–	–	–	30,714,527
Deposits and placements with financial institutions	–	15,272,648	503,021	1,278,008	2,368,898	1,737,837	222,081	–	21,382,493
Financial assets purchased under resale agreements	5,083,762	2,549,741	–	–	–	–	–	–	7,633,503
Financial investments portfolio*	4,387,633	11,331,990	6,010,381	9,591,365	17,171,670	18,308,504	47,458,503	686,935	114,946,981
Loans, advances and financing	50,861,271	14,074,815	7,673,552	10,134,489	39,572,242	41,828,147	126,853,453	–	290,997,969
Derivative assets	1,020,555	1,063,891	542,530	632,223	1,630,284	1,305,226	670,512	–	6,865,221
Other assets	1,382,911	59,331	3,699	82	281	12	–	3,355,081	4,801,397
Statutory deposits with central banks	–	–	–	–	–	–	–	7,746,700	7,746,700
Investment in subsidiaries	–	–	–	–	–	–	–	22,057,063	22,057,063
Interest in associates and joint ventures	–	–	–	–	–	–	–	472,016	472,016
Property, plant and equipment	–	–	–	–	–	–	–	1,165,908	1,165,908
Intangible assets	–	–	–	–	–	–	–	568,030	568,030
Deferred tax assets	–	–	–	–	–	–	–	315,013	315,013
Total assets	93,450,659	44,352,416	14,733,183	21,636,167	60,743,375	63,179,726	175,204,549	36,366,746	509,666,821
Liabilities									
Deposits from customers	127,573,618	46,397,955	33,235,858	51,870,263	64,128,329	5,732,577	–	–	328,938,600
Deposits and placements from financial institutions	21,438,786	10,425,967	3,316,961	842,612	1,249,083	371,725	–	–	37,645,134
Obligations on financial assets sold under repurchase agreements	2,223,609	2,965,707	–	–	–	–	–	–	5,189,316
Bills and acceptances payable	1,384,646	–	–	–	–	–	337	–	1,384,983
Financial liabilities at fair value through profit or loss	–	–	–	–	–	1,239,112	4,244,008	–	5,483,120
Derivative liabilities	942,903	1,190,123	651,807	777,911	1,571,241	1,846,937	199,076	–	7,179,998
Other liabilities	11,058,078	4,004,222	184,626	527,232	472,133	382,282	–	282,024	16,910,597
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	1,543,501	–	–	–	1,543,501
Provision for taxation and zakat	1,111	4,591	–	–	–	–	–	380,174	385,876
Borrowings	1,941,789	2,286,540	3,961,971	2,053,053	6,370,246	6,691,891	3,800,952	–	27,106,442
Subordinated obligations	–	–	–	–	–	–	9,362,526	–	9,362,526
Capital securities	–	–	–	–	–	–	6,284,180	–	6,284,180
Total liabilities	166,564,540	67,275,105	41,351,223	56,071,071	75,334,533	16,264,524	23,891,079	662,198	447,414,273
Net liquidity gap	(73,113,881)	(22,922,689)	(26,618,040)	(34,434,904)	(14,591,158)	46,915,202	151,313,470	35,704,548	62,252,548

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

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

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

2. Contractual maturity of total assets and liabilities (cont'd.)

Bank 2016	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	38,350,931	–	–	–	–	–	–	–	38,350,931
Deposits and placements with financial institutions	–	10,379,941	2,694,757	2,272,020	2,104,053	1,559,079	329,437	–	19,339,287
Financial assets purchased under resale agreements	1,731,461	481,652	–	–	–	–	–	–	2,213,113
Financial investments portfolio*	7,911,408	6,169,150	5,671,532	4,839,050	20,814,310	10,519,838	38,984,182	557,356	95,466,826
Loans, advances and financing	46,320,895	16,636,780	14,516,656	14,968,105	42,340,144	41,259,813	118,977,743	–	295,020,136
Derivative assets	664,307	657,987	695,552	447,733	1,560,847	1,829,749	2,464,743	–	8,320,918
Other assets	200,018	68,843	–	–	–	286	–	5,334,365	5,603,512
Statutory deposits with central banks	–	–	–	–	–	–	–	7,530,325	7,530,325
Investment in subsidiaries	–	–	–	–	–	–	–	21,586,547	21,586,547
Interest in associates and joint ventures	–	–	–	–	–	–	–	451,518	451,518
Property, plant and equipment	–	–	–	–	–	–	–	1,290,761	1,290,761
Intangible assets	–	–	–	–	–	–	–	530,049	530,049
Deferred tax assets	–	–	–	–	–	–	–	358,687	358,687
Total assets	95,179,020	34,394,353	23,578,497	22,526,908	66,819,354	55,168,765	160,756,105	37,639,608	496,062,610
Liabilities									
Deposits from customers	128,313,736	54,386,191	35,807,945	42,335,269	49,058,958	21,976,196	–	–	331,878,295
Deposits and placements from financial institutions	18,561,558	7,208,107	1,916,832	699,052	1,118,430	348,499	4,232	–	29,856,710
Obligations on financial assets sold under repurchase agreements	983,074	1,974,877	–	–	–	–	–	–	2,957,951
Bills and acceptances payable	997,820	–	–	–	–	–	2,957	–	1,000,777
Financial liabilities at fair value through profit or loss	–	–	–	–	–	426,500	2,258,639	–	2,685,139
Derivative liabilities	653,669	573,638	1,046,364	250,704	1,890,598	2,109,753	2,277,495	–	8,802,221
Other liabilities	8,102,800	421,027	520,551	1,243	3,043,921	–	405,205	3,951	12,498,698
Recourse obligation on loans and financing sold to Cagamas	–	–	–	974,588	–	–	–	–	974,588
Provision for taxation and zakat	3,745	1,451	–	–	28,706	–	–	13,472	47,374
Borrowings	961,756	3,613,441	3,466,269	4,183,449	7,130,114	5,049,890	4,522,508	–	28,927,427
Subordinated obligations	121,072	–	–	–	–	–	13,081,800	–	13,202,872
Capital securities	–	–	–	–	–	–	6,225,926	–	6,225,926
Total liabilities	158,699,230	68,178,732	42,757,961	48,444,305	62,270,727	29,910,838	28,778,762	17,423	439,057,978
Net liquidity gap	(63,520,210)	(33,784,379)	(19,179,464)	(25,917,397)	4,548,627	25,257,927	131,977,343	37,622,185	57,004,632

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

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52. FINANCIAL RISK MANAGEMENT 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 under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2017 and 31 December 2016. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows.

Group 2017	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Deposits from customers	226,497,147	83,419,626	59,316,971	69,209,613	65,290,759	6,442,538	19,164	510,195,818
Investment accounts of customers	13,868,567	3,169,363	4,964,199	2,532,512	2,564	18,240	–	24,555,445
Deposits and placements from financial institutions	24,793,974	12,355,894	3,451,225	934,534	1,868,754	1,250,437	118	44,654,936
Obligations on financial assets sold under repurchase agreements	2,404,407	2,977,497	–	–	–	–	–	5,381,904
Bills and acceptances payable	1,893,713	–	–	–	–	–	337	1,894,050
Financial liabilities at fair value through profit or loss	4,586	136	3,459	–	–	2,129,112	4,244,008	6,381,301
Insurance/takaful contract liabilities and other insurance payables	12,168,247	1,508,263	738,403	3,639,034	315	1,896,082	5,168,499	25,118,843
Other liabilities	16,066,064	1,015,686	83,407	1,245,310	872,703	1,216,731	1,477,952	21,977,853
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	1,705,998	–	–	1,705,998
Borrowings	4,275,946	3,093,031	4,740,280	3,133,407	8,891,236	7,667,584	7,726,461	39,527,945
Subordinated obligations	8	1,069	489,517	486,784	639,318	599,690	13,883,854	16,100,240
Capital securities	–	–	–	–	–	–	14,514,358	14,514,358
	301,972,659	107,540,565	73,787,461	81,181,194	79,271,647	21,220,414	47,034,751	712,008,692
Commitments and contingencies								
Direct credit substitutes	1,473,688	624,593	905,437	6,190,926	3,175,065	87,342	513,370	12,970,421
Certain transaction-related contingent items	732,736	339,145	569,873	5,771,556	6,433,254	815,780	3,764,938	18,427,282
Short-term self-liquidating trade-related contingencies	2,320,963	2,529,779	139,193	931,037	108,979	–	–	6,029,951
Irrevocable commitments to extend credit	44,423,160	63,597	374,268	57,481,382	24,592,453	12,281,507	1,033,546	140,249,913
Miscellaneous	6,198,668	2,243,544	856,529	2,477,636	150,758	168,503	3,067	12,098,705
	55,149,215	5,800,658	2,845,300	72,852,537	34,460,509	13,353,132	5,314,921	189,776,272

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

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

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group 2016	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Deposits from customers	228,304,080	71,602,760	45,020,547	48,386,636	62,319,196	32,342,004	–	487,975,223
Investment accounts of customers	16,840,520	728,366	5,040,636	8,929,760	3,513	1,792	–	31,544,587
Deposits and placements from financial institutions	18,116,896	7,460,254	2,139,692	743,714	1,338,868	1,431,440	36,004	31,266,868
Obligations on financial assets sold under repurchase agreements	983,163	1,984,357	–	–	–	–	–	2,967,520
Bills and acceptances payable	1,808,072	–	–	–	–	–	–	1,808,072
Financial liabilities at fair value through profit or loss	–	–	–	–	–	1,328,591	2,258,639	3,587,230
Insurance/takaful contract liabilities and other insurance payables	12,129,463	823,301	688,294	3,859,561	750	1,587,576	4,859,774	23,948,719
Other liabilities	10,380,238	551,491	609,920	627,525	3,044,834	108,825	2,509,173	17,832,006
Recourse obligation on loans and financing sold to Cagamas	–	–	–	1,001,900	–	–	–	1,001,900
Borrowings	2,557,660	4,031,873	4,110,671	6,112,388	9,397,996	5,816,585	8,943,954	40,971,127
Subordinated obligations	85,059	–	3,456	–	815,280	1,163,330	18,976,152	21,043,277
Capital securities	–	–	–	–	–	–	15,421,674	15,421,674
	291,205,151	87,182,402	57,613,216	69,661,484	76,920,437	43,780,145	53,005,370	679,368,205
Commitments and contingencies								
Direct credit substitutes	2,825,291	1,908,543	1,301,152	3,122,034	2,535,839	401,398	562,509	12,656,766
Certain transaction-related contingent items	2,001,227	750,034	2,156,768	3,118,821	6,181,817	4,762,734	1,167,313	20,138,714
Short-term self-liquidating trade-related contingencies	2,257,250	3,174,105	436,128	402,738	62,632	–	–	6,332,853
Obligations under underwriting agreements	65,885	–	–	–	–	–	–	65,885
Irrevocable commitments to extend credit	80,378,245	227,041	366,855	23,615,684	23,332,500	16,377,773	505,056	144,803,154
Miscellaneous	6,629,723	963,218	1,140,998	593,621	205,002	30,133	4,424	9,567,119
	94,157,621	7,022,941	5,401,901	30,852,898	32,317,790	21,572,038	2,239,302	193,564,491

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

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

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2017								
Non-derivative liabilities								
Deposits from customers	130,104,016	49,480,817	33,729,136	52,309,121	63,697,311	5,737,153	–	335,057,554
Deposits and placements from financial institutions	21,485,529	10,479,207	3,349,392	874,138	1,261,901	396,374	–	37,846,541
Obligations on financial assets sold under repurchase agreements	2,225,831	2,977,497	–	–	–	–	–	5,203,328
Bills and acceptances payable	1,384,646	–	–	–	–	–	337	1,384,983
Financial liabilities at fair value through profit or loss	–	–	–	–	–	1,239,112	4,244,008	5,483,120
Other liabilities	15,548,132	893,298	73,531	200,188	872,095	1,113,963	638,690	19,339,897
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	1,705,998	–	–	1,705,998
Borrowings	1,718,116	2,283,433	3,991,222	2,094,772	6,648,477	7,258,992	7,479,824	31,474,836
Subordinated obligations	–	–	–	–	–	–	12,433,671	12,433,671
Capital securities	–	–	–	–	–	–	14,514,358	14,514,358
	172,466,270	66,114,252	41,143,281	55,478,219	74,185,782	15,745,594	39,310,888	464,444,286
Commitments and contingencies								
Direct credit substitutes	565,115	426,763	778,263	5,927,375	2,923,141	31,889	13,370	10,665,916
Certain transaction-related contingent items	152,014	147,531	386,875	5,528,231	5,302,921	264,117	2,836,728	14,618,417
Short-term self-liquidating trade-related contingencies	2,028,452	2,404,771	127,857	930,788	108,979	–	–	5,600,847
Irrevocable commitments to extend credit	41,947,210	63,597	374,268	37,500,345	16,894,780	12,270,752	1,033,546	110,084,498
Miscellaneous	4,163,120	2,237,103	845,285	2,464,954	87,965	–	147	9,798,574
	48,855,911	5,279,765	2,512,548	52,351,693	25,317,786	12,566,758	3,883,791	150,768,252
2016								
Non-derivative liabilities								
Deposits from customers	128,662,071	54,713,563	36,171,845	42,919,435	49,275,681	22,134,065	–	333,876,660
Deposits and placements from financial institutions	18,577,482	7,245,800	1,936,207	721,629	1,132,893	374,216	–	29,988,227
Obligations on financial assets sold under repurchase agreements	983,163	1,984,357	–	–	–	–	–	2,967,520
Bills and acceptances payable	1,000,777	–	–	–	–	–	–	1,000,777
Financial liabilities at fair value through profit or loss	–	–	–	–	–	426,500	2,258,639	2,685,139
Other liabilities	8,102,800	421,027	520,551	5,194	3,043,922	–	405,205	12,498,699
Recourse obligation on loans and financing sold to Cagamas	–	–	–	1,001,900	–	–	–	1,001,900
Borrowings	961,858	3,592,341	3,478,843	4,225,404	7,352,471	5,444,341	8,809,596	33,864,854
Subordinated obligations	121,072	–	–	–	–	–	17,271,538	17,392,610
Capital securities	–	–	–	–	–	–	15,447,608	15,447,608
	158,409,223	67,957,088	42,107,446	48,873,562	60,804,967	28,379,122	44,192,586	450,723,994
Commitments and contingencies								
Direct credit substitutes	1,848,292	1,832,189	1,210,978	2,919,612	2,377,558	303,675	2,009	10,494,313
Certain transaction-related contingent items	1,431,922	617,653	1,932,177	2,932,991	5,004,056	4,393,935	1,024,070	17,336,804
Short-term self-liquidating trade-related contingencies	1,929,755	3,011,528	422,832	357,103	45,796	–	–	5,767,014
Irrevocable commitments to extend credit	78,146,592	227,041	366,855	2,218,798	14,642,786	16,377,773	479,827	112,459,672
Miscellaneous	5,211,470	954,424	1,121,281	568,092	152,246	10	151	8,007,674
	88,568,031	6,642,835	5,054,123	8,996,596	22,222,442	21,075,393	1,506,057	154,065,477

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

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

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Group's and the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2017 and 31 December 2016. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2017								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange related contracts	**(9,469)**	**(11,363)**	**(38,184)**	**(162,395)**	**(243,355)**	**(264)**	**–**	**(465,030)**
– Interest rate related contracts	**29,105**	**(59,434)**	**(17,370)**	**(14,747)**	**2,512,187**	**(1,185,194)**	**(583,608)**	**680,939**
– Equity related contracts	**8,644**	**(13,675)**	**(17,446)**	**(50,001)**	**(31,297)**	**(11,878)**	**–**	**(115,653)**
Hedging derivatives								
– Interest rate related contracts	**139**	**779**	**141**	**(1,859)**	**3,298**	**19,864**	**–**	**22,362**
	28,419	**(83,693)**	**(72,859)**	**(229,002)**	**2,240,833**	**(1,177,472)**	**(583,608)**	**122,618**
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	**(90,732,456)**	**(47,879,755)**	**(20,400,932)**	**(25,531,224)**	**(25,859,787)**	**(12,827,215)**	**(3,260,745)**	**(226,492,114)**
– Inflow	**85,306,527**	**42,034,595**	**19,882,502**	**24,043,492**	**24,209,093**	**11,530,731**	**3,093,733**	**210,100,673**
Hedging derivatives								
Derivatives:								
– Outflow	**(5,656)**	**(7,707)**	**(51,537)**	**(251,518)**	**(1,166,257)**	**(1,565,262)**	**–**	**(3,047,937)**
– Inflow	**4,061**	**4,009**	**33,211**	**226,164**	**1,081,046**	**1,582,885**	**–**	**2,931,376**
	(5,427,524)	**(5,848,858)**	**(536,756)**	**(1,513,086)**	**(1,735,905)**	**(1,278,861)**	**(167,012)**	**(16,508,002)**
2016								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange related contracts	(440,389)	102,153	99,256	94,167	771	516	–	(143,526)
– Interest rate related contracts	70,421	(1,101)	66,164	(49,675)	74,362	(62,950)	(1,345,229)	(1,248,008)
– Equity related contracts	10,803	(1,893)	(14,655)	(64,279)	(15,542)	(5,479)	–	(91,045)
Hedging derivatives								
– Interest rate related contracts	–	(111)	(258)	–	–	–	–	(369)
	(359,165)	99,048	150,507	(19,787)	59,591	(67,913)	(1,345,229)	(1,482,948)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(64,699,276)	(33,363,723)	(20,265,478)	(21,539,966)	(32,544,618)	(11,212,059)	(4,642,694)	(188,267,814)
– Inflow	64,163,377	32,913,109	20,221,318	21,765,574	31,256,226	10,335,363	4,199,457	184,854,424
Hedging derivatives								
Derivatives:								
– Outflow	(9,294)	(6,352)	(1,659,099)	(13,826)	(1,125,721)	(3,718)	(348,579)	(3,166,589)
– Inflow	2,843	3,333	1,394,096	17,804	1,000,622	22,560	355,514	2,796,772
	(542,350)	(453,633)	(309,163)	229,586	(1,413,491)	(857,854)	(436,302)	(3,783,207)

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

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

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2017								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange related contracts	(9,469)	(11,363)	(38,184)	(162,395)	(243,355)	(264)	–	(465,030)
– Interest rate related contracts	29,569	(57,511)	(15,225)	(12,091)	(104,218)	(1,183,504)	(584,626)	(1,927,606)
– Equity related contracts	(4,246)	(13,761)	(21,333)	(50,001)	(31,297)	(11,878)	–	(132,516)
Hedging derivatives								
– Interest rate related contracts	139	–	141	(1,406)	4,122	19,864	–	22,860
	15,993	(82,635)	(74,601)	(225,893)	(374,748)	(1,175,782)	(584,626)	(2,502,292)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(82,911,012)	(41,141,884)	(18,621,255)	(23,845,732)	(25,279,564)	(11,430,806)	(3,260,745)	(206,490,998)
– Inflow	80,397,788	39,867,219	17,483,143	22,075,702	24,083,024	10,497,101	3,093,733	197,497,710
Hedging derivatives								
Derivatives:								
– Outflow	(546)	(6,270)	(7,580)	(16,616)	(1,166,257)	(1,565,262)	–	(2,762,531)
– Inflow	2,602	3,147	21,664	22,901	1,081,045	1,582,885	–	2,714,244
	(2,511,168)	(1,277,788)	(1,124,028)	(1,763,745)	(1,281,752)	(916,082)	(167,012)	(9,041,575)
2016								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange related contracts	(443,641)	101,534	99,256	94,167	771	516	–	(147,397)
– Interest rate related contracts	69,299	(1,118)	66,142	(49,648)	74,910	(61,880)	(1,345,229)	(1,247,524)
– Equity related contracts	–	(2,317)	(15,287)	(66,463)	(15,542)	(5,479)	–	(105,088)
	(374,342)	98,099	150,111	(21,944)	60,139	(66,843)	(1,345,229)	(1,500,009)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(62,531,242)	(32,752,860)	(20,066,905)	(21,522,774)	(32,544,618)	(11,212,059)	(4,642,694)	(185,273,152)
– Inflow	62,271,164	31,992,373	19,584,002	21,013,092	31,256,226	10,335,363	4,199,457	180,651,677
Hedging derivatives								
Derivatives:								
– Outflow	(294)	(844)	(1,654,231)	(2,533)	(1,125,282)	(3,718)	(348,579)	(3,135,481)
– Inflow	2,843	3,333	1,393,176	10,499	989,008	22,560	355,514	2,776,933
	(257,529)	(757,998)	(743,958)	(501,716)	(1,424,666)	(857,854)	(436,302)	(4,980,023)

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

(f) Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Group's operational risk management is premised on the three lines of defence concept. Risk taking units (Strategic Business Unit), as first line of defence are primarily responsible for the day-to-day management of operational risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's operational risk management framework.

The Operational Risk Management ("ORM") team, as the second line of defence, is responsible for the formulation and implementation of operational risk management policy within the Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, control, report and monitor operational risks.

The Group's Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the operational risk management process, which includes performing independent review and periodic validation of the ORM policy and process as well as conducting regular review on implementation of ORM tools by ORM and the respective business units.

53. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;

(b) Valuation techniques;

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

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;

(e) Movements of Level 3 instruments;

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions; and

(g) Financial instruments not measured at fair value.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group and the Bank determine the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Group has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

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

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

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

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

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

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

  Refers to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds, illiquid equities and consumer loans and financing with homogeneous or similar features in the market.

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

  Refers to instruments where fair value is measured using significant unobservable inputs. The valuation techniques used are consistent with Level 2 but incorporates the Group's and the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets, private equity investments and loans and financing priced primarily based on internal credit assessment.

53. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Valuation techniques

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

Derivatives, loans and financing and financial liabilities

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

Financial assets designated at fair value through profit or loss, financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

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

Financial liabilities at fair value through profit or loss

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

Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

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

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

	Valuation technique using			
Group 2017	**Quoted Market Price (Level 1) RM'000**	**Observable Inputs (Level 2) RM'000**	**Unobservable Inputs (Level 3) RM'000**	**Total RM'000**
Non-financial assets measured at fair value:				
Investment properties	–	–	753,555	753,555
Financial assets measured at fair value:				
Financial assets held-for-trading	2,918,962	9,011,404	–	11,930,366
Money market instruments	–	5,049,952	–	5,049,952
Quoted securities	2,918,962	–	–	2,918,962
Unquoted securities	–	3,961,452	–	3,961,452
Financial assets designated at fair value through profit or loss	206,921	12,980,206	–	13,187,127
Money market instruments	–	1,006,312	–	1,006,312
Quoted securities	206,921	–	–	206,921
Unquoted securities	–	11,973,894	–	11,973,894
Financial investments available-for-sale	2,993,454	105,568,565	508,225	109,070,244
Money market instruments	–	54,919,782	–	54,919,782
Quoted securities	2,993,454	–	–	2,993,454
Unquoted securities	–	50,648,783	508,225	51,157,008
Derivative assets	–	6,225,117	479,534	6,704,651
Foreign exchange related contracts	–	4,213,552	–	4,213,552
Interest rate related contracts	–	2,143,214	–	2,143,214
Equity and commodity related contracts	–	160,127	479,534	639,661
Netting effects under MFRS 132 Amendments	–	(291,776)	–	(291,776)
	6,119,337	133,785,292	987,759	140,892,388
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	–	6,375,815	–	6,375,815
Structured deposits	–	2,366,966	–	2,366,966
Borrowings	–	4,008,849	–	4,008,849
Derivative liabilities	26,899	6,715,643	478,473	7,221,015
Foreign exchange related contracts	–	4,551,625	–	4,551,625
Interest rate related contracts	–	2,298,327	–	2,298,327
Equity and commodity related contracts	26,899	157,467	478,473	662,839
Netting effects under MFRS 132 Amendments	–	(291,776)	–	(291,776)
	26,899	13,091,458	478,473	13,596,830

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

Group 2016	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	Total RM'000
Non-financial assets measured at fair value:				
Investment properties	–	–	758,488	758,488
Financial assets measured at fair value:				
Financial assets held-for-trading	2,131,113	8,455,256	–	10,586,369
Money market instruments	–	3,260,295	–	3,260,295
Quoted securities	2,131,113	–	–	2,131,113
Unquoted securities	–	5,194,961	–	5,194,961
Financial assets designated at fair value through profit or loss	288,130	12,540,737	80,814	12,909,681
Money market instruments	–	800,354	–	800,354
Quoted securities	288,130	–	–	288,130
Unquoted securities	–	11,740,383	80,814	11,821,197
Financial investments available-for-sale	2,484,627	89,132,601	767,606	92,384,834
Money market instruments	–	46,308,676	–	46,308,676
Quoted securities	2,484,627	–	–	2,484,627
Unquoted securities	–	42,823,925	767,606	43,591,531
Derivative assets	–	7,826,227	485,476	8,311,703
Foreign exchange related contracts	–	6,186,370	–	6,186,370
Interest rate related contracts	–	2,290,029	–	2,290,029
Equity and commodity related contracts	–	180,112	485,476	665,588
Netting effects under MFRS 132 Amendments	–	(830,284)	–	(830,284)
	4,903,870	117,954,821	1,333,896	124,192,587
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	–	3,587,230	–	3,587,230
Structured deposits	–	1,560,054	–	1,560,054
Borrowings	–	2,027,176	–	2,027,176
Derivative liabilities	5,041	8,326,018	497,001	8,828,060
Foreign exchange related contracts	–	6,573,183	–	6,573,183
Interest rate related contracts	–	2,451,565	–	2,451,565
Equity and commodity related contracts	5,041	131,554	497,001	633,596
Netting effects under MFRS 132 Amendments	–	(830,284)	–	(830,284)
	5,041	11,913,248	497,001	12,415,290

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

Bank 2017	Valuation technique using			
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	142,413	7,754,264	–	7,896,677
Money market instruments	–	3,737,846	–	3,737,846
Quoted securities	142,413	–	–	142,413
Unquoted securities	–	4,016,418	–	4,016,418
Financial investments available-for-sale	196,592	88,734,733	355,414	89,286,739
Money market instruments	–	43,705,255	–	43,705,255
Quoted securities	196,592	–	–	196,592
Unquoted securities	–	45,029,478	355,414	45,384,892
Derivative assets	–	6,385,687	479,534	6,865,221
Foreign exchange related contracts	–	4,452,267	–	4,452,267
Interest rate related contracts	–	2,146,663	–	2,146,663
Equity and commodity related contracts	–	78,533	479,534	558,067
Netting effects under MFRS 132 Amendments	–	(291,776)	–	(291,776)
	339,005	102,874,684	834,948	104,048,637
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	–	5,483,120	–	5,483,120
Structured deposits	–	1,474,271	–	1,474,271
Borrowings	–	4,008,849	–	4,008,849
Derivative liabilities	–	6,701,525	478,473	7,179,998
Foreign exchange related contracts	–	4,627,390	–	4,627,390
Interest rate related contracts	–	2,302,485	–	2,302,485
Equity and commodity related contracts	–	63,426	478,473	541,899
Netting effects under MFRS 132 Amendments	–	(291,776)	–	(291,776)
	–	12,184,645	478,473	12,663,118

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

Bank 2016	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	145,247	7,835,067	–	7,980,314
Money market instruments	–	2,574,879	–	2,574,879
Quoted securities	145,247	–	–	145,247
Unquoted securities	–	5,260,188	–	5,260,188
Financial investments available-for-sale	142,240	74,266,457	495,504	74,904,201
Money market instruments	–	38,465,604	–	38,465,604
Quoted securities	142,240	–	–	142,240
Unquoted securities	–	35,800,853	495,504	36,296,357
Derivative assets	–	7,835,442	485,476	8,320,918
Foreign exchange related contracts	–	6,259,829	–	6,259,829
Interest rate related contracts	–	2,305,143	–	2,305,143
Equity and commodity related contracts	–	100,754	485,476	586,230
Netting effects under MFRS 132 Amendments	–	(830,284)	–	(830,284)
	287,487	89,936,966	980,980	91,205,433
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	–	2,685,139	–	2,685,139
Structured deposits	–	657,963	–	657,963
Borrowings	–	2,027,176	–	2,027,176
Derivative liabilities	–	8,305,220	497,001	8,802,221
Foreign exchange related contracts	–	6,594,682	–	6,594,682
Interest rate related contracts	–	2,449,466	–	2,449,466
Equity and commodity related contracts	–	91,356	497,001	588,357
Netting effects under MFRS 132 Amendments	–	(830,284)	–	(830,284)
	–	10,990,359	497,001	11,487,360

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.3(xxii). There were no transfers between Level 1 and Level 2 for the Group and the Bank during the financial year ended 31 December 2017.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis:

Group As at 31 December 2017	At 1 January 2017 RM'000	Other gains/ (losses) recognised in income statements* RM'000	Unrealised gains/ (losses) recognised in income statements# RM'000	Unrealised gains/ (losses) recognised in other comprehensive income RM'000	Purchases/ Issuances RM'000	Sales RM'000	Settlements RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2017 RM'000
Financial assets held-for-trading											
Unquoted securities	–	(19)	–	–	551	(532)	–	–	–	–	–
	–	(19)	–	–	551	(532)	–	–	–	–	–
Financial assets designated at fair value through profit or loss											
Unquoted securities	80,814	3,540	(21,754)	–	–	(62,600)	–	–	–	–	–
	80,814	3,540	(21,754)	–	–	(62,600)	–	–	–	–	–
Financial investments available-for-sale											
Unquoted securities	767,606	(3,925)	–	(32,323)	2,925	(90,155)	(35,860)	(6,621)	59,211	(152,633)	508,225
	767,606	(3,925)	–	(32,323)	2,925	(90,155)	(35,860)	(6,621)	59,211	(152,633)	508,225
Derivative assets											
Equity and commodity related contracts	485,476	283,723	35,194	–	747,929	–	(1,072,788)	–	–	–	479,534
	485,476	283,723	35,194	–	747,929	–	(1,072,788)	–	–	–	479,534
Total Level 3 financial assets	1,333,896	283,319	13,440	(32,323)	751,405	(153,287)	(1,108,648)	(6,621)	59,211	(152,633)	987,759
Derivative liabilities											
Equity and commodity related contracts	(497,001)	311,262	(9)	–	(774,070)	–	481,345	–	–	–	(478,473)
Total Level 3 financial liabilities	(497,001)	311,262	(9)	–	(774,070)	–	481,345	–	–	–	(478,473)
Total net Level 3 financial assets/(liabilities)	836,895	594,581	13,431	(32,323)	(22,665)	(153,287)	(627,303)	(6,621)	59,211	(152,633)	509,286

* Included within 'Other operating income', 'Allowances for/(writeback of) Impairment Losses on Financial Investments' and 'Income from Islamic Banking Scheme operations'.

\# Included within 'Other operating income' and 'Income from Islamic Banking Scheme operations'.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

Group As at 31 December 2016	At 1 January 2016 RM'000	Other gains/ (losses) recognised in income statements* RM'000	Unrealised gains/ (losses) recognised in income statements# RM'000	Unrealised gains/ (losses) recognised in other comprehensive income RM'000	Purchases/ Issuances RM'000	Sales RM'000	Settlements^ RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2016 RM'000
Financial assets designated at fair value through profit or loss											
Unquoted securities	81,454	373	425	–	–	(1,438)	–	–	–	–	80,814
	81,454	373	425	–	–	(1,438)	–	–	–	–	80,814
Financial investments available-for-sale											
Unquoted securities	576,527	655,862	–	7,189	15,869	(11,126)	(668,492)	(55,260)	251,336	(4,299)	767,606
	576,527	655,862	–	7,189	15,869	(11,126)	(668,492)	(55,260)	251,336	(4,299)	767,606
Derivative assets											
Interest rate related contracts	–	(1,073)	1,073	–	653	(653)	–	–	–	–	–
Equity and commodity related contracts	8,304	(7,364)	273,153	–	211,383	–	–	–	–	–	485,476
	8,304	(8,437)	274,226	–	212,036	(653)	–	–	–	–	485,476
Total Level 3 financial assets	666,285	647,798	274,651	7,189	227,905	(13,217)	(668,492)	(55,260)	251,336	(4,299)	1,333,896
Derivative liabilities											
Interest rate related contracts	(61,943)	(59,178)	1,787	–	–	54,454	64,880	–	–	–	–
Equity and commodity related contracts	(8,016)	4,896	(269,912)	–	(223,969)	–	–	–	–	–	(497,001)
Total Level 3 financial liabilities	(69,959)	(54,282)	(268,125)	–	(223,969)	54,454	64,880	–	–	–	(497,001)
Total net Level 3 financial assets/(liabilities)	596,326	593,516	6,526	7,189	3,936	41,237	(603,612)	(55,260)	251,336	(4,299)	836,895

* Included within 'Other operating income', 'Allowances for/(writeback of) Impairment Losses on Financial Investments' and 'Income from Islamic Banking Scheme operations'.

\# Included within 'Other operating income' and 'Income from Islamic Banking Scheme operations'.

^ The settlement amount of financial investments available-for-sale for the financial year ended 31 December 2016 was mainly comprised of disposal of unquoted shares of RM625.2 million.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

Bank As at 31 December 2017	At 1 January 2017 RM'000	Other gains/ (losses) recognised in income statements* RM'000	Unrealised gains/ (losses) recognised in income statements# RM'000	Unrealised gains/ (losses) recognised in other comprehensive income RM'000	Purchases/ Issuances RM'000	Sales RM'000	Settlements RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2017 RM'000
Financial investments available-for-sale											
Unquoted securities	495,504	(8,676)	–	3,739	–	(5,904)	(35,861)	–	59,211	(152,599)	355,414
	495,504	(8,676)	–	3,739	–	(5,904)	(35,861)	–	59,211	(152,599)	355,414
Derivative assets											
Equity and commodity related contracts	485,476	283,723	35,194	–	747,929	–	(1,072,788)	–	–	–	479,534
	485,476	283,723	35,194	–	747,929	–	(1,072,788)	–	–	–	479,534
Total Level 3 financial assets	980,980	275,047	35,194	3,739	747,929	(5,904)	(1,108,649)	–	59,211	(152,599)	834,948
Derivative liabilities											
Equity and commodity related contracts	(497,001)	311,262	(9)	–	(774,070)	–	481,345	–	–	–	(478,473)
	(497,001)	311,262	(9)	–	(774,070)	–	481,345	–	–	–	(478,473)
Total Level 3 financial liabilities	(497,001)	311,262	(9)	–	(774,070)	–	481,345	–	–	–	(478,473)
Total net Level 3 financial assets/(liabilities)	483,979	586,309	35,185	3,739	(26,141)	(5,904)	(627,304)	–	59,211	(152,599)	356,475

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

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

Bank As at 31 December 2016	At 1 January 2016 RM'000	Other gains/ (losses) recognised in income statements* RM'000	Unrealised gains/ (losses) recognised in income statements# RM'000	Unrealised gains/ (losses) recognised in other comprehensive income RM'000	Purchases/ Issuances RM'000	Sales RM'000	Settlements^ RM'000	Exchange differences RM'000	Transfer into Level 3 RM'000	Transfer out from Level 3 RM'000	At 31 December 2016 RM'000
Financial investments available-for-sale											
Unquoted securities	363,677	655,361	–	6,612	–	(9,190)	(668,491)	(59,975)	211,809	(4,299)	495,504
	363,677	655,361	–	6,612	–	(9,190)	(668,491)	(59,975)	211,809	(4,299)	495,504
Derivative assets											
Interest rate related contracts	–	(1,073)	1,073	–	–	–	–	–	–	–	–
Equity and commodity related contracts	8,304	(7,364)	273,153	–	211,383	–	–	–	–	–	485,476
	8,304	(8,437)	274,226	–	211,383	–	–	–	–	–	485,476
Total Level 3 financial assets	371,981	646,924	274,226	6,612	211,383	(9,190)	(668,491)	(59,975)	211,809	(4,299)	980,980
Derivative liabilities											
Interest rate related contracts	(18,548)	2,303	1,787	–	–	–	14,458	–	–	–	–
Equity and commodity related contracts	(8,016)	4,896	(269,912)	–	(223,969)	–	–	–	–	–	(497,001)
	(26,564)	7,199	(268,125)	–	(223,969)	–	14,458	–	–	–	(497,001)
Total Level 3 financial liabilities	(26,564)	7,199	(268,125)	–	(223,969)	–	14,458	–	–	–	(497,001)
Total net Level 3 financial assets/(liabilities)	345,417	654,123	6,101	6,612	(12,586)	(9,190)	(654,033)	(59,975)	211,809	(4,299)	483,979

* Included within 'Other operating income' and 'Allowances for/(writeback of) Impairment Losses on Financial Investments'.
\# Included within 'Other operating income'.
^ The settlement amount of financial investments available-for-sale for the financial year ended 31 December 2016 was mainly comprised of disposal of unquoted shares of RM625.2 million.

During the financial year ended 31 December 2017, the Group and the Bank transferred certain financial investments available-for-sale from Level 2 into Level 3 of the fair value hierarchy. The reason for the transfer is that inputs to the valuation models ceased to be observable. Prior to the transfer, the fair value of the instruments was determined using observable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these instruments have been valued using valuation models incorporating significant unobservable market inputs.

The Group and the Bank have transferred certain financial investments available-for-sale out from Level 3 due to the market for some instruments became more liquid, which led to a change in the method used to determine its fair value. Prior to the transfer, the fair value of the financial instruments was determined using unobservable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these financial instruments have been valued using quoted price in the exchange.

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets and financial liabilities in Level 3 of the fair value hierarchy.

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(g) Financial instruments not measured at fair value

The on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all their assets and liabilities with the exception of investments in subsidiaries, interest in associates and joint ventures, property, plant and equipment and provision for current and deferred taxation.

For loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and of the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction as at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and of the Bank as a going concern.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and financial liabilities as disclosed below.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position:

Group 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	–	16,988,391	–	16,988,391	16,988,391
Financial investments HTM	–	14,127,981	6,233,559	20,361,540	20,184,773
Loans, advances and financing	–	174,952,117	308,369,276	483,321,393	485,584,362
Financial liabilities					
Customers' funding:					
– Deposits from customers	–	502,601,360	–	502,601,360	502,017,445
– Investment accounts of customers^	–	24,555,704	–	24,555,704	24,555,445
Deposits and placements from financial institutions	–	42,522,695	–	42,522,695	42,598,131
Recourse obligation on loans and financing sold to Cagamas	–	1,543,501	–	1,543,501	1,543,501
Borrowings	–	30,595,378	4,664,092	35,259,470	34,505,618
Subordinated obligations	–	11,655,947	499,947	12,155,894	11,979,323
Capital securities	–	6,287,425	–	6,287,425	6,284,180

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

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

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position (cont'd.):

Group 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	–	13,438,545	–	13,438,545	13,444,630
Financial investments HTM	–	11,063,959	4,110,624	15,174,583	15,021,597
Loans, advances and financing	–	181,884,280	291,948,845	473,833,125	477,774,903
Financial liabilities					
Customers' funding:					
– Deposits from customers	–	486,104,299	–	486,104,299	485,523,920
– Investment accounts of customers^	–	31,544,591	–	31,544,591	31,544,587
Deposits and placements from financial institutions	–	30,756,272	–	30,756,272	30,854,693
Recourse obligation on loans and financing sold to Cagamas	–	974,588	–	974,588	974,588
Borrowings	–	32,802,322	3,627,031	36,429,353	34,867,056
Subordinated obligations	–	15,347,116	474,174	15,821,290	15,900,706
Capital securities	–	6,273,093	–	6,273,093	6,199,993

Bank 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	–	21,382,493	–	21,382,493	21,382,493
Financial investments HTM	–	11,688,902	6,233,526	17,922,428	17,763,565
Loans, advances and financing	–	138,264,014	151,885,912	290,149,926	290,997,969
Financial liabilities					
Deposits from customers	–	329,542,447	–	329,542,447	328,938,600
Deposits and placements from financial institutions	–	37,644,752	–	37,644,752	37,645,134
Recourse obligation on loans and financing sold to Cagamas	–	1,543,501	–	1,543,501	1,543,501
Borrowings	–	27,863,941	–	27,863,941	27,106,442
Subordinated obligations	–	9,452,662	–	9,452,662	9,362,526
Capital securities	–	6,287,425	–	6,287,425	6,284,180

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

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

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position (cont'd.):

Bank 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Deposits and placements with financial institutions	–	19,333,202	–	19,333,202	19,339,287
Financial investments HTM	–	8,596,003	4,110,376	12,706,379	12,582,311
Loans, advances and financing	–	144,907,276	147,242,828	292,150,104	295,020,136
Financial liabilities					
Deposits from customers	–	332,921,710	–	332,921,710	331,878,295
Deposits and placements from financial institutions	–	29,834,890	–	29,834,890	29,856,710
Recourse obligation on loans and financing sold to Cagamas	–	974,588	–	974,588	974,588
Borrowings	–	30,297,532	166,036	30,463,568	28,927,427
Subordinated obligations	–	13,089,921	–	13,089,921	13,202,872
Capital securities	–	6,299,026	–	6,299,026	6,225,926

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

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

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Loans, advances and financing

The fair values of variable rate loans are estimated to approximate their carrying amount. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying amount which are net of impairment allowances.

(iii) Deposits from customers, deposits and placements with/from financial institutions and investment accounts of customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

(iv) Recourse obligation on loans and financing sold to Cagamas

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at reporting date.

(v) Borrowings, subordinated obligations and capital securities

The fair values of borrowings, subordinated obligations and capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for similar instruments as at reporting date.

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54. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Amounts are not offset in the statement of financial position are related to:

(i) The counterparties' offsetting exposures with the Group and the Bank where the right to set-off is only enforceable in the event of default, insolvency or bankruptcy of the counterparties; and

(ii) Cash and securities that are received from or pledged with counterparties.

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

Group 2017	Gross amount of recognised financial assets/financial liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not offset in the statement of financial position Financial instruments RM'000	Financial collateral received/ pledged RM'000	Net amount RM'000
Financial assets						
Derivative assets	**6,996,428**	**(291,777)**	**6,704,651**	**(1,961,906)**	**(681,335)**	**4,061,410**
Other assets:						
Amount due from brokers and clients (Note 14)	**4,225,239**	**(1,878,703)**	**2,346,536**	**–**	**–**	**2,346,536**
Financial liabilities						
Derivative liabilities	**7,512,791**	**(291,776)**	**7,221,015**	**(1,961,906)**	**(2,448,456)**	**2,810,653**
Other liabilities:						
Amount due to brokers and clients (Note 25)	**4,686,326**	**(1,878,703)**	**2,807,623**	**–**	**–**	**2,807,623**
2016						
Financial assets						
Derivative assets	9,141,987	(830,284)	8,311,703	(4,228,068)	(861,423)	3,222,212
Other assets:						
Amount due from brokers and clients (Note 14)	4,384,021	(1,931,127)	2,452,894	–	(681,751)	1,771,143
Financial liabilities						
Derivative liabilities	9,658,344	(830,284)	8,828,060	(4,228,068)	(3,134,219)	1,465,773
Other liabilities:						
Amount due to brokers and clients (Note 25)	5,975,327	(1,931,127)	4,044,200	–	–	4,044,200

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54. 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.):

Bank 2017	Gross amount of recognised financial assets/financial liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not offset in the statement of financial position: Financial instruments RM'000	Amount not offset in the statement of financial position: Financial collateral received/ pledged RM'000	Net amount RM'000
Financial assets						
Derivative assets	**7,156,997**	**(291,776)**	**6,865,221**	**(1,961,092)**	**(681,335)**	**4,222,794**
Financial liabilities						
Derivative liabilities	**7,471,774**	**(291,776)**	**7,179,998**	**(1,961,092)**	**(2,284,036)**	**2,934,870**
2016						
Financial assets						
Derivative assets	9,151,202	(830,284)	8,320,918	(4,228,068)	(861,423)	3,231,427
Financial liabilities						
Derivative liabilities	9,632,505	(830,284)	8,802,221	(4,228,068)	(3,134,219)	1,439,934

55. CAPITAL AND OTHER COMMITMENTS

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

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Approved and contracted for	**251,995**	492,539	**42,656**	52,208
Approved but not contracted for	**242,103**	166,006	**110,585**	100,018
	494,098	658,545	**153,241**	152,226

(b) Uncalled issued share capital of a subsidiary:

Bank	**2017 RM'000**	**2016 RM'000**
Uncalled capital	**–**	150

Pursuant to Companies Act 2016, the uncalled share capital will cease to have par or nominal value.

56. CAPITAL MANAGEMENT

The Group's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Group operates. The Group regards having a strong capital position as essential to the Group's business strategy and competitive position. As such, implications on the Group's capital position are taken into account by the Board and senior management prior to implementing major business decisions in order to preserve the Group's overall capital strength.

The Group's key thrust of capital management are to diversify its sources of capital; to allocate and deploy capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses; and to meet the expectations of key stakeholders, including investors, regulators and rating agencies. In addition, the Group's capital management is also implemented with the aim to:

- Maintain adequate capital adequacy ratios at all times, at levels sufficiently above the minimum regulatory requirements across the Group;
- Support the Group's credit rating from local and international rating agencies;
- Deploy capital efficiently to businesses and optimise returns on capital;
- Remain flexible to take advantage of future opportunities; and
- Build and invest in businesses, even in a reasonably stressed environment.

The quality and composition of capital are key factors in the Board and senior management's evaluation of the Group's capital adequacy position. The Group places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The Group's capital management is guided by the Group Capital Management Framework to ensure that capital is managed on an integrated approach and ensure a strong and flexible financial position to manage through economic cycles across the Group.

The Group's capital management is also supplemented by the Group Annual Capital Plan to facilitate efficient capital levels and utilisation across the Group. The plan is updated on an annual basis covering at least a three year horizon and approved by the Board for implementation at the beginning of each financial year. The Group Annual Capital Plan is reviewed by the Board semi-annually in order to keep abreast with the latest development on capital management and also to ensure effective and timely execution of the plans contained therein.

Pursuant to Bank Negara Malaysia's ("BNM") Capital Adequacy Framework (Capital Components) issued on 4 August 2017, all financial institutions shall hold and maintain at all times, the minimum Common Equity Tier 1 Ratio of 4.5%, Tier 1 Ratio of 6%, and Total Capital Ratio of 8%. BNM has also introduced additional capital buffer requirements which comprises Capital Conservation buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0%-2.5% of total RWA. The framework also provides further guidance on the computation approach and operations of the Countercyclical Capital Buffer ranging between 0%-2.5%.

In addition, as banking institutions in Malaysia evolve to become key regional players and identified as systemically important, BNM will assess at a later date the need to require large banking institutions to operate at higher levels of capital, commensurate with their size, extent of cross-border activities and complexity of operations.

In the Group's pursuit of an efficient and healthy capital position, the Group had implemented a recurrent and optional Dividend Reinvestment Plan ("DRP") that allows the shareholders of the Group to reinvest electable portions of their dividends into new ordinary shares in the Bank. The DRP is part of the Group's strategy to preserve equity capital to meet the regulatory requirement as well as to grow its business whilst providing healthy dividend income to shareholders. Details of the DRP is disclosed in Note 32(b) and dividend payout is disclosed in Note 50.

57. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

(a) General

The Group's overall capital adequacy in relation to its risk profile is assessed through a process articulated in the Group ICAAP policy. The ICAAP policy is designed to ensure that adequate levels of capital, including capital buffers, are held to support the Group's current and projected demand for capital under the existing and stressed conditions. Regular ICAAP reports are submitted to the Group Executive Risk Committee and the Risk Management Committee ("RMC") for comprehensive review of all material risks faced by the Group and assessment of the adequacy of capital to support them. The Group's ICAAP closely integrates the risk and capital planning and management processes.

Since March 2013, the Group has prepared a Board-approved ICAAP document to fulfil the requirements under the BNM Pillar 2 Guideline, which came into effect on 31 March 2013. The document included an overview of ICAAP, current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing and capital planning and the use of ICAAP. Annually, the Group submits an update of the material changes made to the document to BNM.

(b) Comprehensive risk assessment under ICAAP policy

Under the Group's ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk);
- Risks not specifically addressed under Pillar 1 (e.g. interest rate risk/rate of return risk in the banking book, liquidity risk, business and strategic risk, reputational risk, credit concentration risk, IT risks (e.g. security risk and cyber risk), regulatory risk, country risk, compliance risk, capital risk, profitability risk, Shariah non-compliance risk, industry risk, information risk, conduct risk, workforce risk and data quality risk, amongst others); and
- External factors, including changes in economic environment, regulations and accounting rules.

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

(c) Assessment of Pillar 1 and Pillar 2 risks

In line with industry best practices, the Group quantifies its risks using methodologies that have been reasonably tested and deemed to be acceptable within the industry.

Where risks may not be easily quantified due to the lack of commonly acceptable risk measurement techniques, expert's judgement is used to determine the size and materiality of risk. The Group's ICAAP would then focus on the qualitative controls in managing such material non-quantifiable risks. These qualitative measures include the following:

- Adequate governance processes;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies; and
- Regular monitoring and reporting.

(d) Regular and robust stress testing

The Group's stress testing programme is embedded in the risk and capital management process of the Group and it is a key function of the capital planning and business planning processes. The programme serves as a forward-looking risk and capital management tool to understand the risk profile under extreme but plausible conditions. Such conditions may arise mainly from economic, political and environmental factors.

Under Maybank Group's Stress Test policy, the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, risk-weighted assets, capital adequacy and ability to comply with the risk appetites set, are considered.

Specifically, the stress test programme is designed to:

- Highlight the dynamics of stress events and their potential implications on the Group's trading and banking book exposures, liquidity positions and likely reputational impacts;
- Proactively identify key strategies to mitigate the effects of stress events; and
- Produce stress results as inputs into the Group's ICAAP in determining capital adequacy and capital buffers.

Stress test themes reviewed by the Stress Test Working Group in the past include global economic turmoil, impact on liquidity risk due to cyber attack, digital disruption, impact of external geopolitical events on ASEAN and Asia, impact of weakening Malaysian Ringgit and higher bond yields, Post-Brexit risk on ASEAN economies, the Perfect Storm: Impact of low oil price, weak currencies and slower Chinese GDP growth on ASEAN economies, Federal Reserve rate hike, idiosyncratic event's implication to the Group, oil price decline, intensified capital outflows from emerging markets including ASEAN, rising inflation and interest rate hikes in ASEAN, impact of Federal Reserve Quantitative Easing tapering, sovereign rating downgrades, slowing Chinese economy, a repeat of Asian Financial Crisis, US dollar depreciation, pandemic flu, asset price collapse, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and US debt crises, amongst others.

The Stress Test Working Group, which comprises business and risk management teams, tables the stress test reports to the senior management and Board committees and discusses the results with regulators on a regular basis.

58. CAPITAL ADEQUACY

(a) Compliance and application of capital adequacy ratios

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 4 August 2017 and Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued on 2 March 2017. The total RWA are computed based on the following approaches:

(A) Credit risk under Internal Ratings-Based Approach;

(B) Market risk under Standardised Approach; and

(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2017 (2016: 4.5%, 6.0% and 8.0% of total RWA).

On an entity level basis, the computation of capital adequacy ratios of the subsidiaries of the Bank are as follows:

(i) For Maybank Islamic Berhad, the computation of capital adequacy ratios are based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 4 August 2017 and 2 March 2017 respectively. The total RWA are computed based on the following approaches:

(A) Credit risk under Internal Ratings-Based Approach;

(B) Market risk under Standardised Approach; and

(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2017 (2016: 4.5%, 6.0% and 8.0% of total RWA).

(ii) For Maybank Investment Bank Berhad, the computation of capital adequacy ratios are based on BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued on 4 August 2017 and 2 March 2017 respectively. The total RWA are computed based on the following approaches:

(A) Credit risk under Standardised Approach;

(B) Market risk under Standardised Approach; and

(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2017 (2016: 4.5%, 6.0% and 8.0% of total RWA).

(iii) For PT Bank Maybank Indonesia Tbk, the computation of capital adequacy ratios are in accordance with local requirements, which is based on the Basel II capital accord. The total RWA are computed based on the following approaches:

(A) Credit risk under Standardised Approach;

(B) Market risk under Standardised Approach; and

(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirement for PT Bank Maybank Indonesia Tbk is 10% up to less than 11% (2016: 9% up to less than 10%) of total RWA.

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58. CAPITAL ADEQUACY (CONT'D.)

(b) The capital adequacy ratios of the Group and of the Bank

With effect from 30 June 2013, the amount of declared dividend to be deducted in the calculation of CET1 Capital under a DRP shall be determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) ("Implementation Guidance") issued on 8 May 2013. Under the said Implementation Guidance, where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of declared dividend to be deducted in the calculation of CET1 Capital may be reduced as follows:

(i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or

(ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates subject to the amount being not more than 50% of the total electable portion of the dividend.

In respect of the financial year ended 31 December 2017, the Board has proposed the payment of final single-tier dividend of 32 sen per ordinary share, which consists of cash portion of 18 sen and an electable portion of 14 sen per ordinary share. The electable portion can be elected to be reinvested by shareholders in new Maybank Shares in accordance with the DRP as disclosed in Note 32(b).

In arriving at the capital adequacy ratios for the financial year ended 31 December 2017, the proposed final dividend has not been deducted from the calculation of CET1 Capital.

Based on the above, the capital adequacy ratios of the Group and of the Bank are as follows:

	Group		Bank	
	2017	**2016**	**2017**	**2016**
CET1 Capital Ratio	**14.773%**	13.990%	**15.853%**	15.881%
Tier 1 Capital Ratio	**16.459%**	15.664%	**17.950%**	18.232%
Total Capital Ratio	**19.383%**	19.293%	**19.313%**	19.432%

(c) Components of capital:

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
CET1 Capital				
Paid-up share capital	**44,250,380**	10,193,200	**44,250,380**	10,193,200
Share premium	**–**	28,878,703	**–**	28,878,703
Retained profits[1]	**20,451,568**	10,482,202	**13,582,048**	4,514,094
Other reserves[1]	**3,619,581**	15,048,174	**4,612,799**	13,605,920
Qualifying non-controlling interests	**137,081**	112,513	**–**	–
Less: Shares held-in-trust	**(183,438)**	(125,309)	**(183,438)**	(125,309)
CET1 Capital before regulatory adjustments	**68,275,172**	64,589,483	**62,261,789**	57,066,608
Less: Regulatory adjustments applied on CET1 Capital	**(12,864,771)**	(11,482,463)	**(21,091,369)**	(14,648,641)
Deferred tax assets	**(802,593)**	(874,988)	**(315,013)**	(358,687)
Goodwill	**(5,756,367)**	(6,317,009)	**(81,015)**	(81,015)
Other intangibles	**(855,056)**	(955,441)	**(487,015)**	(449,034)
Gain on financial instruments classified as 'available-for-sale'	**(17,922)**	**–**	**–**	**–**
Regulatory reserve	**(2,747,285)**	(1,057,997)	**(2,233,563)**	(660,800)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities[3]	**(2,685,548)**	(2,277,028)	**(17,974,763)**	(13,099,105)
Total CET1 Capital	**55,410,401**	53,107,020	**41,170,420**	42,417,967

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58. CAPITAL ADEQUACY (CONT'D.)

(c) Components of capital (cont'd.):

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Additional Tier 1 Capital				
Capital securities	**6,244,010**	6,279,948	**6,244,010**	6,279,948
Qualifying CET1 and Additional Tier 1 capital instruments held by third parties	**80,195**	73,556	**–**	–
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities[3]	**–**	–	**(800,000)**	–
Total Tier 1 Capital	**61,734,606**	59,460,524	**46,614,430**	48,697,915
Tier 2 Capital				
Subordinated obligations	**9,271,613**	13,077,127	**9,271,613**	13,077,127
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	**488,385**	473,100	**–**	–
Collective allowance[2]	**278,397**	408,984	**136,641**	120,467
Surplus of total eligible provision over total expected loss	**1,601,682**	1,333,468	**1,171,604**	1,194,370
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities[3]	**(671,387)**	(1,518,018)	**(7,038,871)**	(11,186,221)
Total Tier 2 Capital	**10,968,690**	13,774,661	**3,540,987**	3,205,743
Total Capital	**72,703,296**	73,235,185	**50,155,417**	51,903,658

1 For the Group, the amount excludes retained profits and other reserves from insurance and takaful business. For the Bank, the amount includes retained profits and other reserves of Maybank International (L) Ltd..

2 Excludes collective allowance for impaired loans, advances and financing restricted from Tier 2 Capital of the Group and of the Bank.

3 For the Bank, the regulatory adjustment includes cost of investment in subsidiaries and associates, except for: (i) Myfin Berhad of RM18,994,000 as its business, assets and liabilities have been transferred to the Bank; (ii) Maybank International (L) Ltd. of RM10,289,000 and (iii) Maybank Agro Fund Sdn. Bhd. of RM10,845,000, as its assets are included in the Bank's RWA. For the Group, the regulatory adjustment includes carrying amount of associates and investment in insurance and takaful entities.

The capital adequacy ratios of the Group is derived from consolidated balances of the Bank and its subsidiaries, excluding the investments in insurance and takaful entities and associates.

The capital adequacy ratios of the Bank is derived from the Bank and its wholly-owned offshore banking subsidiary, Maybank International (L) Ltd., excluding the investments in subsidiaries and associates (except for Myfin Berhad, Maybank International (L) Ltd. and Maybank Agro Fund Sdn. Bhd. as disclosed above).

(d) The breakdown of RWA by each major risk categories for the Group and the Bank are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Standardised Approach exposure	**53,705,463**	52,450,074	**29,785,935**	28,712,714
Internal Ratings-Based Approach exposure after scaling factor	**266,947,028**	277,055,512	**195,267,276**	205,446,192
Total RWA for credit risk	**320,652,491**	329,505,586	**225,053,211**	234,158,906
Total RWA for market risk	**14,351,443**	12,875,985	**11,445,563**	11,148,492
Total RWA for operational risk	**40,075,835**	37,218,327	**23,197,842**	21,797,628
Total RWA	**375,079,769**	379,599,898	**259,696,616**	267,105,026

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58. CAPITAL ADEQUACY (CONT'D.)

(e) The capital adequacy ratios and RWA of subsidiaries of the Bank are as follows:

(i) Capital adequacy ratios

	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Maybank Indonesia Tbk
2017			
CET1 Capital Ratio	**14.500%**	**31.322%**	**–**
Tier 1 Capital Ratio	**16.150%**	**31.322%**	**–**
Total Capital Ratio	**20.782%**	**31.525%**	**17.535%**
2016			
CET1 Capital Ratio	13.992%	33.010%	–
Tier 1 Capital Ratio	13.992%	33.010%	–
Total Capital Ratio	18.553%	33.010%	16.772%

(ii) The breakdown of RWA by each major risk categories of subsidiaries of the Bank are as follows:

	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Maybank Indonesia Tbk RM'000
2017			
Standardised Approach exposure	**8,796,181**	**1,023,110**	**32,949,975**
Internal Ratings-Based Approach exposure after scaling factor	**60,246,868**	**–**	**–**
Total RWA for credit risk	**69,043,049**	**1,023,110**	**32,949,975**
Total RWA for credit risk absorbed by Maybank and Investment Account^	**(15,855,390)**	**–**	**–**
Total RWA for market risk	**939,674**	**124,903**	**578,180**
Total RWA for operational risk	**6,490,748**	**763,899**	**5,000,612**
Total RWA	**60,618,081**	**1,911,912**	**38,528,767**
2016			
Standardised Approach exposure	7,151,955	519,661	37,487,141
Internal Ratings-Based Approach exposure after scaling factor	64,702,050	–	–
Total RWA for credit risk	71,854,005	519,661	37,487,141
Total RWA for credit risk absorbed by Maybank and Investment Account^	(16,426,406)	–	–
Total RWA for market risk	882,544	162,713	562,342
Total RWA for operational risk	5,691,742	823,413	5,286,446
Total RWA	62,001,885	1,505,787	43,335,929

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

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59. SEGMENT INFORMATION

(i) By business segments

The Group's operating segments are Group Community Financial Services, Group Global Banking and Group Insurance and Takaful. The Group determines and presents operating segments based on information provided to the Board and senior management of the Group.

The Group is organised into three (3) operating segments based on services and products available within the Group as follows:

(a) Group Community Financial Services ("CFS")

(i) Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals in the region, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, hire purchases, unit trusts, bancassurance products and credit cards.

(ii) Small, Medium Enterprise ("SME") Banking

SME Banking comprises the full range of products and services offered to small and medium enterprises in the region. The products and services offered including long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(iii) Business Banking

Business Banking comprises the full range of products and services offered to commercial enterprises in the region. The products and services offered including long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(b) Group Global Banking ("GB")

(i) Group Corporate Banking and Global Markets

Group Corporate Banking and Global Markets comprise Corporate Banking and Global Markets business.

Corporate Banking comprises the full range of products and services offered to business customers in the region, ranging from large corporate and the public sector. The products and services offered including long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management, trustee services and custodian services.

Global Markets comprise the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market.

(ii) Group Investment Banking (Maybank IB and Maybank Kim Eng)

Investment Banking comprises the investment banking and securities broking business. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services, debt restructuring advisory services, and share and futures dealings.

(iii) Group Asset Management

Asset Management comprises the asset and fund management services, providing a diverse range of Conventional and Islamic investment solutions to retail, corporate and institutional clients.

(c) Group Insurance and Takaful

Insurance and Takaful comprise the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses.

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59. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

	Business Segments						
	Group Global Banking						
Group 2017	Group Community Financial Services RM'000	Group Corporate Banking & Global Markets RM'000	Group Investment Banking RM'000	Group Asset Management RM'000	Group Insurance and Takaful RM'000	Head Office and Others RM'000	Total RM'000
Net interest income and income from IBS operations:							
– External	10,291,972	5,057,720	309,191	8,765	1,043,745	335,899	17,047,292
– Inter-segment	–	–	(6,954)	(9,659)	49,830	(33,217)	–
	10,291,972	5,057,720	302,237	(894)	1,093,575	302,682	17,047,292
Net interest income and income from IBS operations	10,291,972	5,057,720	302,237	(894)	1,093,575	302,682	17,047,292
Net earned insurance premiums	–	–	–	–	5,250,890	–	5,250,890
Other operating income	3,205,078	2,599,928	1,035,027	248,273	821,149	(1,882,151)	6,027,304
Total operating income	13,497,050	7,657,648	1,337,264	247,379	7,165,614	(1,579,469)	28,325,486
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	–	–	–	–	(5,274,877)	217,747	(5,057,130)
Net operating income	13,497,050	7,657,648	1,337,264	247,379	1,890,737	(1,361,722)	23,268,356
Overhead expenses	(7,221,988)	(2,004,442)	(1,143,866)	(167,090)	(819,672)	–	(11,357,058)
Operating profit/(loss) before impairment losses	6,275,062	5,653,206	193,398	80,289	1,071,065	(1,361,722)	11,911,298
Allowances for impairment losses on loans, advances, financing and other debts, net	(963,760)	(977,631)	(11,347)	(502)	(5,820)	–	(1,959,060)
Allowances for impairment losses on financial investments, net	–	(1,307)	(3,721)	(7,202)	(56,532)	–	(68,762)
Operating profit/(loss)	5,311,302	4,674,268	178,330	72,585	1,008,713	(1,361,722)	9,883,476
Share of profits in associates and joint venture	–	214,235	385	–	–	–	214,620
Profit/(loss) before taxation and zakat	5,311,302	4,888,503	178,715	72,585	1,008,713	(1,361,722)	10,098,096
Taxation and zakat							(2,301,222)
Profit after taxation and zakat							7,796,874
Non-controlling interests							(276,332)
Profit for the financial year attributable to equity holders of the Bank							7,520,542
Included in overhead expenses are:							
Depreciation of property, plant and equipment	(263,429)	(74,419)	(61,648)	(830)	(18,591)	–	(418,917)
Amortisation of intangible assets	(168,681)	(46,152)	(43,007)	(478)	(15,355)	–	(273,673)

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59. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

	‹---------- Business Segments ----------›						
		‹---------- Group Global Banking ----------›					
Group 2016	**Group Community Financial Services RM'000**	**Group Corporate Banking & Global Markets RM'000**	**Group Investment Banking RM'000**	**Group Asset Management RM'000**	**Group Insurance and Takaful RM'000**	**Head Office and Others RM'000**	**Total RM'000**
Net interest income and income from IBS operations:							
– External	9,626,560	4,792,335	306,473	8,302	940,503	(126,461)	15,547,712
– Inter-segment	–	–	(13,831)	(15,746)	68,415	(38,838)	–
	9,626,560	4,792,335	292,642	(7,444)	1,008,918	(165,299)	15,547,712
Net interest income and income from IBS operations	9,626,560	4,792,335	292,642	(7,444)	1,008,918	(165,299)	15,547,712
Net earned insurance premiums	–	–	–	–	4,444,057	–	4,444,057
Other operating income	3,058,046	2,762,490	1,116,144	144,648	424,991	(1,217,036)	6,289,283
Total operating income	12,684,606	7,554,825	1,408,786	137,204	5,877,966	(1,382,335)	26,281,052
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	–	–	–	–	(4,285,388)	177,479	(4,107,909)
Net operating income	12,684,606	7,554,825	1,408,786	137,204	1,592,578	(1,204,856)	22,173,143
Overhead expenses	(6,755,258)	(1,837,628)	(1,062,587)	(145,178)	(686,505)	–	(10,487,156)
Operating profit/(loss) before impairment losses	5,929,348	5,717,197	346,199	(7,974)	906,073	(1,204,856)	11,685,987
(Allowances for)/writeback of impairment losses on loans, advances, financing and other debts, net	(1,626,116)	(1,226,461)	(2,322)	(62)	22,213	–	(2,832,748)
(Allowances for)/writeback of impairment losses on financial investments, net	–	(139,207)	(3,204)	8,199	(48,041)	–	(182,253)
Operating profit/(loss)	4,303,232	4,351,529	340,673	163	880,245	(1,204,856)	8,670,986
Share of profits in associates and joint venture	–	172,941	523	–	–	–	173,464
Profit/(loss) before taxation and zakat	4,303,232	4,524,470	341,196	163	880,245	(1,204,856)	8,844,450
Taxation and zakat							(1,880,558)
Profit after taxation and zakat							6,963,892
Non-controlling interests							(220,900)
Profit for the financial year attributable to equity holders of the Bank							6,742,992
Included in overhead expenses are:							
Depreciation of property, plant and equipment	(240,604)	(65,825)	(55,809)	(776)	(16,121)	–	(379,135)
Amortisation of intangible assets	(188,678)	(47,345)	(43,731)	(293)	(10,444)	–	(290,491)

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59. SEGMENT INFORMATION (CONT'D.)

(ii) By geographical locations

The Group has operations in Malaysia, Singapore, Indonesia, the Philippines, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia, Laos, Bahrain, Labuan Offshore and Thailand.

With the exception of Malaysia, Singapore and Indonesia, no other individual country contributed more than 10% of the consolidated operating revenue before operating expenses and of the total assets.

Operating revenue, net operating income, profit before taxation and zakat, and assets based on geographical locations of customers are as follows:

Income statement items	Operating revenue RM'000	Net operating income RM'000	Profit before taxation and zakat RM'000
For the financial year ended 31 December 2017			
Malaysia	**32,922,022**	**18,117,459**	**10,662,633**
Singapore	**7,496,570**	**4,232,277**	**954,165**
Indonesia	**5,674,390**	**3,353,712**	**869,402**
Others	**4,949,928**	**1,829,018**	**1,081,258**
	51,042,910	**27,532,466**	**13,567,458**
Elimination*	**(5,462,600)**	**(4,264,110)**	**(3,469,362)**
Group	**45,580,310**	**23,268,356**	**10,098,096**
For the financial year ended 31 December 2016			
Malaysia	33,856,880	17,424,690	9,740,066
Singapore	6,071,914	3,490,910	877,560
Indonesia	5,493,492	3,242,182	784,599
Others	3,840,750	1,668,990	352,736
	49,263,036	25,826,772	11,754,961
Elimination*	(4,605,134)	(3,653,629)	(2,910,511)
Group	44,657,902	22,173,143	8,844,450

* Inter-segment revenue are eliminated on consolidation.

The total non-current and current assets based on geographical locations are as follows:

	Non-current assets[1]		Current assets[2]	
Statement of financial position items:	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Malaysia	**8,987,472**	9,437,611	**470,828,358**	488,949,513
Singapore	**909,478**	962,665	**191,073,126**	168,542,314
Indonesia	**96,660**	112,210	**52,004,976**	55,399,495
Others	**148,902**	187,023	**87,957,823**	57,354,406
	10,142,512	10,699,509	**801,864,283**	770,245,728
Elimination[3]	**–**	–	**(46,705,029)**	(44,988,984)
Group	**10,142,512**	10,699,509	**755,159,254**	725,256,744

1 Non-current assets consist of investment properties, property, plant and equipment and intangible assets.
2 Current assets are total assets excluding non-current assets as mentioned above.
3 Inter-segment balances are eliminated on consolidation.

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60. SIGNIFICANT AND SUBSEQUENT EVENTS

(i) The following are the significant events of the Group and of the Bank during the financial year ended 31 December 2017:

(a) Proposed Disposal of PT Bank Maybank Indonesia Tbk's ("Maybank Indonesia") Entire Equity Interest in PT Wahana Ottomitra Multiartha Tbk ("WOM Finance")

On 11 January 2017, Maybank Indonesia, a subsidiary of Maybank, has entered into a conditional share purchase agreement ("CSPA") with PT Reliance Capital Management ("RCM") for the proposed disposal of Maybank Indonesia's entire equity interest of 68.55% in WOM Finance to RCM ("Proposed Disposal").

RCM is a limited liability company incorporated under Indonesian Law and has subsidiaries that provide financial services, including financial services in investment (securities and asset management), protection (general, health, life and Shariah insurance) and financing (multi-finance, banking and venture capital).

The Proposed Disposal involves the sale of Maybank Indonesia's entire equity interest in WOM Finance to RCM for a total cash consideration of approximately IDR673.77 billion (equivalent to approximately RM229.08 million based on the exchange rate of IDR1 for RM0.00034 as at 11 January 2017), plus the difference between the book value of WOM Finance as set out in the audited accounts of WOM Finance for the financial year ended 31 December 2016 and the financial year ended 31 December 2015 in proportion to Maybank Indonesia's 68.55% equity interest in WOM Finance. The completion of the Proposed Disposal is expected to occur by the first quarter of 2017, upon the conditions precedent of the seller and buyer being fulfilled as prescribed in the CSPA.

WOM Finance is incorporated in Indonesia and listed on the Indonesia Stock Exchange. WOM Finance provides financing for new and used motorcycles, with the majority of consumer financing granted for well-established motorcycle brands.

The Proposed Disposal is undertaken as part of Maybank Indonesia's strategic initiative to maximise its capital use and streamline its customer segmentation which will optimise its resources in the most efficient manner. WOM Finance will cease to be a subsidiary of Maybank Indonesia with effect from the completion of the Proposed Disposal. However, WOM Finance will continue to be a significant business partner of Maybank Indonesia in the future.

On 4 May 2017, the Bank announced that the Proposed Disposal has been terminated as of 3 May 2017, as certain conditions precedent to the CSPA which were scheduled to be satisfied by 30 April 2017 have not been fulfilled.

With the termination of the Proposed Disposal, WOM Finance will continue to be a subsidiary of Maybank Indonesia.

(b) Proposed Establishment of an Employees Share Grant Plan of up to Seven Point Five Percent (7.5%) of the Issued and Paid-up Ordinary Share Capital of the Bank (excluding Treasury Shares) at any point of time ("Proposed ESGP")

On 26 January 2017, the Bank announced the proposed establishment of an employees share grant plan of up to seven point five percent (7.5%) of the issued and paid-up ordinary share capital of the Bank (excluding treasury shares) at any point in time.

On 29 September 2017, Bursa Securities approved the Bank's application for an extension of time from 13 September 2017 to 12 March 2018 for the implementation of the Proposed ESGP.

On 27 February 2018, Bursa Securities approved the Bank's application for a further extension of time until 12 September 2018 for the implementation of the Proposed ESGP.

(c) Establishment of new subsidiaries

On 20 July 2017, Maybank Ageas Holdings Berhad ("MAHB"), an indirect subsidiary of the Bank, had incorporated two new subsidiaries in Malaysia under the Companies Act 2016. Details of the said subsidiaries are as follows:

Company name	Date of incorporation	Principal activity
Etiqa General Takaful Berhad ("EGTB")	18 July 2017	To establish and transact every kind of takaful and retakaful limited to general takaful business (Islamic alternative to non-life insurance) which is not concerned with family takaful business
Etiqa Life Insurance Berhad ("ELIB")	19 July 2017	To establish and transact every kind of insurance and reinsurance limited to life insurance business which is not concerned with general insurance business

EGTB and ELIB will not commence its business prior to the approval and the grant of the relevant business licenses by the Minister of Finance.

The incorporation of EGTB and ELIB is not expected to have any material impact on the earnings, net assets and gearing of Maybank Group for the financial year ended 31 December 2017.

(d) Inaugural issuance of RMB Bonds in the People's Republic of China Interbank Bond Market amounting to RMB1.0 billion in nominal value

On 24 July 2017, the Bank has completed its inaugural issuance of RMB bonds in the People's Republic of China ("PRC") interbank bond market amounting to RMB1.0 billion in nominal value through a bookbuilding process.

Approval from the People's Bank of China was obtained on 24 June 2017 for the Bank to issue RMB bonds of up to RMB6.0 billion in the PRC interbank bond market in multiple tranches within a period of 2 years from the date of approval ("RMB Bonds").

The issued RMB bonds bear fixed interest rate of 4.60% per annum which will fall due in 2020.

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60. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(i) The following are the significant events of the Group and of the Bank during the financial year ended 31 December 2017 (cont'd.):

(d) Inaugural issuance of RMB Bonds in the Peoples Republic of China Interbank Bond Market amounting to RMB1.0 billion in nominal value (cont'd.)

The proceeds from the issued RMB bonds will be used for the Bank's working capital, general banking and other corporate purposes. This includes utilising the proceeds both onshore and offshore to support activities in connection with the Belt and Road Initiatives, including but not limited to, financing of projects within Asia in various sectors such as the utilities, mining, oil and gas and petrochemical sectors.

(e) Redemption of USD800.0 million subordinated notes ("USD Subordinated Notes") under the USD15.0 billion Multicurrency Medium Term Note Programme

On 20 September 2017, the Bank fully redeemed the USD Subordinated Notes and accordingly, the USD Subordinated Notes will be delisted from the Singapore Exchange Securities Trading Limited and Labuan International Financial Exchange Inc. The USD Subordinated Notes was issued on 20 September 2012.

(f) Acquisition of 75% interest in PT Asuransi Asoka Mas

On 28 September 2017, Etiqa International Holdings Sdn. Bhd. ("EIH"), a wholly-owned subsidiary of the Bank completed acquisition of 75% shareholding in PT Asuransi Asoka Mas, a general insurance company based in Indonesia, for a purchase consideration of IDR207.2 billion (equivalent to approximately RM64.9 million). The acquisition of 750,000,000 shares was purchased from PT Transpacific Mutualcapita which will keep the remaining 25% shareholding in PT Asuransi Asoka Mas.

All relevant approvals including those from Bank Negara Malaysia and Otoritas Jasa Keuangan of Indonesia have been obtained. This acquisition is in line with the Group's Insurance and Takaful business vision to be a leading regional insurance player.

The transaction has no material impact on the earnings, net assets and gearing of Maybank Group for the financial year ended 31 December 2017.

Details of the acquisition are disclosed in Note 17(e).

(g) (i) Proposed acquisition of 100% equity interest in Amanah Mutual Berhad ("AMB") and 100% equity interest in Singapore Unit Trusts Limited ("SUTL") by Maybank Asset Management Group Berhad ("MAMG") for a total cash consideration of RM51.0 million; and

(ii) Proposed subscription by Permodalan Nasional Berhad ("PNB") of 8,336,404 new ordinary shares in MAMG, representing 20% of the enlarged issued share capital of MAMG for a cash consideration of RM50.0 million.

On 13 December 2017, Maybank Asset Management Group Berhad ("MAMG"), a wholly-owned subsidiary of the Bank, entered into the following agreements:

(i) conditional share purchase agreement ("SPA") with Amanah Saham Nasional Berhad ("ASNB"), a wholly-owned subsidiary of PNB, for the proposed acquisition of 100% equity interest in AMB for a cash consideration of RM16.12 million ("Proposed Acquisition I") ("AMB SPA");

(ii) conditional SPA with PNB International Limited ("PIL"), a wholly-owned subsidiary of PNB, for the proposed acquisition of 100% equity interest in SUTL for a cash consideration of RM34.88 million ("Proposed Acquisition II") ("SUTL SPA"); and

(Proposed Acquisition I and Proposed Acquisition II are collectively referred to as "Proposed Acquisitions")

(iii) conditional share subscription agreement ("Subscription Agreement") with PNB for the proposed subscription by PNB of 8,336,404 new ordinary shares in MAMG ("MAMG Shares") ("Subscription Shares") for a cash consideration of RM50.0 million or approximately RM6.00 per Subscription Share ("Subscription Consideration") ("Proposed Subscription").

Maybank, MAMG and PNB will also enter into a shareholders' agreement upon completion of the Proposed Subscription to form the basis of governance for the operations of MAMG following the Proposed Subscription and to govern the conduct, exercise of rights and performance of obligations of MAMG and PNB ("Shareholders' Agreement").

(Proposed Acquisitions and Proposed Subscription are collectively referred to as "Proposals")

The Proposals are subject to the following approval being obtained:

(i) BNM for the Proposed Acquisitions;

(ii) the Securities Commission Malaysia ("SC") for the Proposal;

(iii) Monetory Authority of Singapore ("MAS") for the Proposal;

(iv) shareholders of Maybank at a general meeting to be convened for the Proposed Subscription; and

(v) any other relevant authorities and/or parties for the Proposed Acquisitions I, Proposed Acquisition II and Proposed Subscription, as the case may be (if required).

The Proposed Acquisitions and Proposed Subscription are not inter-conditional upon each other.

For avoidance of doubt, the Proposed Acquisitions are not subject to the approval of the shareholders of Maybank.

The completion of the Proposed Acquisitions and Proposed Subscription will not have any effect on the issued and paid-up share capital and shareholding of the substantial shareholders of Maybank, and no material effect on the earnings per share, net assets per share and gearing of the Group for the financial year ended 31 December 2017.

(ii) The following is the subsequent event of the Group and of the Bank subsequent to the financial year ended 31 December 2017:

(h) Incorporation of Maybank Singapore Limited

On 1 February 2018, Maybank International Holdings Sdn. Bhd., a wholly-owned subsidiary of the Bank incorporated a new wholly-owned subsidiary in Singapore, namely Maybank Singapore Limited (the "Incorporation").

The Incorporation is not expected to have any material impact on the earnings, net assets and gearing of Maybank for the financial year ending 31 December 2018.

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61. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS

(a) Income statement

	Life Fund		Family Takaful Fund		General Takaful Fund		Shareholders' and General Fund		Total	
Group	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating revenue	**1,817,412**	1,327,264	**1,723,828**	1,516,449	**1,084,573**	1,057,178	**2,617,813**	1,248,258	**7,243,626**	5,149,149
Interest income	**409,905**	388,922	**416,707**	380,440	**72,318**	68,925	**222,154**	190,963	**1,121,084**	1,029,250
Interest expense	**–**	–	**–**	–	**–**	–	**(34,222)**	(34,268)	**(34,222)**	(34,268)
Net interest income	**409,905**	388,922	**416,707**	380,440	**72,318**	68,925	**187,932**	156,695	**1,086,862**	994,982
Net earned insurance premiums	**1,884,285**	1,250,328	**1,172,398**	1,035,041	**1,008,741**	976,352	**1,185,466**	1,182,336	**5,250,890**	4,444,057
Other operating income	**468,248**	164,388	**145,385**	114,074	**6,628**	17,450	**186,365**	112,147	**806,626**	408,059
Total operating income	**2,762,438**	1,803,638	**1,734,490**	1,529,555	**1,087,687**	1,062,727	**1,559,763**	1,451,178	**7,144,378**	5,847,098
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**(2,480,379)**	(1,631,058)	**(1,681,228)**	(1,483,973)	**(1,088,315)**	(1,071,993)	**(24,955)**	(98,385)	**(5,274,877)**	(4,285,409)
Net operating income/(loss)	**282,059**	172,580	**53,262**	45,582	**(628)**	(9,266)	**1,534,808**	1,352,793	**1,869,501**	1,561,689
Overhead expenses	**(261,572)**	(155,896)	**(26,756)**	(30,300)	**(24)**	(1,223)	**(519,548)**	(512,590)	**(807,900)**	(700,009)
Operating profit/(loss) before impairment losses	**20,487**	16,684	**26,506**	15,282	**(652)**	(10,489)	**1,015,260**	840,203	**1,061,601**	861,680
Writeback of/(allowances for) impairment losses on loans, advances, financing and other debts, net	**(188)**	648	**(212)**	1,132	**905**	10,726	**(6,325)**	9,708	**(5,820)**	22,214
Allowances for impairment losses on financial investments, net	**(20,299)**	(17,332)	**(26,294)**	(16,414)	**(253)**	(237)	**(9,687)**	(14,059)	**(56,533)**	(48,042)
Operating profit	**–**	–	**–**	–	**–**	–	**999,248**	835,852	**999,248**	835,852
Share of losses in associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Profit before taxation and zakat	**–**	–	**–**	–	**–**	–	**999,248**	835,852	**999,248**	835,852
Taxation and zakat	**–**	–	**–**	–	**–**	–	**(243,607)**	(206,433)	**(243,607)**	(206,433)
Profit for the financial year	**–**	–	**–**	–	**–**	–	**755,641**	629,419	**755,641**	629,419

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61. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

(b) Statement of financial position

Group 2017	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Total RM'000
Assets					
Cash and short-term funds	225,549	45,708	34,132	259,948	565,337
Deposits and placements with financial institutions	642,249	582,981	202,299	743,745	2,171,274
Financial assets at fair value through profit or loss	9,061,661	5,299,221	–	113,121	14,474,003
Financial investments available-for-sale	1,132,277	3,922,491	1,510,604	4,214,734	10,780,106
Loans, advances and financing	230,585	–	–	56,036	286,621
Derivative assets	3,319	–	–	1,848	5,167
Reinsurance/retakaful assets and other insurance receivables	81,501	188,038	345,028	3,319,205	3,933,772
Other asset	194,918	175,929	3,349	423,843	798,039
Investment properties	635,709	–	–	113,724	749,433
Interest in associates	–	–	–	152	152
Property, plant and equipment	86,160	–	–	63,001	149,161
Intangible assets	33,780	–	–	47,259	81,039
Deferred tax assets	6,109	5,459	5,867	20,598	38,033
Total assets	12,333,817	10,219,827	2,101,279	9,377,214	34,032,137
Liabilities					
Derivative liabilities	25,791	–	–	–	25,791
Insurance/takaful contract liabilities and other insurance payables	9,446,728	9,873,134	1,755,432	4,043,549	25,118,843
Other liabilities*	2,840,515	345,960	345,048	(1,802,610)	1,728,913
Provision for taxation and zakat	(5,953)	(852)	–	83,115	76,310
Deferred tax liabilities	26,736	1,585	799	566,070	595,190
Subordinated obligations	–	–	–	811,307	811,307
Total liabilities	12,333,817	10,219,827	2,101,279	3,701,431	28,356,354
Equity attributable to equity holders of the Subsidiaries					
Share capital	–	–	–	660,865	660,865
Other reserves	–	–	–	5,014,918	5,014,918
	–	–	–	5,675,783	5,675,783
Total liabilities and shareholders' equity	12,333,817	10,219,827	2,101,279	9,377,214	34,032,137

* Included in other liabilities are the amounts due to/(from) life, general and investment-linked funds which are unsecured, not subject to any interest elements and are repayable on demand.

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61. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

(b) Statement of financial position (cont'd.)

Group 2016	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Total RM'000
Assets					
Cash and short-term funds	146,731	71,062	70,496	171,474	459,763
Deposits and placements with financial institutions	1,018,841	582,234	370,618	714,028	2,685,721
Financial assets at fair value through profit or loss	7,973,163	5,760,444	–	–	13,733,607
Financial investments available-for-sale	859,714	2,966,503	1,404,077	4,226,756	9,457,050
Loans, advances and financing	234,497	–	–	95,231	329,728
Derivative assets	1,636	–	–	–	1,636
Reinsurance/retakaful assets and other insurance receivables	63,130	158,155	283,102	3,635,209	4,139,596
Other assets	77,845	23,592	2,445	195,115	298,997
Investment properties	658,541	–	–	96,329	754,870
Interest in associates	–	–	–	152	152
Property, plant and equipment	87,736	–	–	67,950	155,686
Intangible assets	24,090	–	–	43,390	67,480
Deferred tax assets	8,130	3,302	7,948	15,659	35,039
Total assets	11,154,054	9,565,292	2,138,686	9,261,293	32,119,325
Liabilities					
Derivative liabilities	57,014	–	–	208	57,222
Insurance/takaful contract liabilities and other insurance payables	8,461,829	9,226,725	1,752,648	4,507,517	23,948,719
Other liabilities*	2,596,402	334,616	384,876	(1,763,681)	1,552,213
Provision for taxation and zakat	2,506	134	–	42,270	44,910
Deferred tax liabilities	36,303	3,817	1,162	564,633	605,915
Subordinated obligations	–	–	–	811,309	811,309
Total liabilities	11,154,054	9,565,292	2,138,686	4,162,256	27,020,288
Equity attributable to equity holders of the Subsidiaries					
Share capital	–	–	–	252,005	252,005
Other reserves	–	–	–	4,847,032	4,847,032
	–	–	–	5,099,037	5,099,037
Total liabilities and shareholders' equity	11,154,054	9,565,292	2,138,686	9,261,293	32,119,325

* Included in other liabilities are the amounts due to/(from) life, general and investment-linked funds which are unsecured, not subject to any interest elements and are repayable on demand.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

(a) Statement of financial position

Group	Note	2017 RM'000	2016 RM'000
Assets			
Cash and short-term funds	(f)	**17,150,402**	15,552,945
Deposits and placements with financial institutions	(g)	**–**	654,194
Financial investments portfolio	(h)	**13,092,564**	9,181,991
Financing and advances	(i)	**162,214,033**	148,710,892
Derivative assets	(j)	**487,989**	515,554
Other assets	(k)	**7,233,195**	4,959,989
Statutory deposits with central banks	(l)	**3,242,000**	3,070,000
Property, plant and equipment	(m)	**1,053**	2,566
Intangible asset	(n)	**2,541**	614
Deferred tax assets	(o)	**37,378**	21,012
Total assets		**203,461,155**	182,669,757
Liabilities			
Customers' funding:			
– Deposits from customers	(p)	**130,068,988**	106,842,961
– Investment accounts of customers[1]	(q)	**24,555,445**	31,544,587
Deposits and placements from financial institutions	(r)	**28,251,271**	30,346,297
Financial liabilities at fair value through profit or loss	(s)	**892,695**	902,091
Bills and acceptances payable		**8,854**	53,220
Derivative liabilities	(j)	**650,320**	535,161
Other liabilities	(t)	**660,680**	388,615
Provision for taxation and zakat	(u)	**148,510**	98,561
Term funding	(v)	**4,945,437**	–
Subordinated sukuk	(w)	**2,534,105**	2,534,496
Capital securities	(x)	**1,002,441**	–
Total liabilities		**193,718,746**	173,245,989
Islamic Banking Capital Funds			
Islamic Banking Funds	(d)	**5,769,752**	595,076
Share premium	(d)	**–**	5,200,228
Retained profits	(d)	**3,499,853**	2,881,471
Other reserves		**472,804**	746,993
		9,742,409	9,423,768
Total liabilities and Islamic Banking capital funds		**203,461,155**	182,669,757
Commitments and contingencies	(af)	**53,480,858**	52,097,394

[1] Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

The accompanying notes provide further details on the balances as at reporting date.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(b) Income statement

Group	Note	2017 RM'000	2016 RM'000
Income derived from investment of depositors' funds	(y)	**7,045,382**	6,148,251
Income derived from investment of investment account funds	(z)	**1,526,848**	1,613,812
Income derived from investment of Islamic Banking Funds	(aa)	**402,161**	356,576
Allowances for impairment losses on financing and advances	(ab)	**(152,181)**	(418,951)
Total distributable income		**8,822,210**	7,699,688
Profit distributed to depositors	(ac)	**(3,994,498)**	(3,472,913)
Profit distributed to investment account holders		**(913,276)**	(1,079,875)
Total net income		**3,914,436**	3,146,900
Finance cost		**(137,092)**	(122,267)
Overhead expenses	(ad)	**(1,417,008)**	(1,293,039)
Profit before taxation and zakat		**2,360,336**	1,731,594
Taxation	(ae)	**(494,426)**	(427,444)
Zakat		**(19,670)**	(16,598)
Profit for the financial year		**1,846,240**	1,287,552

For consolidation with the conventional banking operations, income from Islamic Banking Scheme as shown on the face of the consolidated income statements, comprises the following items:

Group	2017 RM'000	2016 RM'000
Income derived from investment of depositors' funds	**7,045,382**	6,148,251
Income derived from investment of investment account funds	**1,526,848**	1,613,812
Income derived from investment of Islamic Banking Funds	**402,161**	356,576
Total income before allowance for impairment losses on financing and advances and overhead expenses	**8,974,391**	8,118,639
Profit distributed to depositors	**(3,994,498)**	(3,472,913)
Profit distributed to investment account holders	**(913,276)**	(1,079,875)
	4,066,617	3,565,851
Finance cost	**(137,092)**	(122,267)
Net of intercompany income and expenses	**970,726**	745,658
Income from Islamic Banking Scheme operations reported in the income statement of the Group	**4,900,251**	4,189,242

The accompanying notes provide further details on the amounts recorded for the financial years ended 31 December 2017 and 31 December 2016.

(c) Statement of comprehensive income

Group	2017 RM'000	2016 RM'000
Profit for the financial year	**1,846,240**	1,287,552
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit plan actuarial gain	**496**	380
Income tax effect	**(124)**	(95)
	372	285
Items that may be reclassified subsequently to profit or loss:		
Net loss on foreign exchange translation	**(65,600)**	(136,703)
Net gain of financial investments available-for-sale	**30,185**	66,616
Income tax effect	**(7,239)**	(17,387)
	(42,654)	(87,474)
Other comprehensive loss for the financial year, net of tax	**(42,282)**	(87,189)
Total comprehensive income for the financial year	**1,803,958**	1,200,363

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) Statement of changes in Islamic Banking Capital Funds

	Non-distributable									
Group	Islamic Banking Fund RM'000	Share Premium RM'000	AFS Reserve RM'000	Exchange Fluctuation Reserve RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Equity contribution from the holding company* RM'000	Defined Benefit Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
As at 31 December 2017										
At 1 January 2017	595,076	5,200,228	(55,264)	(2,897)	409,672	393,700	1,697	85	2,881,471	9,423,768
Profit for the financial year	–	–	–	–	–	–	–	–	1,846,240	1,846,240
Other comprehensive income/(loss)	–	–	22,946	(65,600)	–	–	–	372	–	(42,282)
Defined benefit plan actuarial gain	–	–	–	–	–	–	–	372	–	372
Net loss on foreign exchange translation	–	–	–	(65,600)	–	–	–	–	–	(65,600)
Net gain on financial investments available-for-sale	–	–	22,946	–	–	–	–	–	–	22,946
Total comprehensive income/(loss) for the financial year	–	–	22,946	(65,600)	–	–	–	372	1,846,240	1,803,958
Transfer (to)/from conventional banking operations	(25,552)	–	–	62,774	–	–	–	(9)	14,766	51,979
Transfer from regulatory reserve	–	–	–	–	–	115,000	–	–	(115,000)	–
Transfer from statutory reserve	–	–	–	–	(409,672)	–	–	–	409,672	–
Transfer from share premium^	5,200,228	(5,200,228)	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(1,537,296)	(1,537,296)
At 31 December 2017	5,769,752	–	(32,318)	(5,723)	–	508,700	1,697	448	3,499,853	9,742,409

	Non-distributable										
Group	Islamic Banking Fund RM'000	Share Premium RM'000	AFS Reserve RM'000	Exchange Fluctuation Reserve RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Equity contribution from the holding company* RM'000	Profit Equalisation Reserve RM'000	Defined Benefit Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
As at 31 December 2016											
At 1 January 2016	1,194,821	4,658,233	(104,493)	(3,719)	409,672	430,249	1,697	34,456	(190)	2,728,172	9,348,898
Profit for the financial year	–	–	–	–	–	–	–	–	–	1,287,552	1,287,552
Other comprehensive income/(loss)	–	–	49,229	(136,703)	–	–	–	–	285	–	(87,189)
Defined benefit plan actuarial gain	–	–	–	–	–	–	–	–	285	–	285
Net loss on foreign exchange translation	–	–	–	(136,703)	–	–	–	–	–	–	(136,703)
Net gain on financial investments available-for-sale	–	–	49,229	–	–	–	–	–	–	–	49,229
Total comprehensive income/(loss) for the financial year	–	–	49,229	(136,703)	–	–	–	–	285	1,287,552	1,200,363
Transfer from/(to) conventional banking operations	(617,342)	–	–	137,525	–	–	–	–	(10)	(80,794)	(560,621)
Issue of ordinary shares	17,597	541,995	–	–	–	–	–	–	–	–	559,592
Transfer to regulatory reserve	–	–	–	–	–	(36,549)	–	–	–	36,549	–
Transfer from profit equalisation reserve	–	–	–	–	–	–	–	(34,456)	–	34,456	–
Dividends paid	–	–	–	–	–	–	–	–	–	(1,124,464)	(1,124,464)
At 31 December 2016	595,076	5,200,228	(55,264)	(2,897)	409,672	393,700	1,697	–	85	2,881,471	9,423,768

* This equity contribution reserve from holding company is pertaining to waiver of intercompany balance between respective subsidiaries and its holding company.

^ Transfer of share premium to share capital pursuant to Companies Act 2016.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows

Group	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	**2,360,336**	1,731,594
Adjustments for:		
Allowances for impairment losses on financing and advances, net	**272,611**	612,235
Amortisation of premiums less accretion of discounts, net	**(75,266)**	(125,463)
Unrealised (gain)/loss of derivatives	**(6,510)**	24,788
Unrealised loss/(gain) of financial assets at fair value through profit or loss	**9**	(44)
Unrealised loss/(gain) of financial liabilities at fair value through profit or loss	**9,582**	(15,069)
Net gain on disposal of financial investments available-for-sale	**(9,317)**	(25,297)
Net gain on disposal of financial assets at fair value through profit or loss	**(5,038)**	(2,820)
Loss/(gain) on foreign exchange transactions	**11,780**	(76,161)
Depreciation of property, plant and equipment	**473**	425
Amortisation of computer software	**428**	112
ESS expenses	**511**	1,007
Finance cost	**137,092**	122,267
Operating profit before working capital changes	**2,696,691**	2,247,574
Change in deposits and placements with financial institutions	**654,194**	(641,746)
Change in cash and short-term funds with original maturity of more than three months	**201,263**	103,515
Change in financing and advances	**(13,775,752)**	(18,117,242)
Change in derivative assets and liabilities	**149,234**	(95,048)
Change in other assets	**(2,273,206)**	(854,936)
Change in statutory deposit with central banks	**(172,000)**	764,000
Change in deposits from customers	**23,226,027**	764,492
Change in deposits and placements from financial institutions	**(2,104,332)**	9,071,720
Change in investment accounts of customers	**(6,989,142)**	13,886,694
Change in bills and acceptances payable	**(44,366)**	19,664
Change in financial investments portfolio	**(3,856,377)**	370,333
Change in financial liabilities at fair value through profit or loss	**(18,978)**	917,160
Change in other liabilities	**272,051**	(10,795)
Cash (used in)/generated from operations	**(2,034,693)**	8,425,385
Taxes and zakat paid	**(489,703)**	(369,882)
Net cash (used in)/generated from operating activities	**(2,524,396)**	8,055,503
Cash flows from investing activities		
Purchase of property, plant and equipment	**(187)**	(2,065)
Purchase of intangible asset	**(1,776)**	(617)
Net cash used in investing activities	**(1,963)**	(2,682)
Cash flows from financing activities		
Dividends paid	**(1,537,296)**	(1,124,464)
Dividends paid for subordinated sukuk	**(118,140)**	(115,731)
Dividends paid for term funding	**(13,679)**	–
Proceeds from issuance of ordinary shares	**–**	559,592
Proceeds from issuance of capital securities	**1,000,000**	–
Drawdown of term funding	**4,942,215**	–
Funds transferred from/(to) holding company	**51,979**	(560,621)
Net cash generated from/(used in) financing activities	**4,325,079**	(1,241,224)
Net increase in cash and cash equivalents	**1,798,720**	6,811,597
Cash and cash equivalents at 1 January	**15,351,682**	8,540,085
Cash and cash equivalents at 31 December	**17,150,402**	15,351,682
Cash and cash equivalents comprise:		
Cash and short-term funds (Note 62(f))	**17,150,402**	15,552,945
Deposits and placements with financial institutions (Note 62(g))	**–**	654,194
	17,150,402	16,207,139
Less:		
Cash and short-term funds and deposits and placements with original maturity of more than three months	**–**	(855,457)
	17,150,402	15,351,682

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(f) Cash and short-term funds

Group	2017 RM'000	2016 RM'000
Cash, bank balances and deposits with financial institutions	**15,781**	19,352
Money at call	**17,134,621**	15,533,593
	17,150,402	15,552,945

(g) Deposits and placements with financial institutions

Group	2017 RM'000	2016 RM'000
Licensed banks	**–**	654,194

(h) Financial investments portfolio

Group	Note	2017 RM'000	2016 RM'000
Financial assets at fair value through profit or loss	(i)	**240,571**	252,451
Financial investments available-for-sale	(ii)	**9,882,004**	8,719,654
Financial investments held-to-maturity	(iii)	**2,969,989**	209,886
		13,092,564	9,181,991

(i) Financial assets at fair value through profit or loss are as follows:

Group	2017 RM'000	2016 RM'000
At fair value		
Unquoted securities:		
Foreign Corporate Sukuk	**240,571**	252,451
Total financial assets at fair value through profit or loss	**240,571**	252,451

(ii) Financial investments available-for-sale are as follows:

Group	2017 RM'000	2016 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	**7,286,200**	4,337,818
Negotiable instruments of deposits	**398,541**	3,088,513
Bankers' acceptances and Islamic accepted bills	**166,173**	–
	7,850,914	7,426,331
Unquoted securities:		
Corporate Sukuk in Malaysia	**1,969,825**	1,189,659
Foreign Corporate Sukuk	**16,389**	53,989
Malaysian Government Sukuk	**44,126**	48,925
Equity	**750**	750
	2,031,090	1,293,323
Total financial investments available-for-sale	**9,882,004**	8,719,654

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

(iii) Financial investments held-to-maturity are as follows:

Group	2017 RM'000	2016 RM'000
At amortised cost		
Money market instruments:		
Foreign Certificates of Deposits	**174,618**	92,935
Foreign Government Securities	**19,057**	67,403
	193,675	160,338
Unquoted securities:		
Corporate Sukuk in Malaysia	**2,731,560**	–
Foreign Corporate Sukuk	**45,202**	50,049
	2,776,762	50,049
Accumulated impairment losses	**(448)**	(501)
Total financial investments held-to-maturity	**2,969,989**	209,886

Movements in the allowances for impairment losses on financial investments held-to-maturity are as follows:

Group	2017 RM'000	2016 RM'000
At 1 January	**501**	467
Exchange differences	**(53)**	34
At 31 December	**448**	501

The maturity profile of money market instruments available-for-sale and held-to-maturity are as follows:

Group	2017 RM'000	2016 RM'000
Within one year	**843,952**	3,329,676
One year to three years	**1,793,362**	461,121
Three years to five years	**575,283**	475,241
After five years	**4,831,992**	3,320,631
	8,044,589	7,586,669

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances

Group	Bai'* RM'000	Murabahah RM'000	Musyarakah RM'000	Al-Ijarah Thumma Al-Bai (AITAB) RM'000	Ijarah RM'000	Istisna' RM'000	Others	Total Financing and Advances RM'000
2017								
Cashline	–	5,600,032	–	–	–	78	–	5,600,110
Term financing								
– Housing financing	17,660,022	63,125,656	2,374,094	–	–	–	–	83,159,772
– Syndicated financing	–	790,499	–	–	–	–	–	790,499
– Hire purchase receivables	–	–	–	37,176,740	–	–	–	37,176,740
– Other term financing	21,729,080	85,917,965	1,200,320	–	124,918	132,001	60,396	109,164,680
Bills receivables	–	226	–	–	–	–	–	226
Trust receipts	–	179,243	–	–	–	–	–	179,243
Claims on customers under acceptance credits	–	4,882,661	–	–	–	–	–	4,882,661
Staff financing	618,934	1,518,560	9,784	152,340	–	–	49,928	2,349,546
Credit card receivables	–	–	–	–	–	–	982,881	982,881
Revolving credit	–	16,742,846	–	–	–	–	–	16,742,846
Financing to:								
– Directors of the Bank	2,258	865	–	918	–	–	–	4,041
– Directors of subsidiaries	–	2,761	–	303	–	–	29	3,093
	40,010,294	178,761,314	3,584,198	37,330,301	124,918	132,079	1,093,234	261,036,338
Unearned income								(97,335,170)
Gross financing and advances**								163,701,168
Allowances for impaired financing and advances:								
– Individual allowance								(661,181)
– Collective allowance								(825,954)
Net financing and advances								162,214,033
2016								
Cashline	–	4,844,236	–	–	–	157	–	4,844,393
Term financing								
– Housing financing	19,101,421	59,662,500	2,563,623	–	–	–	–	81,327,544
– Syndicated financing	–	824,763	–	–	–	–	–	824,763
– Hire purchase receivables	–	–	–	36,148,172	–	–	–	36,148,172
– Other term financing	27,852,633	69,777,874	1,339,766	–	118,178	148,079	54,879	99,291,409
Bills receivables	–	793	–	–	–	–	379	1,172
Trust receipts	–	153,310	–	–	–	–	–	153,310
Claims on customers under acceptance credits	–	4,838,297	–	–	–	–	–	4,838,297
Staff financing	737,605	1,369,618	10,546	150,097	–	–	47,785	2,315,651
Credit card receivables	–	–	–	–	–	–	825,661	825,661
Revolving credit	–	16,596,086	–	–	–	–	–	16,596,086
Financing to:								
– Directors of the Bank	391	2,932	–	226	–	–	–	3,549
– Directors of subsidiaries	–	–	–	–	–	–	3	3
	47,692,050	158,070,409	3,913,935	36,298,495	118,178	148,236	928,707	247,170,010
Unearned income								(96,954,485)
Gross financing and advances**								150,215,525
Allowances for impaired financing and advances:								
– Individual allowance								(746,215)
– Collective allowance								(758,418)
Net financing and advances								148,710,892

* Bai' comprises Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

** Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of customers ("IA").

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

Group	2017 RM'000	2016 RM'000
Domestic non-banking institutions	**4,979,718**	5,389,556
Domestic business enterprises		
– Small and medium enterprises	**15,430,088**	17,405,662
– Others	**30,886,510**	28,139,041
Government and statutory bodies	**14,501,853**	8,546,355
Individuals	**96,187,112**	89,401,016
Other domestic entities	**25,455**	27,117
Foreign entities	**1,690,432**	1,306,778
Gross financing and advances	**163,701,168**	150,215,525

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

Group	2017 RM'000	2016 RM'000
Fixed rate		
– House financing	**1,197,274**	1,411,729
– Hire purchase receivables	**32,249,261**	31,306,119
– Other financing	**27,148,158**	27,228,395
	60,594,693	59,946,243
Floating rate		
– House financing	**35,422,279**	30,589,184
– Other financing	**67,684,196**	59,680,098
	103,106,475	90,269,282
Gross financing and advances	**163,701,168**	150,215,525

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

Group	2017 RM'000	2016 RM'000
Purchase of securities	**20,351,945**	19,549,967
Purchase of transport vehicles	**32,224,211**	31,286,124
Purchase of landed properties		
– Residential	**35,970,912**	30,560,568
– Non-residential	**11,223,437**	11,448,638
Purchase of fixed assets	**40,451**	30,867
Personal use	**3,540,248**	3,293,019
Consumer durables	**330**	293
Construction	**3,627,019**	3,553,259
Working capital	**55,566,579**	49,393,180
Credit/charge cards	**1,028,349**	867,904
Other purposes	**127,687**	231,706
Gross financing and advances	**163,701,168**	150,215,525

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

Group	2017 RM'000	2016 RM'000
Within one year	**33,402,949**	31,920,746
One year to three years	**6,887,139**	5,243,447
Three years to five years	**13,267,220**	14,356,180
After five years	**110,143,860**	98,695,152
Gross financing and advances	**163,701,168**	150,215,525

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

Group	2017 RM'000	2016 RM'000
Gross impaired financing at 1 January	**1,667,994**	1,065,972
Newly impaired	**1,289,639**	1,470,216
Reclassified as non-impaired	**(531,863)**	(415,007)
Amount recovered	**(405,108)**	(237,721)
Amount written-off	**(265,363)**	(215,466)
Gross impaired financing at 31 December	**1,755,299**	1,667,994
Calculation of ratio of net impaired financing:		
Gross impaired financing at 31 December (excluding financing funded by RPSIA and IA)	**1,689,335**	1,586,303
Less: Individual allowance	**(661,181)**	(746,215)
Net impaired financing at 31 December	**1,028,154**	840,088
Gross financing and advances (excluding financing funded by RPSIA and IA)	**122,450,621**	100,940,476
Less: Individual allowance	**(661,181)**	(746,215)
Net financing and advances	**121,789,440**	100,194,261
Net impaired financing as a percentage of net financing and advances	**0.84%**	0.84%

(vi) Impaired financing and advances by economic purposes are as follows:

Group	2017 RM'000	2016 RM'000
Purchase of securities	**10,490**	14,906
Purchase of transport vehicles	**149,452**	135,642
Purchase of landed properties		
– Residential	**158,635**	117,898
– Non-residential	**91,046**	79,290
Personal use	**20,548**	17,375
Consumer durables	**8**	14
Construction	**349,422**	356,865
Working capital	**964,980**	938,065
Credit/charge cards	**10,718**	7,939
Impaired financing and advances	**1,755,299**	1,667,994

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

(vii) Movements in the allowances for impaired financing and advances are as follows:

Group	2017 RM'000	2016 RM'000
Individual allowance		
At 1 January	**746,215**	356,555
Allowance made (Note 62(ab))	**159,929**	522,127
Amount written back in respect of recoveries (Note 62(ab))	**(75,632)**	(22,583)
Amount written-off	**(156,307)**	(121,604)
Transferred to collective allowance	**(5,191)**	(3,406)
Exchange differences	**(7,833)**	15,126
At 31 December	**661,181**	746,215
Collective allowance		
At 1 January	**758,418**	755,997
Allowance made* (Note 62(ab))	**178,389**	104,376
Amount written-off	**(115,476)**	(105,591)
Transferred from individual allowance	**5,191**	3,406
Exchange differences	**(568)**	230
At 31 December	**825,954**	758,418
As a percentage of gross financing and advances (excluding financing funded by RPSIA and IA) less individual allowance (including regulatory reserve)	**1.20%**	1.20%

* As at 31 December 2017, the gross exposure of the financing funded by RPSIA was RM16,695.1 million (2016: RM17,730.5 million). The individual allowance and collective allowance relating to this RPSIA amounting to RM168.3 million and RM41.5 million (2016: RM126.7 million and RM52.0 million) respectively are recognised in the Group's conventional banking operations.

The gross exposure of the financing funded by IA as at 31 December 2017 was RM24,555.4 million (2016: RM31,544.6 million). The individual allowance and collective allowance relating to financing funded by IA are not recognised in the financial statement of the Group, but is charged to and borne by the investors.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Derivative financial instruments

The table below shows the fair value of derivative financial instruments recorded as assets or liabilities, together with their principal amounts. The principal amount, recorded gross, is the amount of the derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The principal amounts indicate the volume of transactions outstanding at the financial year end and are indicative of neither the market risk nor the credit risk.

The IBS enters into derivative financial instruments at the request and on behalf of its customers as well as to hedge the IBS' own exposures and not for speculative purpose.

	2017			2016		
		<---------- Fair Values ---------->			<---------- Fair Values ---------->	
Group	**Principal amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Principal amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives						
Foreign exchange related contracts						
Currency forward:						
– Less than one year	**3,978,004**	**8,805**	**(223,594)**	4,087,372	263,098	(3,724)
– One year to three years	**623,903**	**8,534**	**(18,294)**	–	–	–
Currency swaps:						
– Less than one year	**5,451,419**	**229,285**	**(152,482)**	5,212,700	14,892	(263,997)
Currency spots:						
– Less than one year	**270,312**	**10**	**(872)**	46,449	6	(24)
Currency options:						
– Less than one year	**–**	**–**	**–**	1,794	130	(130)
Cross currency profit rate swaps:						
– One year to three years	**632,421**	**33,862**	**(33,039)**	–	–	–
– More than three years	**2,013,315**	**65,553**	**(65,553)**	668,208	75,201	(73,928)
	12,969,374	**346,049**	**(493,834)**	10,016,523	353,327	(341,803)
Profit rate related contracts						
Profit rate options:						
– More than three years	**1,490,000**	**5,463**	**(16,789)**	1,310,000	5,801	(28,111)
Profit rate swaps:						
– One year to three years	**850,000**	**1,849**	**(1,789)**	750,000	2,700	(2,777)
– More than three years	**2,900,620**	**18,451**	**(10,341)**	2,603,674	25,356	(20,655)
	5,240,620	**25,763**	**(28,919)**	4,663,674	33,857	(51,543)
	18,209,994	**371,812**	**(522,753)**	14,680,197	387,184	(393,346)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency profit rate swaps:						
– Less than one year	**170,607**	**–**	**(11,620)**	–	–	–
– One year to three years	**1,514,854**	**114,921**	**(114,921)**	1,704,621	127,296	(141,161)
	1,685,461	**114,921**	**(126,541)**	1,704,621	127,296	(141,161)
Profit rate related contracts						
Profit rate swaps:						
– Less than one year	**–**	**–**	**–**	1,000,000	368	(368)
– One year to three years	**607,500**	**1,256**	**(1,026)**	672,900	706	(286)
	607,500	**1,256**	**(1,026)**	1,672,900	1,074	(654)
	2,292,961	**116,177**	**(127,567)**	3,377,521	128,370	(141,815)
Total	**20,502,955**	**487,989**	**(650,320)**	18,057,718	515,554	(535,161)

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Other assets

Group	2017 RM'000	2016 RM'000
Amount due from holding company	**6,232,515**	3,758,203
Prepayment and deposits	**271,289**	263,164
Other debtors	**729,391**	938,622
	7,233,195	4,959,989

(l) Statutory deposits with central banks

The non-interest bearing statutory deposits maintained with BNM are in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as set percentages of total eligible liabilities.

(m) Property, plant and equipment

Group As at 31 December 2017	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 January 2017	**3,077**	**3,600**	**740**	**7,417**
Additions	**187**	**–**	**–**	**187**
Transferred to intangible assets (Note 62(n))	**–**	**(651)**	**–**	**(651)**
Exchange differences	**(173)**	**(562)**	**(75)**	**(810)**
At 31 December 2017	**3,091**	**2,387**	**665**	**6,143**
Accumulated depreciation				
At 1 January 2017	**2,789**	**1,509**	**553**	**4,851**
Depreciation charge for the financial year (Note 62(ad))	**225**	**153**	**95**	**473**
Exchange differences	**(110)**	**(62)**	**(62)**	**(234)**
At 31 December 2017	**2,904**	**1,600**	**586**	**5,090**
Net carrying amount				
At 31 December 2017	**187**	**787**	**79**	**1,053**

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

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

Group As at 31 December 2016	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 January 2016	2,620	1,567	733	4,920
Additions	230	1,835	–	2,065
Disposals	–	–	(18)	(18)
Exchange differences	227	198	25	450
At 31 December 2016	3,077	3,600	740	7,417
Accumulated depreciation				
At 1 January 2016	2,595	1,173	263	4,031
Depreciation charge for the financial year (Note 62(ad))	23	116	286	425
Disposals	–	–	(18)	(18)
Exchange differences	171	220	22	413
At 31 December 2016	2,789	1,509	553	4,851
Net carrying amount				
At 31 December 2016	288	2,091	187	2,566

(n) Intangible assets

Group	2017 RM'000	2016 RM'000
Computer software		
Cost		
At 1 January	**7,374**	6,299
Additions	**1,776**	617
Transferred from property, plant and equipment (Note 62(m))	**651**	–
Exchange differences	**(772)**	458
At 31 December	**9,029**	7,374
Accumulated amortisation		
At 1 January	**6,760**	6,191
Amortisation charge for the financial year (Note 62(ad))	**428**	112
Exchange differences	**(700)**	457
At 31 December	**6,488**	6,760
Net carrying amount		
At 31 December	**2,541**	614

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(o) Deferred tax assets

Group	2017 RM'000	2016 RM'000
At 1 January	**(21,012)**	(38,402)
Recognised in income statements, net (Note 62(ae))	**(25,556)**	18
Recognised in statement of comprehensive income, net	**7,363**	17,482
Exchange differences	**1,827**	(110)
At 31 December	**(37,378)**	(21,012)

Deferred tax assets of the Group:

Group	Allowances for impairment losses on financing and advances RM'000	AFS reserve, impairment loss on financial investments and amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2017					
At 1 January 2017	**(176)**	**(17,903)**	**(29)**	**(2,904)**	**(21,012)**
Recognised in income statement	**(24,371)**	**–**	**(192)**	**(993)**	**(25,556)**
Recognised in statement of comprehensive income	**–**	**7,239**	**124**	**–**	**7,363**
Exchange differences	**1,683**	**–**	**92**	**52**	**1,827**
At 31 December 2017	**(22,864)**	**(10,664)**	**(5)**	**(3,845)**	**(37,378)**
As at 31 December 2016					
At 1 January 2016	(141)	(35,290)	(67)	(2,904)	(38,402)
Recognised in income statement	–	–	–	18	18
Recognised in statement of comprehensive income	–	17,387	95	–	17,482
Exchange differences	(35)	–	(57)	(18)	(110)
At 31 December 2016	(176)	(17,903)	(29)	(2,904)	(21,012)

(p) Deposits from customers

Group	2017 RM'000	2016 RM'000
Savings deposit		
Qard	**14,629,051**	13,498,387
Demand deposit		
Qard	**18,734,884**	17,403,516
Term deposit		
Murabahah	**94,379,313**	73,653,740
Qard	**2,325,740**	2,287,318
	96,705,053	75,941,058
Total deposits from customers	**130,068,988**	106,842,961

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) Deposits from customers (cont'd.)

(i) The maturity profile of term deposits are as follows:

Group	2017 RM'000	2016 RM'000
Within six months	**80,676,337**	69,792,917
Six months to one year	**14,731,846**	6,093,985
One year to three years	**1,273,516**	30,863
Three years to five years	**23,354**	23,293
	96,705,053	75,941,058

(ii) The deposits are sourced from the following types of customers:

Group	2017 RM'000	2016 RM'000
Business enterprises	**53,932,007**	43,286,750
Individuals	**41,157,440**	33,244,988
Government and statutory bodies	**19,292,571**	17,395,634
Others	**15,686,970**	12,915,589
	130,068,988	106,842,961

(q) Investment accounts of customers

(i) Movements in the investment accounts of customers are as follows:

Group	2017 RM'000	2016 RM'000
Funding inflows/(outflows)		
At 1 January	**31,544,587**	17,657,893
New placement during the financial year	**57,230,520**	99,504,483
Redemption during the financial year	**(64,204,911)**	(85,637,094)
Profit payable	**(14,751)**	19,305
At 31 December	**24,555,445**	31,544,587

(ii) Unrestricted investment account are sourced from the following customers:

Group	2017 RM'000	2016 RM'000
Business enterprises	**9,841,269**	13,040,863
Individuals	**13,255,075**	16,197,049
Government and statutory bodies	**218,371**	460,216
Others	**1,240,730**	1,846,459
	24,555,445	31,544,587

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(q) Investment accounts of customers (cont'd.)

(iii) Maturity structure of unrestricted investment accounts are as follows:

Group	2017 RM'000	2016 RM'000
Mudharabah		
– Without maturity	**9,948,920**	7,564,114
– With maturity	**14,606,525**	23,980,473
Due within six months	**12,053,209**	15,045,407
Six months to one year	**2,532,512**	8,929,760
One year to three years	**2,564**	3,513
Three years to five years	**18,240**	1,793
	24,555,445	31,544,587

(iv) The allocations of investment asset are as follows:

Group	2017 RM'000	2016 RM'000
Retail financing	**24,554,642**	27,913,126
Non-retail financing	**803**	3,631,461
	24,555,445	31,544,587

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

	Investment account holder ("IAH")	
Group	Average profit sharing ratio %	Average rate of return %
2017		
Investment accounts of customers	**60**	**3.07**
2016		
Investment accounts of customers	63	3.17

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(r) Deposits and placements from financial institutions

Group	2017 RM'000	2016 RM'000
Mudharabah Fund		
Licensed banks*	**18,082,098**	17,771,962
	18,082,098	17,771,962
Non-Mudharabah Fund		
Licensed banks	**5,260,456**	10,667,415
Licensed Islamic banks	**1,873,521**	198,120
Licensed investment banks	**199,034**	–
Other financial institutions	**2,836,162**	1,708,800
	10,169,173	12,574,335
	28,251,271	30,346,297

* Included in the deposits and placements from licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the Group's conventional operations amounting to RM18,068.2 million (2016: RM17,767.7 million). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the investor solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne by the Group's conventional operations as the investor.

(s) Financial liabilities at fair value through profit or loss

Group	2017 RM'000	2016 RM'000
Structured deposits	**892,695**	902,091

The Group have designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 *Financial Instruments: Recognition and Measurement* as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and include terms that have substantive derivative characteristics.

The carrying amount of structured deposits designated at fair value through profit or loss of the Group as at 31 December 2017 was RM898,182,000 (2016: RM917,160,000). The fair value changes of the financial liabilities that are attributable to the changes in its own credit risk are not significant.

(t) Other liabilities

Group	2017 RM'000	2016 RM'000
Due to holding company	**330,542**	283,213
Other creditors, provisions and accruals	**326,692**	101,597
Defined benefit pension plans	**3,446**	3,805
	660,680	388,615

(u) Provision for taxation and zakat

Group	2017 RM'000	2016 RM'000
Taxation	**130,022**	81,540
Zakat	**18,488**	17,021
	148,510	98,561

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(v) Term funding

Group	2017 RM'000	2016 RM'000
Unsecured term funding:		
(i) Commercial Papers		
– Less than one year	**2,459,845**	–
(ii) Medium Term Notes		
– Less than one year	**482,370**	–
– More than one year	**2,003,222**	–
	2,485,592	–
Total term funding	**4,945,437**	–

The unsecured term fundings are commercial papers and medium term notes denominated in Ringgit Malaysia ("RM"). The profit rates of these unsecured term fundings ranging from 3.68% to 4.20% per annum.

Details of the unsecured term fundings are as follows:

Description	Issue date	Maturity date	Profit rate (% p.a.)	Nominal value
Maybank Islamic Berhad				
RM10.0 billion Commercial Paper/Medium Term Note Programme				
Islamic zero coupon medium term notes	16-Nov-17	16-Nov-18	–	RM250.0 million
Islamic medium term notes	18-Dec-17	16-Dec-22	4.20	RM2,000.0 million
Islamic zero coupon medium term notes	19-Dec-17	19-Dec-18	–	RM250.0 million

Additionally, the aggregate nominal value of the commercial papers are as follows:

Description	Tenor	Nominal value
Maybank Islamic Berhad		
RM10.0 billion Commercial Paper/Medium Term Note Programme	90 – 365 days	RM2,500.0 million

(w) Subordinated sukuk

Group	Note	2017 RM'000	2016 RM'000
RM1,500 million subordinated sukuk due in 2024	(i)	**1,516,397**	1,516,788
RM1,000 million subordinated sukuk due in 2026	(ii)	**1,017,708**	1,017,708
		2,534,105	2,534,496

Details of the issued subordinated sukuk are as follows:

Note	Description/nominal value	Issue date	First call date	Maturity date	Profit rate (% p.a.)
	Maybank Islamic Berhad				
	RM10.0 billion Subordinated Sukuk Murabahah Programme				
(i)	RM1,500.0 million[1]	7-Apr-14	5-Apr-19	5-Apr-24	4.75
(ii)	RM1,000.0 million[1]	15-Feb-16	15-Feb-21	13-Feb-26	4.65

[1] The subsidiary may, subject to the prior consent of BNM, redeem these subordinated sukuk, in whole or in part, on the first redemption date and on each profit payment date thereafter.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(x) Capital securities

Description	Issue date	First call date	Maturity date	2017 RM'000	2016 RM'000
Maybank Islamic Berhad					
RM10.0 billion Additional Tier 1 Sukuk Wakalah Programme					
RM1,000.0 million 4.95% Additional Tier 1 Sukuk Wakalah[1]	14-Dec-17	14-Dec-22	Perpetual	**1,002,441**	–

[1] The subsidiary, may redeem these capital securities, in whole or in part on the first redemption date and on every Periodic Distribution Date thereafter.

(y) Income derived from investment of depositors' funds

Group	2017 RM'000	2016 RM'000
Income from investment of:		
(i) General investment deposits	**5,237,277**	4,369,717
(ii) Other deposits	**1,808,105**	1,778,534
	7,045,382	6,148,251

(i) Income derived from investment of general investment deposits:

Group	2017 RM'000	2016 RM'000
Finance income and hibah:		
Financing and advances	**4,300,422**	3,538,772
Financial investments AFS	**221,718**	151,248
Financial investments HTM	**61,785**	4
Financial assets at FVTPL	**5,866**	4,272
Money at call and deposits and placements with financial institutions	**338,857**	289,664
	4,928,648	3,983,960
Amortisation of premiums less accretion of discounts, net	**53,721**	84,861
Total finance income and hibah	**4,982,369**	4,068,821
Other operating income:		
Fee income	**246,133**	224,950
Gain on disposal of financial assets at FVTPL	**327**	1,908
Gain on disposal of financial investments AFS	**6,650**	17,111
Unrealised gain/(loss) of:		
– Financial assets at FVTPL	**(7)**	30
– Financial liabilities at FVTPL	**(6,839)**	10,192
– Derivatives	**4,646**	(16,766)
Foreign exchange (loss)/gain, net	**(8,365)**	51,932
Net profit on derivatives	**12,363**	11,539
Total other operating income	**254,908**	300,896
	5,237,277	4,369,717

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

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

(ii) Income derived from investment of other deposits:

Group	2017 RM'000	2016 RM'000
Finance income and hibah:		
Financing and advances	**1,483,700**	1,439,617
Financial investments AFS	**76,341**	61,426
Financial investments HTM	**21,291**	4
Financial assets at FVTPL	**2,020**	1,735
Money at call and deposits and placements with financial institutions	**118,300**	118,904
	1,701,652	1,621,686
Amortisation of premiums less accretion of discounts, net	**18,497**	34,463
Total finance income and hibah	**1,720,149**	1,656,149
Other operating income:		
Fee income	**84,814**	91,423
Gain on disposal of financial assets at FVTPL	**113**	775
Gain on disposal of financial investments AFS	**2,290**	6,949
Unrealised gain/(loss) of:		
– Financial assets at FVTPL	**(2)**	12
– Financial liabilities at FVTPL	**(2,355)**	4,139
– Derivatives	**1,600**	(6,809)
Foreign exchange (loss)/gain, net	**(2,761)**	21,210
Net profit on derivatives	**4,257**	4,686
Total other operating income	**87,956**	122,385
	1,808,105	1,778,534

(z) Income derived from investment of investment account funds

Group	2017 RM'000	2016 RM'000
Finance income and hibah:		
Financing and advances	**1,503,196**	1,570,992
Financial investments AFS	**–**	1,308
	1,503,196	1,572,300
Other operating income:		
Fee income	**23,652**	41,512
	1,526,848	1,613,812

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(aa) Income derived from investment of Islamic Banking Funds

Group	2017 RM'000	2016 RM'000
Finance income and hibah:		
Financing and advances	**257,175**	272,083
Financial investments AFS	**12,578**	10,936
Financial investments HTM	**3,582**	10
Financial assets at FVTPL	**333**	314
Money at call and deposits and placements with financial institutions	**26,388**	27,354
	300,056	310,697
Accretion of discounts, net	**3,048**	6,137
Total finance income and hibah	**303,104**	316,834
Other operating income:		
Fee income	**94,159**	34,988
Gain on disposal of financial assets at FVTPL	**4,598**	138
Gain on disposal of financial investments AFS	**377**	1,237
Unrealised gain/(loss) of:		
– Financial assets at FVTPL	**–**	2
– Financial liabilities at FVTPL	**(388)**	737
– Derivatives	**264**	(1,212)
Foreign exchange (loss)/gain, net	**(654)**	3,018
Net profit on derivatives	**701**	834
Total other operating income	**99,057**	39,742
	402,161	356,576

(ab) Allowances for impairment losses on financing and advances

Group	2017 RM'000	2016 RM'000
Individual allowance:		
– Allowance made (Note 62(i)(vii))	**159,929**	522,127
– Amount written back (Note 62(i)(vii))	**(75,632)**	(22,583)
Collective allowance (Note 62(i)(vii))	**178,389**	104,376
Bad debts and financing:		
– Written-off	**9,371**	8,451
– Recovered	**(120,430)**	(193,284)
Allowances for/(writeback of) impairment losses on other debts	**554**	(136)
	152,181	418,951

(ac) Profit distributed to depositors

Group	2017 RM'000	2016 RM'000
Deposits from customers:		
– Mudharabah Fund	**4,763**	9,490
– Non-Mudharabah Fund	**2,971,975**	2,709,548
Deposits and placements from financial institutions:		
– Mudharabah Fund	**640,642**	418,112
– Non-Mudharabah Fund	**332,224**	285,422
Financial liabilities at fair value through profit or loss	**44,894**	50,341
	3,994,498	3,472,913

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ad) Overhead expenses

Group	2017 RM'000	2016 RM'000
Personnel expenses:		
– Salaries and wages	**39,950**	36,456
– Social security cost	**131**	121
– Pension cost – defined contribution plan	**4,646**	4,528
– ESS expenses	**511**	1,007
– Other staff related expenses	**7,930**	7,780
	53,168	49,892
Establishment costs:		
– Depreciation of property, plant and equipment (Note 62(m))	**473**	425
– Amortisation of computer software (Note 62(n))	**428**	112
– Information technology expenses	**3,330**	3,020
– Others	**5,702**	5,839
	9,933	9,396
Marketing costs:		
– Advertisement and publicity	**9,627**	10,930
– Others	**1,774**	2,855
	11,401	13,785
Administration and general expenses:		
– Fees and brokerage	**67,787**	51,732
– Administrative expenses	**1,300**	4,994
– General expenses	**98,898**	57,233
	167,985	113,959
Shared service cost paid/payable to Maybank	**1,174,521**	1,106,007
Total	**1,417,008**	1,293,039
Included in overhead expenses are:		
Shariah Committee Members' fee and remuneration	**607**	726

(ae) Taxation

Group	2017 RM'000	2016 RM'000
Tax expense for the financial year	**531,062**	427,419
(Over)/under provision in respect of prior years:		
Malaysian income tax	**(11,080)**	7
	519,982	427,426
Deferred tax (Note 62(o)):		
Relating to origination and reversal of temporary differences	**(25,556)**	18
	(25,556)	18
	494,426	427,444

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(af) Commitments and contingencies

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

The risk-weighted exposures of the Group as at each reporting date are as follows:

Group 2017	Full Commitment RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Contingent liabilities			
Direct credit substitutes	1,483,863	1,438,157	1,292,069
Certain transaction-related contingent items	3,486,103	1,718,161	1,278,929
Short-term self-liquidating trade-related contingencies	188,659	36,697	28,596
	5,158,625	3,193,015	2,599,594
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	19,987,064	4,218,895	2,330,534
– Maturity exceeding one year	7,705,504	2,676,066	1,093,008
	27,692,568	6,894,961	3,423,542
Miscellaneous commitments and contingencies	126,710	–	–
Total credit-related commitments and contingencies	32,977,903	10,087,976	6,023,136
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	9,870,342	407,037	83,392
– One year to less than five years	4,784,493	182,470	103,359
	14,654,835	589,507	186,751
Profit rate related contracts:			
– One year to less than five years	3,808,120	683,383	284,177
– Five years and above	2,040,000	72,276	41,970
	5,848,120	755,659	326,147
Total treasury-related commitments and contingencies	20,502,955	1,345,166	512,898
Total commitments and contingencies	53,480,858	11,433,142	6,536,034

* The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(af) Commitments and contingencies (cont'd.)

The risk-weighted exposures of the Group as at each reporting date are as follows (cont'd.):

Group 2016	Full Commitment RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Contingent liabilities			
Direct credit substitutes	1,243,371	1,243,371	1,275,387
Certain transaction-related contingent items	2,344,978	1,158,149	861,937
Short-term self-liquidating trade-related contingencies	295,126	50,777	35,283
	3,883,475	2,452,297	2,172,607
Commitments			
Irrevocable commitments to extend credit:			
– Maturity within one year	21,396,886	4,788,406	2,352,723
– Maturity exceeding one year	8,703,287	2,728,616	1,321,241
	30,100,173	7,517,022	3,673,964
Miscellaneous commitments and contingencies	56,028	–	–
Total credit-related commitments and contingencies	34,039,676	9,969,319	5,846,571
Derivative financial instruments			
Foreign exchange related contracts:			
– Less than one year	9,348,315	456,329	116,847
– One year to less than five years	2,372,829	137,963	53,150
	11,721,144	594,292	169,997
Profit rate related contracts:			
– Less than one year	1,000,000	612	710
– One year to less than five years	2,822,620	424,627	191,104
– Five years and above	2,513,954	102,199	92,637
	6,336,574	527,438	284,451
Total treasury-related commitments and contingencies	18,057,718	1,121,730	454,448
Total commitments and contingencies	52,097,394	11,091,049	6,301,019

* The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ag) Capital adequacy

The capital adequacy ratios of the Group are as follows:

Group	2017	2016
CET1 Capital Ratio	**14.935%**	14.358%
Tier 1 Capital Ratio	**16.559%**	14.358%
Total Capital Ratio	**21.127%**	18.873%

Components of capital:

Group	2017 RM'000	2016 RM'000
CET1/Tier 1 Capital		
Paid-up share capital/Islamic Banking Fund	**5,769,752**	595,076
Share premium	**–**	5,200,228
Retained profits	**3,499,853**	2,881,471
Other reserves	**472,804**	746,993
CET1 Capital before regulatory adjustments	**9,742,409**	9,423,768
Less: Regulatory adjustment applied in CET1 Capital	**(546,078)**	(414,711)
Total CET1 Capital	**9,196,331**	9,009,057
Additional Tier 1 Capital		
Capital securities	**1,000,000**	–
Total Tier 1 Capital	**10,196,331**	9,009,057
Tier 2 Capital		
Tier 2 capital instruments	**2,500,000**	2,500,000
Collective allowance[1]	**25,694**	28,972
Surplus of eligible provision over expected loss	**287,154**	304,154
Total Tier 2 Capital	**2,812,848**	2,833,126
Total Capital	**13,009,179**	11,842,183

[1] Excludes collective allowance for impaired financing and advances restricted from Tier 2 Capital.

The breakdown of RWA by each major risk categories are as follows:

Group	2017 RM'000	2016 RM'000
Standardised Approach exposure	**9,240,097**	7,320,596
Internal Ratings-Based Approach exposure after scaling factor	**60,375,489**	64,936,792
Total RWA for credit risk	**69,615,586**	72,257,388
Total RWA for credit risk absorbed by Maybank and IAH*	**(15,855,390)**	(16,426,406)
Total RWA for market risk	**1,169,182**	1,096,340
Total RWA for operational risk	**6,647,456**	5,819,189
Total RWA	**61,576,834**	62,746,511

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

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ah) Fair values of financial assets and financial liabilities

The estimated fair values of financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the following financial assets and liabilities:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2017					
Financial assets					
Financial investments HTM	–	2,973,952	–	2,973,952	2,969,989
Financing and advances	–	36,688,103	122,503,950	159,192,053	162,214,033
Financial liabilities					
Customers' funding:					
– Deposits from customers	–	130,058,317	–	130,058,317	130,068,988
– Investment accounts of customers^	–	24,555,704	–	24,555,704	24,555,445
Deposits and placements from financial institutions	–	28,176,217	–	28,176,217	28,251,271
Term funding	–	4,941,794	–	4,941,794	4,945,437
Subordinated sukuk	–	2,558,967	–	2,558,967	2,534,105
Capital securities	–	999,897	–	999,897	1,002,441
2016					
Financial assets					
Financial investments HTM	–	211,365	–	211,365	209,886
Financing and advances	–	36,977,004	108,483,054	145,460,058	148,710,892
Financial liabilities					
Customers' funding:					
– Deposits from customers	–	106,637,006	–	106,637,006	106,842,961
– Investment accounts of customers^	–	31,544,591	–	31,544,591	31,544,587
Deposits and placements from financial institutions	–	30,281,851	–	30,281,851	30,346,297
Subordinated sukuk	–	2,517,123	–	2,517,123	2,534,496

^ Investment accounts of customers are used to fund financing and advances as disclosed in Note 62(i)(vii).

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as disclosed in Note 53.

(ai) Allocation of income

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework on Rate of Return" issued by BNM in October 2001 and has been updated on 13 March 2013. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

(aj) Shariah disclosures

(i) Shariah Committee and governance

The operation of the Group is governed by Section 28 and 29 of the Islamic Financial Services Act 2013 ("IFSA"), which stipulates that "any licensed institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah and in accordance with the advice or ruling of 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 Shariah Committee are to advise on the overall Islamic Banking operations of the Group's business in order to ensure compliance with the Shariah requirements.

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(aj) Shariah disclosures (cont'd.)

(i) Shariah Committee and governance (cont'd.)

The roles and responsibilities of Shariah Committee ("SC") in monitoring the Group's activities include:

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

(b) To endorse Shariah Compliance Manual;

(c) To endorse and validate relevant documentations;

(d) To assist related parties on Shariah matters for advise upon request;

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

(f) To provide written Shariah opinion; and

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

The Shariah Committee at the Group level has five members.

Any transaction suspected as Shariah non-compliance will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and Bank Negara Malaysia. For any Shariah non-compliance transactions, the related income will be purified by channeling the amount to an approved charitable organisation.

(ii) Shariah non-compliance events

For the financial year ended 31 December 2017, the nature of transactions deliberated at the Shariah Committee for Shariah non-compliance are as follows:

Group	No. of events	RM'000
2017		
Non-existence and/or insufficient of underlying assets, usage of non-eligible underlying assets and non-execution of aqad	**3**	**1**
	3	**1**
2016		
Non-existence and/or insufficient of underlying assets, usage of non-eligible underlying assets and non-execution of aqad	4	64
	4	64

(iii) Sources and uses of charity funds

Apart from the purification of income from Shariah non-compliance events, Maybank Islamic Berhad has implemented several rectification measures relating to processes, legal documents and other control mechanism to minimise reoccurrence of Shariah non-compliance incidents.

	2017 RM'000	2016 RM'000
Sources of charity funds		
Shariah non-compliance/prohibited income	**1**	64
Income earned from late payment charges	**–**	30
Total sources of charity funds during the financial year	**1**	94
Uses of charity funds		
Contribution to non-profit organisation	**1**	94
Total uses of charity funds during the financial year	**1**	94
Undistributed charity funds as at 31 December	**–**	–

(iv) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contracts is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES

(a) Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital 2017 RM	Share Capital 2016 RM	Effective Interest held by the Group 2017 %	Effective Interest held by the Group 2016 %	Effective Interest held by the Non-Controlling Interest 2017 %	Effective Interest held by the Non-Controlling Interest 2016 %	Total 2017 %	Total 2016 %
Banking										
Maybank Islamic Berhad	Islamic banking	Malaysia	**5,481,783,300**	5,481,783,300	**100.00**	100.00	**–**	–	**100.00**	100.00
PT Bank Maybank Syariah Indonesia[11]	Islamic banking	Indonesia	**819,307,000,000[1]**	819,307,000,000[1]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank International (L) Ltd.	Offshore banking	Malaysia	**3,500,000[2]**	60,000,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Philippines, Incorporated[11]	Banking	Philippines	**10,545,500,302[3]**	10,545,500,302[3]	**99.97**	99.97	**0.03**	0.03	**100.00**	100.00
PT Bank Maybank Indonesia Tbk[11]	Banking	Indonesia	**8,220,957,567,797[1]**	8,220,957,567,797[1]	**98.31[15]**	98.31[15]	**1.69**	1.69	**100.00**	100.00
Maybank (Cambodia) Plc.[11]	Banking	Cambodia	**65,000,000[2]**	50,000,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
Finance										
Myfin Berhad	Ceased operations	Malaysia	**847,500,000**	847,500,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Allied Credit & Leasing Sdn. Bhd.	Financing	Malaysia	**10,000,000**	10,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
PT Maybank Indonesia Finance[11]	Multi-financing	Indonesia	**32,370,000,000[1]**	32,370,000,000[1]	**98.31[15]**	98.31[15]	**1.69**	1.69	**100.00**	100.00
PT Wahana Ottomitra Multiartha Tbk[11]	Multi-financing	Indonesia	**508,338,022,174[1]**	508,338,022,174[1]	**67.39[15]**	67.39[15]	**32.61**	32.61	**100.00**	100.00
Kim Eng Finance (Singapore) Pte. Ltd.[11]	Money lending	Singapore	**2[4]**	2[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Insurance										
Maybank Ageas Holdings Berhad	Investment holding	Malaysia	**660,866,223**	653,566,223	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Etiqa Life International (L) Ltd.	Offshore investment-linked insurance	Malaysia	**3,500,000[2]**	3,500,000[2]	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Etiqa Insurance Berhad	General insurance, life insurance and investment-linked business	Malaysia	**169,878,927**	169,878,927	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Etiqa Takaful Berhad	General takaful, family takaful and investment-linked business	Malaysia	**400,000,000**	400,000,000	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Etiqa Offshore Insurance (L) Ltd.	Provision of bureau services in Federal Territory of Labuan	Malaysia	**124,841[6]**	124,841[6]	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Etiqa International Holdings Sdn. Bhd.	Investment holding	Malaysia	**485,310,828**	485,310,828	**100.00**	100.00	**–**	–	**100.00**	100.00
AsianLife & General Assurance Corporation[11]	Insurance provider	Philippines	**1,206,511,152[3]**	494,994,040[3]	**95.24**	95.24	**4.76**	4.76	**100.00**	100.00
Etiqa Insurance Pte. Ltd.[11]	Underwriting of general insurance and life insurance businesses	Singapore	**78,000,000[4]**	78,000,000[4]	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
PT Asuransi Asoka Mas[12]	Insurance provider	Indonesia	**150,000,000,000[1]**	–	**75.00**	–	**25.00**	–	**100.00**	–
Etiqa Life Insurance Berhad	Life and investment-linked business	Malaysia	**100,000,000**	–	**69.05**	–	**30.95**	–	**100.00**	–
Etiqa General Takaful Berhad	General takaful business	Malaysia	**870,000,000**	–	**69.05**	–	**30.95**	–	**100.00**	–

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital 2017 RM	Share Capital 2016 RM	Effective Interest held by the Group 2017 %	Effective Interest held by the Group 2016 %	Effective Interest held by the Non-Controlling Interest 2017 %	Effective Interest held by the Non-Controlling Interest 2016 %	Total 2017 %	Total 2016 %
Investment Banking										
Maybank Investment Bank Berhad	Investment banking	Malaysia	**222,785,000**	222,785,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maysec Sdn. Bhd.	Investment holding	Malaysia	**162,000,000**	162,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
PhileoAllied Securities (Philippines) Inc.[11]	Dormant	Philippines	**21,875,000[3]**	21,875,000[3]	**100.00**	100.00	**–**	–	**100.00**	100.00
BinaFikir Sdn. Bhd.	Business/ Economic consultancy and advisory	Malaysia	**742,011**	742,011	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank International Holdings Sdn. Bhd.	Investment holding	Malaysia	**4,390,000,000**	4,390,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Holdings Limited[11]	Investment holding	Singapore	**211,114,224[4]**	211,114,224[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Securities Pte. Ltd.[11]	Dealing in securities	Singapore	**75,000,000[4]**	75,000,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
PT. Maybank Kim Eng Securities[11]	Dealing in securities	Indonesia	**50,000,000,000[1]**	50,000,000,000[1]	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00
Maybank Kim Eng Securities (Thailand) Public Company Limited[11]	Dealing in securities	Thailand	**3,377,643,229[7]**	3,377,643,229[7]	**83.50**	83.50	**16.50**	16.50	**100.00**	100.00
Maybank Kim Eng Securities (London) Limited[11]	Dealing in securities	United Kingdom	**600,000[6]**	600,000[6]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Securities USA Inc.[12]	Dealing in securities	United States of America	**21,500,000[2]**	18,500,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
Kim Eng Securities India Private Limited[11]	Dealing in securities	India	**290,000,000[8]**	290,000,000[8]	**75.00**	75.00	**25.00**	25.00	**100.00**	100.00
Ong Asia Limited[11]	Under member's voluntary liquidation	Singapore	**63,578,072[4]**	63,578,072[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Ong Asia Securities (HK) Limited[11]	Securities trading	Hong Kong	**30,000,000[5]**	30,000,000[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Research Pte. Ltd.[11]	Provision of research services	Singapore	**300,000[4]**	300,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Kim Eng Securities (Hong Kong) Limited[11]	Dealing in securities	Hong Kong	**310,000,000[5]**	310,000,000[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
Kim Eng Futures (Hong Kong) Limited[11]	Futures contracts broker	Hong Kong	**6,000,000[5]**	6,000,000[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank ATR Kim Eng Capital Partners, Inc.[11]	Corporate finance & financial and investment advisory	Philippines	**872,558,000[3]**	872,558,000[3]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank ATR Kim Eng Securities, Inc.[11]	Dealing in securities	Philippines	**404,795,900[3]**	404,795,900[3]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Securities Limited[11]	Dealing in securities	Vietnam	**829,110,000,000[10]**	829,110,000,000[10]	**100.00**	100.00	**–**	–	**100.00**	100.00

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital 2017 RM	Share Capital 2016 RM	Effective Interest held by the Group 2017 %	Effective Interest held by the Group 2016 %	Effective Interest held by the Non-Controlling Interest 2017 %	Effective Interest held by the Non-Controlling Interest 2016 %	Total 2017 %	Total 2016 %
Asset Management/ Trustees/Custody										
Maybank Asset Management Group Berhad	Investment holding	Malaysia	**212,300,030**	122,300,030	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank (Indonesia) Berhad	Dormant	Malaysia	**5,000,000**	5,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Cekap Mentari Berhad	Securities issuer	Malaysia	**2**	2	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank International Trust (Labuan) Berhad	Investment holding	Malaysia	**2,879,678,473**	2,879,678,473	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Offshore Corporate Services (Labuan) Sdn. Bhd.	Investment holding	Malaysia	**9,262,091,185**	9,262,091,185	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Trustees Berhad	Trustee services	Malaysia	**500,000**	500,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Private Equity Sdn. Bhd.	Private equity investments	Malaysia	**14,000,000**	14,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Asset Management Sdn. Bhd.	Fund management	Malaysia	**31,600,000**	31,600,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Philmay Property, Inc.[11]	Property leasing and trading	Philippines	**100,000,000[3]**	100,000,000[3]	**60.00**	60.00	**40.00**	40.00	**100.00**	100.00
Maybank (Nominees) Sdn. Bhd.	Nominee services	Malaysia	**31,000**	31,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Nominees (Singapore) Private Limited[11]	Nominee services	Singapore	**60,000[4]**	60,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Nominees (Hong Kong) Limited[11]	Nominee services	Hong Kong	**3[5]**	3[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Securities Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Securities Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Allied Berhad	Investment holding	Malaysia	**753,908,638**	753,908,638	**100.00**	100.00	**–**	–	**100.00**	100.00
Dourado Tora Holdings Sdn. Bhd.	Investment holding	Malaysia	**71,224,427**	71,224,427	**100.00**	100.00	**–**	–	**100.00**	100.00
Aurea Lakra Holdings Sdn. Bhd.	Property investment	Malaysia	**1,000,000**	1,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank International Trust (Labuan) Ltd.	*Liquidated*	Malaysia	**–**	40,000[2]	**–**	100.00	**–**	–	**–**	100.00
KBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**–**	–	**100.00**	100.00
KBB Properties Sdn. Bhd.	Ceased operations	Malaysia	**410,000**	410,000	**100.00**	100.00	**–**	–	**100.00**	100.00
Etiqa Overseas Investment Pte. Ltd.	Investment holding	Malaysia	**1[2]**	1[2]	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Double Care Sdn. Bhd.[14]	Under member's voluntary liquidation	Malaysia	**35,000,000**	35,000,000	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Sorak Financial Holdings Pte. Ltd.[11]	Investment holding	Singapore	**779,694,200[4]**	779,694,200[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Rezan Pte. Ltd.[11]	Investment holding	Singapore	**2[4]**	2[4]	**100.00**	100.00	**–**	–	**100.00**	100.00

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Share Capital 2017 RM	Share Capital 2016 RM	Effective Interest held by the Group 2017 %	Effective Interest held by the Group 2016 %	Effective Interest held by the Non-Controlling Interest 2017 %	Effective Interest held by the Non-Controlling Interest 2016 %	Total 2017 %	Total 2016 %
Asset Management/ Trustees/Custody (cont'd.)										
Maybank KE Strategic Pte. Ltd.[11]	Investment holding	Singapore	**2[4]**	2[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Properties Pte. Ltd.[11]	Property investment	Singapore	**8,000,000[4]**	8,000,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Strategic Acquisitions Pte. Ltd.[11]	Investment holding	Singapore	**1[4]**	1[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Kim Eng Investment Limited[11]	Investment holding	Hong Kong	**415,000,000[5]**	415,000,000[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
KE Sovereign Limited[13]	Investment holding	British Virgin Islands	**5,000,000[2]**	5,000,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
FXDS Learning Group Pte. Ltd.[11]	Financial education	Singapore	**200,000[4]**	200,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Ong & Company Private Limited[11]	Under member's voluntary liquidation	Singapore	**53,441,173[4]**	53,441,173[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Securities Nominees Pte. Ltd.[11]	Acting as nominee for beneficiary shareholders	Singapore	**10,000[4]**	10,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
St. Michael's Development Pte. Ltd.[11]	Under members' voluntary liquidation	Singapore	**1,000,000[4]**	1,000,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Asset Management Singapore Pte. Ltd.[11]	Fund management	Singapore	**5,000,000[4]**	5,000,000[4]	**100.00**	100.00	**–**	–	**100.00**	100.00
Kim Eng Nominees (Hong Kong) Limited[11]	Nominee services	Hong Kong	**2[5]**	2[5]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Kim Eng Properties USA Inc.[13]	Property investment	United States of America	**3,000,000[2]**	3,000,000[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
PT Prosperindo[12]	Investment holding	Indonesia	**240,510,000,000[1]**	240,510,000,000[1]	**100.00**	100.00	**–**	–	**100.00**	100.00
Maybank Shared Services Sdn. Bhd.	IT shared services	Malaysia	**5,000,000**	5,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
PT Maybank Asset Management[11]	Fund management	Indonesia	**48,000,000,000[1]**	48,000,000,000[1]	**99.00**	99.00	**1.00**	1.00	**100.00**	100.00
Maybank Islamic Asset Management Sdn. Bhd.	Fund management	Malaysia	**3,000,000**	3,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00
MAM DP Ltd.	Fund management	Malaysia	**1[2]**	1[2]	**100.00**	100.00	**–**	–	**100.00**	100.00
MBB Labs Private Limited	IT development services	India	**15,000,000[8]**	–	**100.00**	–	**–**	–	**100.00**	–

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest 2017 %	Effective Interest 2016 %
(b) Details of the deemed controlled structured entities are as follows:				
Held by the Bank				
Akshayam Asia Fund Limited[11, 16]	Equity Fund	British Virgin Islands	**90**	91
Akshayam Asia Master Fund Limited[11, 16]	Equity Fund	British Virgin Islands	**90**	91
Maybank Bluewaterz Total Return Bond Fund[11, 16]	Fixed Income Fund and other securities	Cayman Islands	**63**	83
Maybank Syariah Equity Fund[16]	Equity Fund	Indonesia	**99**	98
Held through subsidiaries				
Maybank Malaysia Sukuk Fund	Fixed Income Fund	Malaysia	**–**	100
MAM PE Asia Fund I (Labuan) LLP	Private Equity Fund	Malaysia	**100**	100
Maybank Asian Equity Fund[11]	Equity Fund	Singapore	**84**	100
Maybank Asian Income Fund[11]	Fixed Income Fund	Singapore	**88**	100
Maybank AsiaPac Ex-Japan Equity-I Fund	*Disposed*	Malaysia	**–**	97
Maybank Malaysia Equity-I Fund	Equity Fund	Malaysia	**84**	94
(c) Details of the associates are as follows:				
Held by the Bank				
Uzbek Leasing International A.O.[12]	Leasing	Uzbekistan	**20**	20
Philmay Holding, Inc.[11]	Investment holding	Philippines	**33**	33
Maybank Agro Fund Sdn. Bhd.	*Liquidated*	Malaysia	**–**	33
An Binh Commercial Joint Stock Bank[12]	Banking	Vietnam	**20**	20
Maybank Malaysia Sukuk Fund	Fixed Income Fund	Malaysia	**37**	–
Held through subsidiaries				
Pak-Kuwait Takaful Company Limited[12]	General takaful businesses	Pakistan	**22**	22
MCB Bank Limited[12]	Banking	Pakistan	**19**	20
Asian Forum, Inc.[12]	Under member's voluntary liquidation	Malaysia	**23**	23
Tullet Prebon (Philippines), Inc.[12]	Broker between participants in forex, and fixed income	Philippines	**49**	49
Adrian V. Ocampo Insurance Brokers, Inc.[11]	Insurance brokerage	Philippines	**40**	40
ATRAM Investment Management Partners Corporation[11]	*Disposed*	Philippines	**–**	35

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest 2017 %	Effective Interest 2016 %
(d) Details of the joint ventures are as follows:				
Held through subsidiary				
Anfaal Capital[12]	Investment banking	Kingdom of Saudi Arabia	**35**	35

Note:
(1) Indonesia Rupiah (IDR)
(2) United States Dollars (USD)
(3) Philippine Peso (Peso)
(4) Singapore Dollars (SGD)
(5) Hong Kong Dollars (HKD)
(6) Great Britain Pound (GBP)
(7) Thailand Baht (THB)
(8) Indian Rupee (INR)
(9) Chinese Renminbi (CNY)
(10) Vietnamese Dong (VND)
(11) Audited by other member firms of Ernst & Young Global
(12) Audited by firms of auditors other than Ernst & Young
(13) No audit required as allowed by the laws of the respective country of incorporation
(14) No audit required as the entity is under members' voluntary liquidation
(15) In the financial year ended 31 December 2013, the Group completed the disposal of 18.3% equity interest in PT Bank Maybank Indonesia Tbk ("BMI") to a third party investor. The disposal was undertaken to ensure compliance with the Otoritas Jasa Keuangan ("OJK")'s mandatory sell down requirement under the OJK Regulation No. IX.H.1. The Group has also entered into a commercial arrangement where the economic exposure resulting from the disposal is being retained. Hence, the disposal has no financial impact to the Group and has not resulted to a decrease in the Group's effective interest in BMI.
(16) Held through subsidiaries in the previous financial year ended 31 December 2016. Refer to Note 17(c) for further details.

64. CURRENCY

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency and rounded to the nearest thousand (RM'000) unless otherwise stated.

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65. DIRECTORS OF SUBSIDIARIES OF THE GROUP

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report:

Name of Company	Name of Directors
Maybank Islamic Berhad	Zainal Abidin bin Jamal Dato' Dr Muhammad Afifi al-Akiti Dali Kumar @ Dali bin Sardar Nor Hizam bin Hashim Datin Paduka Jamiah binti Abdul Hamid (appointed on 17 July 2017) Datuk Mohd Anwar bin Yahya (appointed on 17 July 2017) Dato' Zulkiflee Abbas Abdul Hamid (resigned on 3 April 2017)
PT Bank Maybank Syariah Indonesia	Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Francisca Ekawati Hadi Sunaryo
Maybank International (L) Ltd.	Khalijah binti Ismail (appointed on 2 August 2017) Lim Siew Ming (appointed on 2 August 2017) Khairudin bin Abdul Rahman (appointed on 2 August 2017) Aziah binti Abdullah (appointed on 2 August 2017) Dato' Johan bin Ariffin (resigned on 2 August 2017) Dato' John Chong Eng Chuan (resigned on 2 August 2017) Loh Lee Soon (resigned on 2 August 2017)
Maybank Philippines, Incorporated	Dato' Dr Tan Tat Wai Datuk Lim Hong Tat Pollie Sim Sio Hoong Atty. Ray C. Espinosa Renato Tinio De Guzman Aloysius B. Colayco Choong Wai Hong (appointed on 15 September 2017) Herminio M. Famatigan, Jr. (resigned on 11 April 2017)
PT Bank Maybank Indonesia Tbk	Datuk Abdul Farid bin Alias Spencer Lee Tien Chye Budhi Dyah Sitawati Achjar Iljas Edwin Gerungan[1] Hendar[2] Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (resigned on 31 March 2017) Umar Juoro (resigned on 27 October 2017)
Maybank (Cambodia) Plc.	Dato' Johan bin Ariffin Spencer Lee Tien Chye Datuk Hamirullah bin Boorhan Soon Su Long Anthony Brent Elam (appointed on 31 October 2017) Pollie Sim Sio Hoong (resigned on 5 October 2017) Datuk R. Karunakaran (resigned on 31 October 2017)
Myfin Berhad	Loy Teck Wooi Surin Segar a/l Gnanasegaram (appointed on 10 August 2017) Narita Naziree binti Ahmad Naziree (resigned on 11 August 2017)
Maybank Allied Credit & Leasing Sdn. Bhd.	Leong Chin Seng Surin Segar a/l Gnanasegaram (appointed on 10 August 2017) Narita Naziree binti Ahmad Naziree (resigned on 11 August 2017)
PT Maybank Indonesia Finance	Deswandhy Agusman Ghazali bin Mohd Rasad (appointed on 4 July 2017) Jenny Wiriyanto (appointed on 15 September 2017) Djaja Suryanto Sutandar (resigned on 17 March 2017)
PT Wahana Ottomitra Multiartha Tbk	I Nyoman Tjager Robbyanto Budiman Garibaldi Thohir Thilagavathy Nadason Myrnie Zachraini Tamin
Kim Eng Finance (Singapore) Pte. Ltd.	Chuah Lai Hock Harmeet Bedi Singh
Maybank Ageas Holdings Berhad	Datuk R. Karunakaran Bart K.A. Smet Gary Lee Crist Dato' Johan bin Ariffin (appointed on 1 September 2017) Dato' Amirul Feisal bin Wan Zahir (appointed on 1 September 2017) Dato' Majid bin Mohamad (appointed on 1 December 2017) Datuk Abdul Farid bin Alias (resigned on 1 September 2017) Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (resigned on 31 March 2017)

[1] The appointment has been approved through the Annual Shareholders' General Meeting dated 31 March 2017, approval has been obtained from Financial Services Authority and will be effective in March 2018.

[2] The appointment has been approved through the Extraordinary General Meeting of Shareholders' dated 16 October 2017, approval has been obtained from Financial Services Authority and has effectively served since 22 January 2018.

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65. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report (cont'd.):

Name of Company	Name of Directors
Etiqa Life International (L) Ltd.	Datuk Sulaiman bin Salleh Frank J.G. Van Kempen Kamaludin bin Ahmad (appointed on 29 November 2017)
Etiqa Insurance Berhad	Datuk R. Karunakaran Philippe Pol Arthur Latour Dato' Johan bin Ariffin Loh Lee Soon Frank J.G. Van Kempen Koh Heng Kong Normala binti A. Manaf (appointed on 1 January 2017) Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 September 2017 and resigned on 1 January 2018)
Etiqa Takaful Berhad	Dato' Majid bin Mohamad (appointed on 1 September 2017) Philippe Pol Arthur Latour Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Dato' Johan bin Ariffin (appointed on 1 September 2017) Dr. Abdul Rahim bin Abdul Rahman (appointed on 1 October 2017) Dr. Ismail bin Mohd @ Abu Hassan (resigned on 22 September 2017) Zainal Abidin bin Jamal (resigned on 31 December 2017) Frank J.G. Van Kempen (resigned on 1 January 2018) Datuk R. Karunakaran (resigned on 1 January 2018) Koh Heng Kong (resigned on 1 January 2018) Loh Lee Soon (resigned on 1 January 2018)
Etiqa Offshore Insurance (L) Ltd.	Datuk Sulaiman bin Salleh Frank J.G. Van Kempen Kamaludin bin Ahmad (appointed on 29 November 2017)
Etiqa International Holdings Sdn. Bhd.	Datuk Abdul Farid bin Alias Datuk R. Karunakaran (appointed on 22 May 2017) Dato' Johan bin Ariffin (appointed on 22 May 2017) Foong Seong Yew (resigned on 23 May 2017) Kamaludin bin Ahmad (resigned on 23 May 2017)
AsianLife & General Assurance Corporation	Kamaludin bin Ahmad Lee Hin Sze Manuel N. Tordesillas Eulogio A. Mendoza Modesta P. Mammuad Ma. Victoria C. Vinas Ramon B. Arnaiz (resigned on 18 August 2017)

Name of Company	Name of Directors
Etiqa Insurance Pte. Ltd.	Dato' Mohd Salleh bin Hj Harun Kamaludin bin Ahmad Frank J.G. Van Kempen Datuk Lim Hong Tat Sallim bin Abdul Kadir Wong Pakshong Kat Jeong Colin Stewart
PT Asuransi Asoka Mas	Endra Raharja Oka Masagung Amir Imam Poero Andy Wardhana Putra Tanumihardja
Etiqa Life Insurance Berhad	Datuk R. Karunakaran (appointed on 1 January 2018) Philippe Pol Arthur Latour Dato' Johan bin Ariffin (appointed on 1 January 2018) Loh Lee Soon (appointed on 1 January 2018) Normala binti A. Manaf (appointed on 1 January 2018) Frank J.G. Van Kempen (appointed on 1 January 2018) Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 January 2018) Kamaludin bin Ahmad (resigned on 1 January 2018) Zaharudin bin Daud (resigned on 1 January 2018)
Etiqa General Takaful Berhad	Dato' Majid bin Mohamad (appointed on 1 January 2018) Philippe Pol Arthur Latour (appointed on 1 January 2018) Dato' Johan bin Ariffin (appointed on 1 January 2018) Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican (appointed on 1 January 2018) Dr. Abdul Rahim bin Abdul Rahman (appointed on 1 January 2018) Koh Heng Kong (appointed on 1 January 2018) Kamaludin bin Ahmad (resigned on 1 January 2018) Ahmad Rizlan bin Azman (resigned on 1 January 2018)
Maybank Investment Bank Berhad	Datuk Mohaiyani binti Shamsudin Lee Siang Chin Hans Johan Patrik Sandin Goh Ching Yin Dato' Muzaffar bin Hisham (appointed on 3 August 2017) Dato' Abdul Hamid bin Sheikh Mohamed (appointed on 26 October 2017) Dato' Sri Sharifah Sofianny binti Syed Hussain (appointed on 4 December 2017) Datuk Abdul Farid bin Alias (resigned on 3 August 2017)
Maysec Sdn. Bhd.	Mohamad Yasin bin Abdullah Koh Swee Ong

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65. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report (cont'd.):

Name of Company	Name of Directors
PhileoAllied Securities (Philippines) Inc.	Mohamad Yasin bin Abdullah Hamidah binti Moris Gemma M. Santos Luis Manuel L. Gatmaitan Graciella Marie D. Baldoz-Paz
BinaFikir Sdn. Bhd.	Zain Azhari Zainul Bador Fad'l bin Mohamed (appointed on 1 March 2017) Oh-Lau Chong Jin (resigned on 1 March 2017)
Maybank International Holdings Sdn. Bhd.	Wan Marzimin bin Wan Muhammad Mohamad Yasin bin Abdullah
Maybank Kim Eng Holdings Limited	Datuk Mohaiyani binti Shamsudin Dato' John Chong Eng Chuan Dato' Muzaffar bin Hisham Leslie Foo Chek Shen (appointed on 5 July 2017) Dr John Lee Hock Hin (appointed on 4 December 2017) Datuk Lim Hong Tat (resigned 5 December 2017)
Maybank Kim Eng Securities Pte. Ltd.	Harmeet Bedi Singh Datuk Lim Hong Tat Jeffrey Goh Cho Kiat (appointed on 16 June 2017) Goh Keat Jin (resigned on 11 May 2017)
PT. Maybank Kim Eng Securities	I Nyoman Tjager Deswandhy Agusman Fad'l bin Mohamed Ronnie Royston Fernandiz (resigned on 9 March 2017)
Maybank Kim Eng Securities (Thailand) Public Company Limited	Yuth Vorachattarn Montree Sornpaisarn Dato' John Chong Eng Chuan Sopawadee Lertmanaschai Lee Siang Chin
Maybank Kim Eng Securities (London) Limited	Patrick Chung Ho Han Alexander Panasko Leonard White James Johnstone
Maybank Kim Eng Securities USA Inc.	Alexander Panasko Jean Louis Lee (appointed on 17 January 2017) Joe Borusso (appointed on 17 January 2017) Lawrence Walther (resigned on 17 January 2017) Jessica Kim (resigned on 17 January 2017)
Kim Eng Securities India Private Limited	Jigar Shah Vikas Kawatra Harmeet Bedi Singh Alexander Panasko
Ong Asia Limited	Chuah Lai Hock Ng Mui Hong
Ong Asia Securities (HK) Limited	Mohamad Yasin bin Abdullah Boh In Cher (appointed on 31 July 2017) Ausca Leung (resigned on 31 July 2017)
Maybank Kim Eng Research Pte. Ltd.	Ong Seng Yeow Saddiq Currimbhoy (appointed on 31 August 2017) Yap Yi Choy (resigned on 31 August 2017)
Kim Eng Securities (Hong Kong) Limited	Dato' John Chong Eng Chuan Alexander Panasko Oh-Lau Chong Jin Caroline Teoh Meow Choo Cecil Ng Kim Hung Jacqueline Ko (appointed on 31 July 2017) Boh In Cher (appointed on 31 July 2017) Gregory Seow Poon Garn (appointed on 1 December 2017) Lim Eng Ping (appointed on 1 December 2017) Goh Keat Jin (resigned on 18 January 2018) Ausca Leung (resigned on 31 July 2017) Howard Wong (resigned on 31 July 2017) Ho Kiam Seong (resigned on 23 October 2017)
Kim Eng Futures (Hong Kong) Limited	Boh In Cher Jeffrey Goh Cho Kiat Goh Keat Jin (resigned on 18 January 2018)
Maybank ATR Kim Eng Capital Partners, Inc.	Manuel N. Tordesillas Lorenzo Sixto T. Lichauco Ekhwan bin Jani Udaishankar a/l Raman Ma. Victoria C. Viñas David L. Balangue Kristen Quintos Ramon B. Arnaiz (retired on 16 August 2017)
Maybank ATR Kim Eng Securities, Inc.	Lorenzo Sixto T. Lichauco Ekhwan bin Jani Jeffrey Goh Cho Kiat
Maybank Kim Eng Securities Limited	Ronnie Royston Fernandiz Alexander Panasko Hamidah binti Moris Jeffrey Goh Cho Kiat
Maybank Asset Management Group Berhad	Dr Hasnita binti Dato' Hashim Dato' Azian binti Mohd Noh Loh Lee Soon Goh Ching Yin Dato' Muzaffar bin Hisham Fad'l bin Mohamed (Alternate director to Dato' Muzaffar bin Hisham)
Maybank (Indonesia) Berhad	Loy Teck Wooi Wan Marzimin bin Wan Muhammad

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65. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report (cont'd.):

Name of Company	Name of Directors
Cekap Mentari Berhad	Khalijah binti Ismail Lee Yih Hwan (appointed on 17 August 2017) Wong Yee Fun (resigned on 18 August 2017)
Maybank International Trust (Labuan) Berhad	Khalijah binti Ismail Lee Yih Hwan (appointed on 24 August 2017) Wong Yee Fun (resigned on 25 August 2017)
Maybank Offshore Corporate Services (Labuan) Sdn. Bhd.	Khalijah binti Ismail Ronnie Royston Fernandiz (appointed on 29 November 2017) Mohammad Fairuz bin Mohd Radi (resigned on 30 November 2017)
Maybank Trustee Berhad	Cheng Kee Check Dato' Dr Tan Tat Wai Datuk Mohd Hanif bin Suadi Ong Sau Yin Zainal Abidin bin Jamal (resigned on 1 June 2017)
Maybank Private Equity Sdn. Bhd.	Goh Ching Yin Fad'l bin Mohamed Norlia binti Mat Yusof
Maybank Asset Management Sdn. Bhd.	Dr Hasnita binti Dato' Hashim Goh Ching Yin Khalijah binti Ismail Badrul Hisyam bin Abu Bakar
Philmay Property, Inc.	Ong Seet-Joon Atty. Llewellyn L. Llanillo Ng Yok Chin
Maybank (Nominees) Sdn. Bhd.	Mohamad Yasin bin Abdullah (appointed on 29 November 2017) Ronnie Royston Fernandiz (appointed on 29 November 2017) Narita Naziree binti Ahmad Naziree (resigned on 11 August 2017) Chong Kin Tuck (resigned on 30 November 2017) Mohammad Fairuz bin Mohd Radi (resigned on 30 November 2017)
Maybank Nominees (Tempatan) Sdn. Bhd.	Mohamad Yasin bin Abdullah (appointed on 29 November 2017) Ronnie Royston Fernandiz (appointed on 29 November 2017) Narita Naziree binti Ahmad Naziree (resigned on 11 August 2017) Chong Kin Tuck (resigned on 30 November 2017) Mohammad Fairuz bin Mohd Radi (resigned on 30 November 2017)
Maybank Nominees (Asing) Sdn. Bhd.	Mohamad Yasin bin Abdullah (appointed on 29 November 2017) Ronnie Royston Fernandiz (appointed on 29 November 2017) Narita Naziree binti Ahmad Naziree (resigned on 11 August 2017) Chong Kin Tuck (resigned on 30 November 2017) Mohammad Fairuz bin Mohd Radi (resigned on 30 November 2017)
Maybank Nominees (Singapore) Private Limited	Lee Hong Khim Allen Ng Kian Guan Alan Lau Chee Keong Ronnie Royston Fernandiz (resigned on 12 May 2017)
Maybank Nominees (Hong Kong) Limited	Seow Poon Garn (appointed on 16 November 2017) Ho Kiam Seong (resigned on 16 November 2017)
Maybank Securities Nominees (Tempatan)	Mohamad Yasin bin Abdullah Koh Swee Ong
Maybank Securities Nominees (Asing) Sdn. Bhd.	Mohamad Yasin bin Abdullah Koh Swee Ong
Maybank Allied Berhad	Leong Chin Seng Wan Marzimin bin Wan Muhammad
Dourado Tora Holdings Sdn. Bhd.	Muhammad Fuad bin Hassan Lee Yih Hwan (appointed on 2 November 2017) Wong Yee Fun (resigned on 3 November 2017)
Aurea Lakra Holdings Sdn. Bhd.	Muhammad Fuad bin Hassan Lee Yih Hwan (appointed on 17 August 2017) Wong Yee Fun (resigned on 18 August 2017)
KBB Nominees (Tempatan) Sdn. Bhd.	Yeoh Cheang Teik Abdullah bin Taib
KBB Properties Sdn. Bhd.	Yeoh Cheang Teik Mohd Nor bin Bahari Abdullah bin Taib
Etiqa Overseas Investment Pte. Ltd.	Lee Hin Sze (appointed on 14 December 2017) Kamaludin bin Ahmad (resigned on 15 December 2017)
Double Care Sdn. Bhd.*	Dato' Aminuddin bin Md Desa Hans De Cuyper

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65. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report (cont'd.):

Name of Company	Name of Directors
Sorak Financial Holdings Pte. Ltd.	Lim Choon Meng Khalijah binti Ismail
Rezan Pte. Ltd.	Jeffrey Goh Cho Kiat Chuah Lai Hock
Maybank KE Strategic Pte. Ltd.	Ng Mui Hong Chuah Lai Hock
Maybank Kim Eng Properties Pte. Ltd.	Mohamad Yasin bin Abdullah Jeffrey Goh Cho Kiat
Strategic Acquisitions Pte. Ltd.	Baizashaharin bin Bain Tan Boon Guan
Kim Eng Investment Limited	Chuah Lai Hock Yan Sek Weng (appointed on 31 July 2017) Ausca Leung (resigned on 31 July 2017)
KE Sovereign Limited	Alexander Panasko
FXDS Learning Group Pte. Ltd.	Jeffrey Goh Cho Kiat Winston Ng Yu-Tang
Ong & Company Private Limited*	Daniel Kwek Thiam Buck Chuah Lai Hock Ng Mui Hong
Maybank Kim Eng Securities Nominees Pte. Ltd.	Jefrrey Goh Cho Kiat Henry Koh Swee Hang
St. Michael's Development Pte. Ltd.*	Ng Mui Hong Chuah Lai Hock
Maybank Asset Management Singapore Pte. Ltd.	Loh Lee Soon Bedi Harmeet Goh Keat Jin
Kim Eng Nominees (Hong Kong) Limited	Chris Chan (appointed on 31 July 2017) Boh In Cher Ausca Leung (resigned on 31 July 2017)

Name of Company	Name of Directors
Maybank Kim Eng Properties USA Inc.	Alexander Panasko Jean Louis Lee (appointed on 17 January 2017) Joe Borusso (appointed on 17 January 2017) Lawrence Walther (resigned on 17 January 2017) Jessica Kim (resigned on 17 January 2017)
PT Prosperindo	Lee Tien Poh Narita Naziree binti Ahmad Naziree Surin Segar a/l Gnanasegaram
Maybank Shared Services Sdn. Bhd.	Surin Segar a/l Gnanasegaram Loy Teck Wooi Mohd Suhail Amar Suresh bin Abdullah
PT Maybank Asset Management	Drs M Noor Rachman (appointed on 20 September 2017) Badrul Hisyam bin Abu Bakar (appointed on 3 April 2017) Sharifah Sarah binti Syed Mohamed Tahir (appointed on 6 June 2017) Nor' Azamin bin Salleh (resigned on 8 March 2017) Willy Soekianto (resigned on 17 May 2017)
Maybank Islamic Asset Management Sdn. Bhd.	Dato' Azian binti Mohd Noh Ahmad Najib bin Nazlan Wong Yee Fun (appointed on 15 January 2017 and resigned on 28 November 2017)
MAM DP Ltd.	Baizashaharin bin Bain Tan Wai Yuen (appointed on 28 April 2017) Chan Wan Yin (resigned on 28 April 2017)
MBB Labs Private Limited	Meenakshy Ramaswamy Iyer Mohd Suhail Amar Suresh bin Abdullah Normala binti A. Manaf

* Under member's voluntary liquidation

BASEL II

PILLAR 3 DISCLOSURE

OVERVIEW

The Pillar 3 Disclosure for the financial year ended 31 December 2017 for Malayan Banking Berhad ("Maybank" or the "Bank") and its subsidiaries ("Maybank Group" or the "Group") is in accordance with Bank Negara Malaysia's ("BNM") Risk-Weighted Capital Adequacy Framework ("RWCAF") – Disclosure Requirements ("Pillar 3") and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3"), which are the equivalent of that issued by the Basel Committee on Banking Supervision ("BCBS") entitled International Convergence of Capital Measurement and Capital Standards (commonly referred to as Basel II).

The Group adopts the following approaches in determining the capital requirements of Pillar 1 in accordance with BNM's Guidelines on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets):

- Credit Risk – Foundation Internal Ratings-Based ("FIRB") Approach and supervisory slotting criteria to calculate credit risk-weighted assets ("RWA") for major non-retail portfolios, and the Advanced Internal Ratings-Based ("AIRB") Approach for major retail portfolios. Other credit portfolios, especially those in the Bank's subsidiaries and some overseas units, are on the Standardised Approach and will migrate to the Internal Ratings-Based ("IRB") approaches progressively.
- Market Risk – Standardised Approach ("SA").
- Operational Risk – Basic Indicator Approach ("BIA").

MEDIUM AND LOCATION OF DISCLOSURE

The Pillar 3 Disclosure will be made available under the Investor Relations section of the Group's website at www.maybank2u.com.my and as a separate report in the annual and half-yearly financial reports, after the notes to the Financial Statements.

BASIS OF DISCLOSURE

This Pillar 3 Disclosure is prepared in accordance with BNM's Pillar 3 Guidelines and the Group's internal policy on Pillar 3 Disclosure, and is to be read in conjunction with the Group's and Bank's Financial Statements for the financial year ended 31 December 2017. Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Financial Statements 2017 published by the Group and the Bank.

These disclosures have been reviewed and verified by an independent internal party and approved by the Risk Management Committee ("RMC"), as delegated by the Board of Directors ("Board") of the Group.

COMPARATIVE INFORMATION

This is the eighth full Pillar 3 Disclosure since the Group adopted the Basel II IRB Approach in July 2010. The corresponding Pillar 3 Disclosure in the preceding reporting period would be as at 31 December 2016.

SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information of the Group, the Bank and Maybank Islamic Berhad ("Maybank Islamic"), a wholly-owned subsidiary of the Bank which provides Islamic banking financial services in Malaysia.

For regulatory reporting purposes, Maybank establishes two main levels of reporting namely at Maybank Group level, covering Maybank and its subsidiaries excluding the investments in insurance entities and associates; and at Maybank level, covering Maybank.

Information on subsidiaries and associates of the Group is available in the notes to the Financial Statements. The basis of consolidation for financial reporting is disclosed in the notes to the Financial Statements, which differs from that used for regulatory capital reporting purposes.

CAPITAL MANAGEMENT

Effective capital management is fundamental to the sustainability of the Group. The Group proactively manages its capital to meet the expectations of key stakeholders such as regulators, shareholders, investors, rating agencies and analysts whilst ensuring that the returns on capital commensurate with risks undertaken by respective business units. The effective capital management aims to:

- Maintain adequate capital ratios at levels sufficiently above the regulatory minimum requirements;
- Support the Group's strong credit ratings from local and international rating agencies;
- Deploy capital efficiently to businesses and optimise returns on capital;
- Remain flexible to take advantage of future opportunities; and
- Build and invest in businesses, even in a reasonably stressed environment.

Capital Management Framework

The Group formulated the Maybank Group Capital Management Framework ("Framework") to ensure integrated capital management and alignment of capital management policies and procedures across the Group.

The Framework, which is approved by the Board comprises the governance, policies and procedures which set out the requirements for effective management of capital at the Group level, its subsidiaries and overseas branches, including identification, assessment, monitoring, managing and escalation of any capital matters.

The Framework also contains principles for the development and usage of Risk Adjusted Performance Measurement ("RAPM") to measure and manage the return on capital across the Group. The RAPM tool is implemented to promote optimal capital levels for business sectors, subsidiaries and overseas branches, to reduce wastage, minimise cost of capital and optimise returns on capital.

Overall responsibility for effective management of capital rests with the Board whilst the Group Executive Committee ("Group EXCO") is responsible for ensuring the effectiveness of capital management policies on an ongoing basis and for updating the Framework to reflect revisions and new developments.

Annual Group Capital Plan

The Group Capital Plan aims to ensure robust monitoring of the Group's (inclusive of subsidiaries and overseas branches) capital position and adequate levels of capital and optimal capital mix to support business plans and strategic objectives during the financial year.

The Group Capital Plan is updated on an annual basis and approved by the Board. It is comprehensively drawn up to cover at least a three-year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, views from key stakeholders, capital benchmarking, development on capital guidelines both locally and overseas, available supply of capital and capital raising options, performance of business sectors based on RAPM approach, risks under Pillar 2 Internal Capital Adequacy Assessment Process as well as stress test results. Key issues pertaining to the capital position will be identified for discussion at the Board level and appropriate solutions are recommended for implementation.

Internal capital targets ("ICTs") are set for the Group as well as subsidiaries and overseas branches based on their respective risk profile and regulatory requirements at the jurisdictions in which they are based. The ICTs are reviewed annually to ensure adequate capital buffers to support their risk profiles and business growth.

Capital Contingency Plan

The Group Capital Contingency Plan is an extension of the Maybank Group Capital Management Framework that is approved by the Board and updated from time to time. The plan provides a comprehensive approach to the management and restoration of capital across the Group in the unlikely event of a capital crisis by:

- Establishing policies, procedures and governance for capital contingency planning;
- Providing early warning signals and establishing monitoring and escalation process;
- Establishing strategies and action plans to ensure that capital is managed promptly; and
- Serving as a reference guide for Maybank Group of companies.

The capital adequacy ratios of the Group including its subsidiaries and overseas branches are monitored actively by Senior Management and the relevant committees on a monthly basis. Appropriate trigger points are established based on the capital adequacy ratios computed in accordance with BNM guidelines and other foreign regulators (where relevant) in order to facilitate monitoring and escalation, reporting, decision making and action planning. The trigger points formalise the basis of escalation to the appropriate departments and committees and also provide clear action plans to ensure that capital is restored back to healthy levels in the event of a capital crisis.

Circumstances that could lead to deficiencies in capital position include, amongst others, economic environment, market and financial conditions.

Capital Structure

The Group places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The common equity capital of the Group comprises share capital, reserves and retained profits. During the financial year, the share capital of the Group increased by approximately RM34,057 million mainly arising from the transfer of share premium of RM28,879 million to share capital pursuant to Companies Act, 2016, the issuance of 155 million new ordinary shares amounting to RM1,445 million under the Employee Share Option Schemes and from the issuance of 425 million new ordinary shares amounting to RM3,644 million pursuant to the completion of the Dividend Reinvestment Plans ("DRP").

The DRP scheme was announced by the Bank on 25 March 2010 to allow shareholders to reinvest their dividends into new shares in the Bank. The Bank has implemented 15 DRPs since its implementation in 2010, all with successful reinvestment rates of around 85%.

In addition to common equity, the Group maintains other types of capital instruments such as Additional Tier 1 and Tier 2 capital instruments in order to optimise its capital mix and lower its cost of capital.

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Table 1 and 2 depicts a summary of the Additional Tier 1 and Tier 2 capital instruments which the Group has, which are qualified in the capital computation in accordance with BNM's Capital Adequacy Framework (Capital Components) and CAFIB (Capital Components) issued on 4 August 2017. For further details of these capital instruments, please refer to Notes 30 and 31 in the Financial Statements.

Table 1: Additional Tier 1 Capital Instruments

Description	Issue Date	First Call Date (callable at the option of the Issuer)	Maturity Date	As at 31 December 2017 RM' Million
RM3.5 billion 6.85% Stapled Capital Securities ("NCPCS") (Non-innovative) due on 27 June 2038	27 June 2008	27 June 2018	27 June 2038	**63**
SGD600 million 6.00% Innovative Tier 1 Capital Securities due on 10 August 2068	11 August 2008	11 August 2018	10 August 2068	**1,612**
RM1.1 billion 6.30% Innovative Tier 1 Capital Securities due on 25 September 2068	25 September 2008	25 September 2018	25 September 2068	**1,119**
RM3.5 billion 5.30% Basel III-compliant Additional Tier 1 Capital Securities	10 September 2014	10 September 2019	Perpetual	**3,557**

Table 2: Tier 2 Capital Instruments

Description	Issue Date	First Call Date (callable at the option of the Issuer)	Maturity Date	As at 31 December 2017 RM' Million
RM250 million 4.12% Subordinated Notes due in 2023 (12 non-call 7)	28 December 2011	28 December 2018	28 December 2023	245
RM2.1 billion 4.25% Subordinated Notes due in 2024 (12 non-call 7)	10 May 2012	10 May 2019	10 May 2024	2,113
RM1.6 billion 4.90% Basel III-compliant Subordinated Notes due in 2024 (10 non-call 5)	29 January 2014	29 January 2019	29 January 2024	1,628
RM1.5 billion 4.75% Basel III-compliant Subordinated Sukuk Murabahah due in 2024 (10 non-call 5)	7 April 2014	5 April 2019	5 April 2024	809
RM2.2 billion 4.90% Basel III-compliant Subordinated Notes due in 2025 (10 non-call 5)	19 October 2015	19 October 2020	17 October 2025	2,222
RM1.1 billion 4.90% Basel III-compliant Subordinated Notes due in 2025 (10 non-call 5)	27 October 2015	27 October 2020	27 October 2025	1,109
USD500 million 3.905% Basel III-compliant Subordinated Notes due in 2026 (10.5 non-call 5.5)	29 April 2016	29 October 2021	29 October 2026	2,035

Regulatory Updates

Pursuant to BNM's Capital Adequacy Framework (Capital Component), banking institutions are required to hold and maintain, at all times, the minimum regulatory Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital Ratio of 4.5%, 6.0% and 8.0% respectively starting from 1 January 2015. The regulatory minimum capital requirements also include the introduction of Capital Conservation Buffer ("CCB") of 2.5% which is to be phased-in progressively from 1 January 2016 to 1 January 2019, commencing with 0.625% for the financial year ended 31 December 2016. The CCB is intended to encourage the build-up of capital buffers by individual banking institutions during normal times that can be drawn down during stress periods.

Table 3 depicts the minimum regulatory capital requirement applicable from 2016 to 2019.

CAPITAL MANAGEMENT

Table 3: Minimum Regulatory Capital Requirement

From 1 January Minimum CAR	2016 %	2017 %	2018 %	2019 %
CET1 (a)	4.500	4.500	4.500	4.500
CCB (b)	0.625	1.250	1.875	2.500
CET1 including CCB (a) + (b)	5.125	5.750	6.375	7.000
Tier 1 Capital Ratio	6.625	7.250	7.875	8.500
Total Capital Ratio	8.625	9.250	9.875	10.500

In addition to the CCB, BNM had also introduced the Countercyclical Capital Buffer ("CCyB") ranging between 0% – 2.5% of Total RWA to be effective from 1 January 2016. The CCyB is intended to protect the banking sector as a whole from build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. The CCyB will be determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

CAPITAL ADEQUACY RATIO

Table 4 and 5 depicts the Capital Adequacy Ratios and Capital Adequacy Structure for the Group, the Bank and Maybank Islamic, respectively.

Table 4: Capital Adequacy Ratios for Maybank Group, Maybank and Maybank Islamic

	As at 31 December 2017			As at 31 December 2016		
Capital Adequacy Ratios	**Group**	**Maybank**	**Maybank Islamic**	**Group**	**Maybank**	**Maybank Islamic**
CET1 Capital Ratio	**14.773%**	**15.853%**	**14.500%**	13.990%	15.881%	13.992%
Tier 1 Capital Ratio	**16.459%**	**17.950%**	**16.150%**	15.664%	18.232%	13.992%
Total Capital Ratio[1]	**19.383%**	**19.313%**	**20.782%**	19.293%	19.432%	18.553%

Table 5: Capital Adequacy Structure for Maybank Group, Maybank and Maybank Islamic

	As at 31 December 2017			As at 31 December 2016		
	Group RM'000	**Maybank RM'000**	**Maybank Islamic RM'000**	**Group RM'000**	**Maybank RM'000**	**Maybank Islamic RM'000**
Total Capital	**72,703,296**	**50,155,417**	**12,597,883**	73,235,185	51,903,658	11,503,022
Credit RWA	**320,652,491**	**225,053,211**	**69,043,049**	329,505,586	234,158,906	71,854,005
Credit RWA absorbed by the parent and Investment Account Holders ("IAH")[2]	**–**	**–**	**(15,855,390)**	–	–	(16,426,406)
Market RWA	**14,351,443**	**11,445,563**	**939,674**	12,875,985	11,148,492	882,544
Operational RWA	**40,075,835**	**23,197,842**	**6,490,748**	37,218,327	21,797,628	5,691,742
Total RWA	**375,079,769**	**259,696,616**	**60,618,081**	379,599,898	267,105,026	62,001,885

Notes:
1 Before proposed final dividend for FYE 2017 and FYE 2016.
2 In accordance with BNM's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of customers ("IA") as Risk Absorbent, the credit risk on the assets funded by RPSIA and IA are excluded from the risk-weighted capital ratio ("RWCR") calculation.

The Total Capital Ratio of the Group as at 31 December 2017 stood at 19.383%, which is an increase from the previous financial year's ratio of 19.293%. At entity level, the Bank's Total Capital Ratio remains strong at 19.313% and Maybank Islamic registered a healthy ratio of 20.782%.

The Group is poised to maintain healthy capital ratios above the minimum regulatory capital requirement under BNM's Capital Adequacy Framework (Capital Components), a testament of the Group's resilience and strength in meeting its obligations. With the continued conservation of capital from the DRP coupled with active capital management across the Group, CET1 Capital Ratio will be maintained comfortably well ahead of the minimum level of 7% (inclusive of CCB) as required by 2019.

Table 6 discloses Capital Adequacy under IRB Approach for the Group, the Bank and Maybank Islamic respectively.

Tables 7 through 9 present the minimum regulatory capital requirement for credit risk under the IRB Approach for the Group, the Bank and Maybank Islamic, respectively. These tables tabulate the Total RWA under the various exposure classes under the IRB Approach and apply the minimum capital requirement at 8% as set by BNM to ascertain the minimum capital required for each portfolio assessed.

Please refer to Note 58 in the Financial Statements for detailed discussion on the Capital Adequacy Ratios.

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Table 6: Disclosure on Capital Adequacy under IRB Approach

As at 31 December 2017	Group RM'000	Maybank RM'000	Maybank Islamic RM'000
CET1 Capital			
Paid-up share capital	44,250,380	44,250,380	5,481,783
Share premium	–	–	–
Retained profits	20,451,568	13,582,048	3,351,547
Other reserves	3,619,581	4,612,799	478,079
Qualifying non-controlling interests	137,081	–	–
Less: Shares-held-in-trust	(183,438)	(183,438)	–
CET1 capital before regulatory adjustments	68,275,172	62,261,789	9,311,409
Less: Regulatory adjustments applied on CET1 capital	(12,864,771)	(21,091,369)	(521,603)
Deferred tax assets	(802,593)	(315,013)	(12,903)
Goodwill	(5,756,367)	(81,015)	–
Other intangibles	(855,056)	(487,015)	–
Cumulative gains of financial instruments classified as 'AFS' or 'designated at fair value (FVO)'	(17,922)	–	–
Regulatory reserve attributable to loans/financing	(2,747,285)	(2,233,563)	(508,700)
Investment in ordinary shares of unconsolidated financial/insurance entities	(2,685,548)	(17,974,763)	–
Total CET1 Capital	55,410,401	41,170,420	8,789,806
Additional Tier 1 Capital			
Capital securities	6,244,010	6,244,010	1,000,000
Qualifying CET1 and additional Tier 1 capital instruments held by third parties	80,195	–	–
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities	–	(800,000)	–
Total Tier 1 Capital	61,734,606	46,614,430	9,789,806
Tier 2 Capital			
Subordinated obligations	9,271,613	9,271,613	2,500,000
Qualifying CET1, additional Tier 1 and Tier 2 capital instruments held by third parties	488,385	–	–
Collective allowance	278,397	136,641	20,923
Surplus of total eligible provision over total expected loss	1,601,682	1,171,604	287,154
Less: Investment of total in capital instruments of unconsolidated financial and insurance/takaful entities	(671,387)	(7,038,871)	–
Total Tier 2 Capital	10,968,690	3,540,987	2,808,077
Total Capital	72,703,296	50,155,417	12,597,883

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Table 6: Disclosure on Capital Adequacy under IRB Approach (cont'd.)

As at 31 December 2016	Group RM'000	Maybank RM'000	Maybank Islamic RM'000
CET1 Capital			
Paid-up share capital	10,193,200	10,193,200	281,556
Share premium	28,878,703	28,878,703	5,200,227
Retained profits	10,482,202	4,514,094	2,857,088
Other reserves	15,048,174	13,605,920	749,805
Qualifying non-controlling interests	112,513	–	–
Less: Shares-held-in-trust	(125,309)	(125,309)	–
CET1 capital before regulatory adjustments	64,589,483	57,066,608	9,088,676
Less: Regulatory adjustments applied on CET1 capital	(11,482,463)	(14,648,641)	(413,187)
Deferred tax assets	(874,988)	(358,687)	(19,487)
Goodwill	(6,317,009)	(81,015)	–
Other intangibles	(955,441)	(449,034)	–
Regulatory reserve attributable to loans/financing	(1,057,997)	(660,800)	(393,700)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(2,277,028)	(13,099,105)	–
Total CET1 Capital	53,107,020	42,417,967	8,675,489
Additional Tier 1 Capital			
Capital securities	6,279,948	6,279,948	–
Qualifying CET1 and additional Tier 1 capital instruments held by third parties	73,556	–	–
Less: Regulatory adjustments due to insufficient Tier 2 capital	–	–	–
Total Tier 1 Capital	59,460,524	48,697,915	8,675,489
Tier 2 Capital			
Subordinated obligations	13,077,127	13,077,127	2,500,000
Qualifying CET1, additional Tier 1 and Tier 2 capital instruments held by third parties	473,100	–	–
Collective allowance	408,984	120,467	23,379
Surplus of total eligible provision over total expected loss	1,333,468	1,194,370	304,154
Less: Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(1,518,018)	(11,186,221)	–
Total Tier 2 Capital	13,774,661	3,205,743	2,827,533
Total Capital	73,235,185	51,903,658	11,503,022

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Table 7: Disclosure on Capital Adequacy under IRB Approach for Maybank Group

Item	Exposure Class As at 31 December 2017	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**				
1.1	**Exempted Exposures (Standardised Approach)**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	122,775,998	122,775,998	4,155,310	332,425
	Public Sector Entities	22,840,791	22,840,791	3,096,301	247,704
	Banks, Development Financial Institutions & MDBs	3,269,679	3,269,679	861,384	68,911
	Insurance Cos, Securities Firms & Fund Managers	393,327	393,327	393,327	31,466
	Corporates	17,969,903	17,874,797	14,251,607	1,140,129
	Regulatory Retail	31,342,925	31,014,923	20,370,188	1,629,615
	Residential Mortgages	3,826,609	3,826,609	1,497,368	119,789
	Higher Risk Assets	400,619	400,619	600,929	48,074
	Other Assets	12,685,588	12,685,588	5,531,355	442,508
	Securitisation Exposures	61,467	61,467	12,293	983
	Equity Exposures	490,756	490,756	493,168	39,453
	Defaulted Exposures	497,353	497,344	676,462	54,117
	Total On-Balance Sheet Exposures	216,555,015	216,131,898	51,939,692	4,155,174
	Off-Balance Sheet Exposures				
	OTC Derivatives	537,335	537,335	325,049	26,004
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	2,044,951	2,023,850	1,429,528	114,362
	Defaulted Exposures	7,599	7,599	11,194	896
	Total Off-Balance Sheet Exposures	2,589,885	2,568,784	1,765,771	141,262
	Total On and Off-Balance Sheet Exposures	219,144,900	218,700,682	53,705,463	4,296,436
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	53,881,944	53,881,944	16,931,736	1,354,539
	Corporate Exposures	235,961,877	235,961,877	162,576,828	13,006,146
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	191,813,872	191,813,872	129,301,560	10,344,125
	b) Corporates (with firm-size adjustment)	44,148,005	44,148,005	33,275,268	2,662,021
	c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
	Retail Exposures	191,152,691	191,152,691	40,669,216	3,253,538
	a) Residential Mortgages	75,237,737	75,237,737	13,895,446	1,111,636
	b) Qualifying Revolving Retail Exposures	7,349,137	7,349,137	3,394,285	271,543
	c) Hire Purchase Exposures	42,012,215	42,012,215	9,202,952	736,236
	d) Other Retail Exposures	66,553,602	66,553,602	14,176,533	1,134,123
	Defaulted Exposures	9,334,882	9,334,882	1,845,672	147,654
	Total On-Balance Sheet Exposures	490,331,394	490,331,394	222,023,452	17,761,877
	Off-Balance Sheet Exposures				
	OTC Derivatives	6,439,476	6,439,476	2,766,645	221,332
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	55,701,969	55,701,968	26,985,502	2,158,840
	Defaulted Exposures	533,456	533,456	61,220	4,898
	Total Off-Balance Sheet Exposures	62,674,901	62,674,900	29,813,367	2,385,070
	Total On and Off-Balance Sheet Exposures	553,006,295	553,006,294	251,836,819	20,146,947
	Total IRB Approach after Scaling Factor of 1.06			266,947,028	21,355,764
	Total (Exposures under Standardised Approach & IRB Approach)	772,151,195	771,706,976	320,652,491	25,652,200
2.0	**Market Risk**				
	Interest Rate Risk			7,013,055	561,044
	Foreign Currency Risk			4,582,449	366,596
	Equity Risk			1,835,837	146,867
	Commodity Risk			20	2
	Option Risk			920,082	73,607
3.0	**Operational Risk**			40,075,835	3,206,067
4.0	**Total RWA and Capital Requirements**			375,079,769	30,006,383

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Table 7: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (cont'd.)

Item	Exposure Class As at 31 December 2016	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**				
1.1	**Exempted Exposures (Standardised Approach)**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	100,065,244	100,065,244	5,305,630	424,450
	Public Sector Entities	13,923,606	13,923,606	2,070,831	165,666
	Banks, Development Financial Institutions & MDBs	2,040,243	2,040,243	400,476	32,038
	Insurance Cos, Securities Firms & Fund Managers	316,263	316,263	316,263	25,301
	Corporates	20,707,104	20,653,599	17,796,627	1,423,730
	Regulatory Retail	28,512,768	28,280,388	18,044,332	1,443,547
	Residential Mortgages	3,075,170	3,075,170	1,204,671	96,374
	Higher Risk Assets	266,106	266,106	399,158	31,933
	Other Assets	12,263,734	12,246,390	4,768,271	381,462
	Securitisation Exposures	159,896	159,896	31,979	2,558
	Equity Exposures	307,436	307,436	307,825	24,626
	Defaulted Exposures	701,069	701,064	917,368	73,389
	Total On-Balance Sheet Exposures	182,338,639	182,035,405	51,563,431	4,125,074
	Off-Balance Sheet Exposures				
	OTC Derivatives	364,096	364,096	93,761	7,501
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,392,168	1,392,168	792,660	63,413
	Defaulted Exposures	148	148	222	18
	Total Off-Balance Sheet Exposures	1,756,412	1,756,412	886,643	70,932
	Total On and Off-Balance Sheet Exposures	184,095,051	183,791,817	52,450,074	4,196,006
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	58,080,430	58,080,430	21,608,217	1,728,657
	Corporate Exposures	235,533,833	235,533,833	159,247,932	12,739,835
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	173,033,830	173,033,830	119,202,545	9,536,204
	b) Corporates (with firm-size adjustment)	62,500,003	62,500,003	40,045,387	3,203,631
	c) Specialised Lending (Slotting Approach)				
	– Project Finance	–	–	–	–
	Retail Exposures	173,727,510	173,727,510	44,512,277	3,560,982
	a) Residential Mortgages	63,813,353	63,813,353	17,236,809	1,378,945
	b) Qualifying Revolving Retail Exposures	6,566,597	6,566,597	3,014,081	241,126
	c) Hire Purchase Exposures	42,810,084	42,810,084	9,683,424	774,674
	d) Other Retail Exposures	60,537,476	60,537,476	14,577,963	1,166,237
	Defaulted Exposures	7,075,288	7,075,288	1,209,515	96,761
	Total On-Balance Sheet Exposures	474,417,061	474,417,061	226,577,941	18,126,235
	Off-Balance Sheet Exposures				
	OTC Derivatives	4,784,898	4,784,898	3,565,312	285,225
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	67,922,238	67,922,238	31,216,017	2,497,281
	Defaulted Exposures	45,513	45,513	13,855	1,109
	Total Off-Balance Sheet Exposures	72,752,649	72,752,649	34,795,184	2,783,615
	Total On and Off-Balance Sheet Exposures	547,169,710	547,169,710	261,373,125	20,909,850
	Total IRB Approach after Scaling Factor of 1.06			277,055,512	22,164,441
	Total (Exposures under Standardised Approach & IRB Approach)	731,264,761	730,961,527	329,505,586	26,360,447
2.0	**Market Risk**				
	Interest Rate Risk			5,238,774	419,102
	Foreign Currency Risk			4,856,019	388,481
	Equity Risk			1,504,298	120,344
	Option Risk			1,276,894	102,152
3.0	**Operational Risk**			37,218,327	2,977,466
4.0	**Total RWA and Capital Requirements**			379,599,898	30,367,992

Total RWA for the Group, the Bank and Maybank Islamic reduced in 2017 predominantly due to a reduction in Credit RWA. Apart from foreign currency movements, the key factors that contributed to the reduction in Credit RWA include methodology changes in the application of effective maturity for Credit RWA computation as well as continuous model enhancement efforts.

In 2017, the Group and the Bank recorded higher Market RWA mainly due to an increase in interest rate risk, while Maybank Islamic reported higher Market RWA due to an increase in foreign exchange risk.

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Table 8: Disclosure on Capital Adequacy under IRB Approach for Maybank

Item	Exposure Class As at 31 December 2017	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**				
1.1	**Exempted Exposures (Standardised Approach)**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	83,932,589	83,932,589	1,833,785	146,703
	Public Sector Entities	13,194,608	13,194,608	2,964,483	237,159
	Banks, Development Financial Institutions & MDBs	–	–	–	–
	Corporates	11,201,506	11,192,669	9,072,526	725,802
	Regulatory Retail	13,934,026	13,849,757	9,905,057	792,405
	Residential Mortgages	437,944	437,944	158,283	12,663
	Higher Risk Assets	128,604	128,604	192,906	15,432
	Other Assets	9,775,160	9,775,160	3,778,290	302,263
	Securitisation Exposures	61,467	61,467	12,293	983
	Equity Exposures	323,725	323,725	325,748	26,060
	Defaulted Exposures	131,004	131,004	157,117	12,569
	Total On-Balance Sheet Exposures	133,120,633	133,027,527	28,400,488	2,272,039
	Off-Balance Sheet Exposures				
	OTC Derivatives	451,625	451,625	288,182	23,055
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,386,154	1,376,822	1,086,261	86,901
	Defaulted Exposures	7,470	7,470	11,003	880
	Total Off-Balance Sheet Exposures	1,845,249	1,835,917	1,385,446	110,836
	Total On and Off-Balance Sheet Exposures	134,965,882	134,863,444	29,785,934	2,382,875
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	63,692,418	63,692,418	19,180,849	1,534,468
	Corporate Exposures	183,807,840	183,807,840	120,725,911	9,658,073
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	155,058,924	155,058,924	98,654,601	7,892,368
	b) Corporates (with firm-size adjustment)	28,748,916	28,748,916	22,071,310	1,765,705
	c) Specialised Lending (Slotting Approach)				
	– Project Finance	–	–	–	–
	Retail Exposures	107,574,829	107,574,829	20,139,933	1,611,195
	a) Residential Mortgages	46,991,971	46,991,971	7,280,546	582,444
	b) Qualifying Revolving Retail Exposures	5,737,571	5,737,571	2,066,698	165,336
	c) Hire Purchase Exposures	15,641,790	15,641,790	3,099,897	247,992
	d) Other Retail Exposures	39,203,497	39,203,497	7,692,792	615,423
	Defaulted Exposures	5,684,672	5,684,671	726,609	58,129
	Total On-Balance Sheet Exposures	360,759,759	360,759,758	160,773,302	12,861,865
	Off-Balance Sheet Exposures				
	OTC Derivatives	4,315,808	4,315,808	2,215,119	177,210
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	46,936,830	46,936,830	21,217,678	1,697,414
	Defaulted Exposures	58,540	58,540	8,313	665
	Total Off-Balance Sheet Exposures	51,311,178	51,311,178	23,441,110	1,875,289
	Total On and Off-Balance Sheet Exposures	412,070,937	412,070,936	184,214,412	14,737,154
	Total IRB Approach after Scaling Factor of 1.06			195,267,277	15,621,382
	Total (Exposures under Standardised Approach & IRB Approach)	547,036,819	546,934,380	225,053,211	18,004,257
2.0	**Market Risk**				
	Interest Rate Risk			6,396,084	511,687
	Foreign Currency Risk			4,172,484	333,799
	Option Risk			876,995	70,160
3.0	**Operational Risk**			23,197,842	1,855,827
4.0	**Total RWA and Capital Requirements**			259,696,616	20,775,730

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Table 8: Disclosure on Capital Adequacy under IRB Approach for Maybank (cont'd.)

Item	Exposure Class As at 31 December 2016	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**				
1.1	**Exempted Exposures (Standardised Approach)**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	67,546,000	67,546,000	2,679,176	214,334
	Public Sector Entities	10,096,024	10,096,024	1,989,161	159,133
	Banks, Development Financial Institutions & MDBs	218,470	218,470	–	–
	Corporates	14,464,363	14,448,426	13,046,468	1,043,717
	Regulatory Retail	9,776,532	9,754,332	6,200,596	496,048
	Residential Mortgages	398,575	398,575	144,818	11,585
	Higher Risk Assets	121,138	121,138	181,706	14,536
	Other Assets	9,645,995	9,628,652	3,734,937	298,795
	Securitisation Exposures	159,896	159,896	31,979	2,558
	Equity Exposures	287,926	287,926	287,926	23,034
	Defaulted Exposures	87,291	87,291	107,358	8,590
	Total On-Balance Sheet Exposures	112,802,210	112,746,730	28,404,125	2,272,330
	Off-Balance-Sheet Exposures				
	OTC Derivatives	29,311	29,311	29,310	2,345
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	291,639	291,639	279,279	22,342
	Defaulted Exposures	–	–	–	–
	Total Off-Balance Sheet Exposures	320,950	320,950	308,589	24,687
	Total On and Off-Balance Sheet Exposures	113,123,160	113,067,680	28,712,714	2,297,017
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	61,384,375	61,384,375	22,278,223	1,782,258
	Corporate Exposures	184,599,098	184,599,098	120,148,635	9,611,891
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	135,728,642	135,728,642	89,607,496	7,168,600
	b) Corporates (with firm-size adjustment)	48,870,456	48,870,456	30,541,139	2,443,291
	c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
	Retail Exposures	102,226,072	102,226,072	22,833,257	1,826,661
	a) Residential Mortgages	44,897,646	44,897,646	9,481,859	758,549
	b) Qualifying Revolving Retail Exposures	5,328,358	5,328,358	2,267,818	181,425
	c) Hire Purchase Exposures	13,897,011	13,897,011	2,876,125	230,090
	d) Other Retail Exposures	38,103,057	38,103,057	8,207,455	656,597
	Defaulted Exposures	5,035,496	5,035,496	686,397	54,912
	Total On-Balance Sheet Exposures	353,245,041	353,245,041	165,946,512	13,275,722
	Off-Balance Sheet Exposures				
	OTC Derivatives	5,212,190	5,212,190	3,383,531	270,682
	Off balance sheet exposures other than OTC derivatives or credit derivatives	57,056,005	57,056,005	24,482,050	1,958,564
	Defaulted Exposures	35,691	35,691	5,070	406
	Total Off-Balance Sheet Exposures	62,303,886	62,303,886	27,870,651	2,229,652
	Total On and Off-Balance Sheet Exposures	415,548,927	415,548,927	193,817,163	15,505,374
	Total IRB Approach after Scaling Factor of 1.06			205,446,192	16,435,696
	Total (Exposures under Standardised Approach & IRB Approach)	528,672,087	528,616,607	234,158,906	18,732,713
2.0	**Market Risk**				
	Interest Rate Risk			4,664,780	373,182
	Foreign Currency Risk			5,274,766	421,981
	Option Risk			1,208,946	96,716
3.0	**Operational Risk**			21,797,628	1,743,810
4.0	**Total RWA and Capital Requirements**			267,105,026	21,368,402

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Table 9: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic

Item	Exposure Class As at 31 December 2017	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Risk-Weighted Assets Absorbed by IA RM'000	Total Risk-Weighted Assets after effects of IA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**						
1.1	**Exempted Exposures (Standardised Approach)**						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	27,310,794	27,310,794	8,283	–	8,283	663
	Public Sector Entities	14,945,783	14,945,783	2,341,818	(2,210,000)	131,818	10,545
	Banks, Development Financial Institutions & MDBs	1	1	–	–	–	–
	Corporates	2,608,048	2,608,048	2,366,698	(355,180)	2,011,518	160,921
	Regulatory Retail	3,794,110	3,794,110	2,581,247	(902,317)	1,678,930	134,314
	Residential Mortgages	2,897,358	2,897,358	1,160,777	–	1,160,777	92,862
	Higher Risk Assets	36	36	54	–	54	4
	Other Assets	525,325	525,325	278,323	–	278,323	22,266
	Defaulted Exposures	17,028	17,028	21,517	–	21,517	1,721
	Total On-Balance Sheet Exposures	52,098,483	52,098,483	8,758,717	(3,467,497)	5,291,220	423,296
	Off-Balance Sheet Exposures						
	OTC Derivatives	61,054	61,054	12,211	–	12,211	977
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	169,430	169,430	25,253	–	25,253	2,020
	Total Off-Balance Sheet Exposures	230,484	230,484	37,464	–	37,464	2,997
	Total On and Off-Balance Sheet Exposures	52,328,967	52,328,967	8,796,181	(3,467,497)	5,328,684	426,293
1.2	**Exposures under the IRB Approach**						
	On-Balance Sheet Exposures						
	Banks, Development Financial Institutions & MDBs	7,833,475	7,833,475	1,050,330	–	1,050,330	84,026
	Corporate Exposures	45,230,111	45,230,111	27,885,352	(7,017,253)	20,868,099	1,669,448
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	29,831,022	29,831,022	16,681,395	(7,017,253)	9,664,142	773,131
	b) Corporates (with firm-size adjustment)	15,399,089	15,399,089	11,203,957	–	11,203,957	896,317
	c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–
	Retail Exposures	100,100,113	100,100,113	22,970,647	(4,669,439)	18,301,208	1,464,097
	a) Residential Mortgages	27,570,620	27,570,620	6,604,798	(898,160)	5,706,638	456,531
	b) Qualifying Revolving Retail Exposures	948,984	948,984	339,323	–	339,323	27,146
	c) Hire Purchase Exposures	30,442,810	30,442,810	7,353,467	(1,581,960)	5,771,507	461,721
	d) Other Retail Exposures	41,137,699	41,137,699	8,673,059	(2,189,319)	6,483,740	518,699
	Defaulted Exposures	1,570,340	1,570,340	514,907	–	514,907	41,193
	Total On-Balance Sheet Exposures	154,734,039	154,734,039	52,421,236	(11,686,692)	40,734,544	3,258,764
	Off-Balance Sheet Exposures						
	OTC Derivatives	1,818,180	1,818,180	417,035	–	417,035	33,363
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,045,847	7,045,847	3,995,660	–	3,995,660	319,653
	Defaulted Exposures	4,730	4,730	2,736	–	2,736	219
	Total Off-Balance Sheet Exposures	8,868,757	8,868,757	4,415,431	–	4,415,431	353,235
	Total On and Off-Balance Sheet Exposures	163,602,796	163,602,796	56,836,667	(11,686,692)	45,149,975	3,611,999
	Total IRB Approach after Scaling Factor of 1.06			60,246,868	(12,387,893)	47,858,975	3,828,719
	Total (Exposures under Standardised Approach & IRB Approach)	215,931,763	215,931,763	69,043,049	(15,855,390)	53,187,659	4,255,012
2.0	**Market Risk**						
	Benchmark Rate Risk			332,317	–	332,317	26,585
	Foreign Exchange Risk			607,357	–	607,357	48,589
3.0	**Operational Risk**			6,490,748	–	6,490,748	519,260
4.0	**Total RWA and Capital Requirements**			76,473,471	(15,855,390)	60,618,081	4,849,446

CAPITAL MANAGEMENT

Table 9: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (cont'd.)

Item	Exposure Class As at 31 December 2016	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Risk-Weighted Assets Absorbed by IA RM'000	Total Risk-Weighted Assets after effects of IA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**						
1.1	**Exempted Exposures (Standardised Approach)**						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	20,459,569	20,459,569	9,175	–	9,175	734
	Public Sector Entities	8,818,836	8,818,836	1,383,255	(1,301,585)	81,670	6,534
	Corporates	1,880,733	1,880,733	1,641,544	–	1,641,544	131,324
	Regulatory Retail	3,801,273	3,801,273	2,784,259	(1,115,138)	1,669,121	133,530
	Residential Mortgages	2,165,730	2,165,730	876,326	–	876,326	70,106
	Higher Risk Assets	38	38	57	–	57	5
	Other Assets	905,203	905,203	270,612	–	270,612	21,648
	Defaulted Exposures	16,033	16,033	17,802	–	17,802	1,424
	Total On-Balance Sheet Exposures	38,047,415	38,047,415	6,983,030	(2,416,723)	4,566,307	365,305
	Off-Balance Sheet Exposures						
	OTC Derivatives	317,173	317,173	63,435	–	63,435	5,075
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	517,127	517,127	105,490	–	105,490	8,439
	Total Off-Balance Sheet Exposures	834,300	834,300	168,925	–	168,925	13,514
	Total On and Off-Balance Sheet Exposures	38,881,715	38,881,715	7,151,955	(2,416,723)	4,735,232	378,819
1.2	**Exposures under the IRB Approach**						
	On-Balance Sheet Exposures						
	Banks, Development Financial Institutions & MDBs	10,345,970	10,345,970	3,530,852	–	3,530,852	282,468
	Corporate Exposures	43,985,636	43,985,636	26,163,945	(5,904,581)	20,259,364	1,620,749
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	30,356,089	30,356,089	16,659,697	(5,904,581)	10,755,116	860,409
	b) Corporates (with firm-size adjustment)	13,629,547	13,629,547	9,504,248	–	9,504,248	760,340
	c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–
	Retail Exposures	92,571,741	92,571,741	26,764,215	(7,312,102)	19,452,113	1,556,170
	a) Residential Mortgages	23,095,571	23,095,571	9,880,994	–	9,880,994	790,480
	b) Qualifying Revolving Retail Exposures	803,333	803,333	354,467	(157,370)	197,097	15,768
	c) Hire Purchase Exposures	29,432,246	29,432,246	7,147,668	(1,235,742)	5,911,926	472,954
	d) Other Retail Exposures	39,240,591	39,240,591	9,381,086	(5,918,990)	3,462,096	276,968
	Defaulted Exposures	974,598	974,598	397,744	–	397,744	31,819
	Total On-Balance Sheet Exposures	147,877,945	147,877,945	56,856,756	(13,216,683)	43,640,073	3,491,206
	Off-Balance Sheet Exposures						
	OTC Derivatives	34,072	34,072	28,746	–	28,746	2,300
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,221,701	8,221,701	4,152,933	–	4,152,933	332,235
	Defaulted Exposures	2,697	2,697	1,235	–	1,235	98
	Total Off-Balance Sheet Exposures	8,258,470	8,258,470	4,182,914	–	4,182,914	334,633
	Total On and Off-Balance Sheet Exposures	156,136,415	156,136,415	61,039,670	(13,216,683)	47,822,987	3,825,839
	Total IRB Approach after Scaling Factor of 1.06			64,702,050	(14,009,683)	50,692,367	4,055,389
	Total (Exposures under Standardised Approach & IRB Approach)	195,018,130	195,018,130	71,854,005	(16,426,406)	55,427,599	4,434,208
2.0	**Market Risk**						
	Benchmark Rate Risk			375,735	–	375,735	30,059
	Foreign Exchange Risk			506,809	–	506,809	40,545
3.0	**Operational Risk**			5,691,742	–	5,691,742	455,339
4.0	**Total RWA and Capital Requirements**			78,428,291	(16,426,406)	62,001,885	4,960,151

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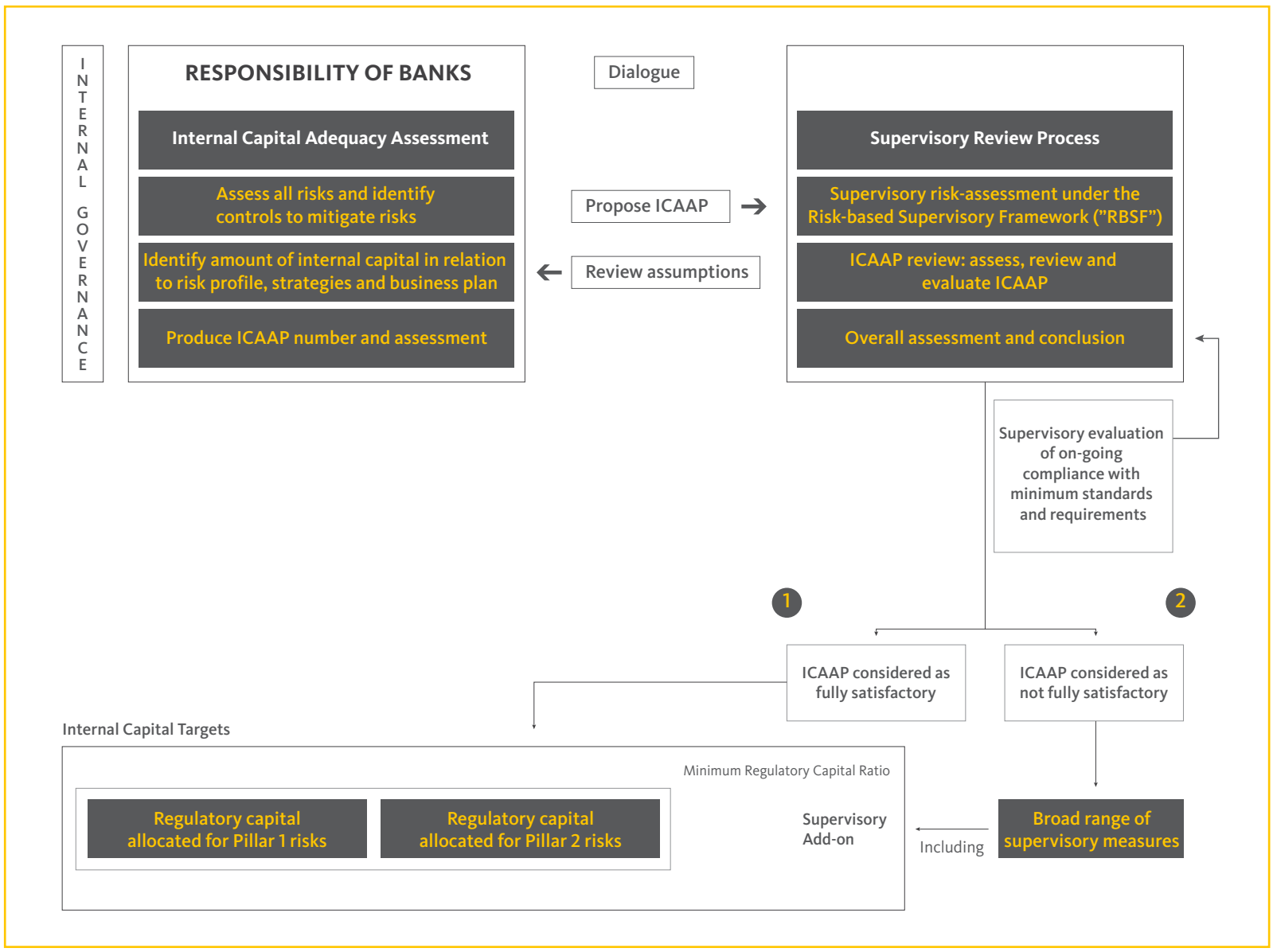
INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

The Group's overall capital adequacy in relation to its risk profile is assessed through a process articulated in the Maybank Group ICAAP Policy ("ICAAP Policy"). The ICAAP Policy is designed to ensure that adequate levels of capital, including capital buffers, are held to support the Group's current and projected demand for capital under existing and stressed conditions. Regular ICAAP reports are submitted to the Group Executive Risk Committee ("Group ERC") and RMC for comprehensive review of all material risks faced by the Group and assessment of the adequacy of capital to support them. The ICAAP closely integrates the risk and capital planning and management processes.

Since March 2013, the Group has prepared a Board-approved ICAAP document to fulfil the requirements under the BNM Pillar 2 Guideline, which came into effect on 31 March 2013. The document included an overview of ICAAP, current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing and capital planning and the use of ICAAP. Annually, the Group submits an update of the material changes made to the document to BNM.

Diagram 1: ICAAP and Supervisory Review Process



Supplementing the ICAAP reports is the Group Capital Plan, which is updated on an annual basis, where the internal capital targets are set and reviewed, amongst others as part of sound capital management.

CAPITAL MANAGEMENT

Comprehensive Risk Assessment under ICAAP Policy

Under the Group's ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk);
- Risks not specifically addressed under Pillar 1 (e.g. interest rate risk/rate of return risk in the banking book, liquidity risk, business and strategic risk, reputational risk, credit concentration risk, IT risks (e.g. security risk and cyber risk), regulatory risk, country risk, compliance risk, capital risk, profitability risk, Shariah non-compliance risk, industry risk, information risk, conduct risk, workforce risk and data quality risk amongst others); and
- External factors, including changes in economic environment, regulations and accounting rules.

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

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

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

Assessment of Pillar 1 and Pillar 2 Risks

In line with industry best practices, the Group quantifies its risks using methodologies that have been reasonably tested and determined to be fit-for-purpose.

Where risks may not be easily quantified due to the lack of commonly accepted risk measurement techniques, expert judgement is used to determine the size and materiality of risk. The Group's ICAAP would then focus on the qualitative controls in managing such material non-quantifiable risks. These qualitative measures include the following:

- Adequate governance process;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies; and
- Regular monitoring and reporting.

Regular and Robust Stress Testing

The Group's stress testing programme is embedded within the risk and capital management process of the Group and is a key function of capital and business planning processes. The programme serves as a forward-looking risk and capital management tool to understand the risk profile under extreme but plausible conditions. Such conditions may arise mainly from economic, political and environmental factors.

Under Maybank Group Stress Test ("GST") Policy, the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, RWA, capital adequacy and ability to comply with the risk appetites set, are considered.

Specifically, the stress test programme is designed to:

- Highlight the dynamics of stress events and their potential implication on the Group's trading and banking book exposures, liquidity positions and likely reputational impacts;
- Proactively identify key strategies to mitigate the effects of stress events; and
- Produce stress results as inputs into the Group's ICAAP in determining capital adequacy and capital buffers.

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

- Group stress tests – Using a common scenario approved by RMC of which the results are submitted to BNM. It also includes periodic industry-wide stress tests organised by BNM where the scenarios are specified by the Central Bank.
- Localised stress tests – Limited scope stress tests undertaken at portfolio, branch/sector or entity levels based on scenarios relevant to specific localities.
- Ad-hoc stress tests – Periodic stress tests conducted in response to emerging risk events.

Stress test themes reviewed by the Stress Test Working Group in the past include global economic turmoil, impact on liquidity risk due to cyber attack, digital disruption, impact of external geopolitical events on ASEAN and Asia, impact of weakening Malaysian ringgit and higher bond yields, Post-Brexit risk on ASEAN economies, the Perfect Storm: Impact of low oil price, weak currencies and slower Chinese GDP growth on ASEAN economies, Federal Reserve rate hike, idiosyncratic event's implication to the Group, oil price decline, intensified capital outflows from emerging markets including ASEAN, rising inflation and interest rate hikes in ASEAN, impact of Federal Reserve Quantitative Easing tapering, sovereign rating downgrades, slowing Chinese economy, a repeat of Asian Financial Crisis, US dollar depreciation, pandemic flu, asset price collapse, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and US debt crises, amongst others.

The Stress Test Working Group, which comprises of business and risk management teams, tables the stress test reports to the Senior Management and Board committees and discusses the results with the regulators on a regular basis.

RISK MANAGEMENT

Risk management plays an integral part in systematically managing various financial and non-financial risks posed by the rapidly evolving business environment in which the Group operates in. During the financial year, the Group remained steadfast in strengthening its risk capabilities and committed in assimilating strong risk management practices at the heart of the Group's business. The management of risk is an important driver for strategic decisions in support of the Group's aspirations to maintain sound performance and capital position and to ultimately enhance shareholders value.

INTEGRATED RISK MANAGEMENT FRAMEWORK

The Group's approach to risk management is enterprise-wide and involves the establishment of a strong risk culture as the foundation and driver of the Group's governance and risk management practices. Its risk management is fortified by a comprehensive, best-practice Integrated Risk Management Framework ("IRM Framework"), which is constantly evolving to remain relevant and effective in this environment of changing times, uncertainty and risk.

The broad overarching IRM Framework is underpinned by seven core principles to ensure the integration of risk strategies, governance, culture, processes and infrastructure within the Group's regional footprint. The seven key principles are broadly described below:

Principles of Risk Management

1. Establishing a risk appetite and strategy, which is approved by the Board that articulates the nature, type and level of risk the Group is willing to assume.
2. Driving capital management by strategic objectives that takes into account the relevant regulatory, economic and commercial environments in which the Group operates.
3. Ensuring 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.
4. Promoting a strong risk culture that supports and provides appropriate standards and incentives for professional and responsible behaviour.
5. Implementing risk frameworks, policies and procedures to ensure that risk management practices and processes are effective at all levels.
6. Executing robust risk management practices and processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group.
7. Ensuring sufficient resources, infrastructure and techniques are in place to enable effective risk management.

RISK APPETITE AND STRATEGY

The Group's risk appetite is a critical component of the robust IRM Framework which is driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite enables the Board and Senior Management to communicate, understand and assess the types and levels of risk that the Group is willing to accept in pursuit of its business objectives.

The Group's development of its risk appetite has been integrated into the strategic planning process and is adaptable to changing business and market conditions. The articulation of the risk appetite is done through a set of risk appetite statements that defines the Group's appetite on all material risks of the Group. The risk appetite balances the needs of all stakeholders by acting both as a governor of risk, and a driver of future and current business activities.

RISK GOVERNANCE AND OVERSIGHT

The governance model provides a transparent and effective structure that promotes active involvement and oversight from the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group. The risk governance model aims to place accountability and ownership, whilst facilitating an appropriate level of independence and segregation of duties.

The risk governance structure is premised on the Three Lines of Defence and clearly defines the lines of authority, roles and responsibilities to efficiently manage risk across the Group.

The chart illustrating the risk governance structure of the Group can be found in the Group Risk Management section under the Corporate Book.

INDEPENDENT GROUP RISK FUNCTION

The Group Risk function, headed by the Group Chief Risk Officer ("GCRO"), provides value to the Group through its independent and integrated assessment of credit management and enterprise-wide risk management.

Group Risk plays a distinct role in the following key functions:

- Supporting the Group's regional expansion and businesses in the achievement of strategic objectives;
- Continuing as a strategic partner to the business in budget planning and risk appetite implementation;
- Enhancing risk functions across the regions that the Group have operations in and embedding the Group's risk culture;
- Providing authority limits for both central and regional approvals, controls, risk systems and architecture leadership;
- Managing various risk committees to facilitate pro-active monitoring and controlling of the Group's risk exposures and enterprise risk reporting;
- Acting as a strategic partner to the business in addressing external stakeholders including regulators and analysts pertaining to risk issues; and
- Engaging in business development activities such as new product sign-offs and approvals, post-implementation reviews and due diligence exercises.

In its continuous pursuit to drive efficiency, Group Risk has established Centres of Excellence ("COEs") to build deep specialisation of risk professionals, to provide value-added risk insights to support business decision-making and increase economies of scale.

The COEs have established consistent standards of implementation in relation to risk policies, risk reporting, risk modelling and specialisation in the management of specific risk areas within the Group.

CREDIT RISK

Credit risk is the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.

REGULATORY CAPITAL REQUIREMENT

Amongst the various risk types the Group engages in, credit risk continues to attract the largest regulatory capital requirement.

MANAGEMENT OF CREDIT RISK

Corporate and institutional credit risks are assessed by business units, where each customer is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including the customer's financial position, future cash flows, types of facilities and securities offered. These credits are then evaluated and approved by a party independent of the originator.

Reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic conditions, and conduct of account. Corrective actions are taken when the accounts show signs of credit deterioration.

The Group manages its credit risk using a two-pronged approach:

- Managing the Credit Risk; and
- Managing the Credit Portfolio.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on the credit programmes are conducted at least once a year to assess the performances of the portfolios.

Group-wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Group.

Management of Concentration Risk

Concentration risk can materialise from excessive exposures to a single counterparty and persons connected to it, a particular instrument or a particular market segment/sector.

In managing large exposures and to avoid undue concentration of credit risk in its loans and financing portfolio, the Group has emplaced, amongst others, limits and related lending guidelines for:

- Countries;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks and Non-Bank Financial Institutions ("NBFIs");
- Counterparties; and
- Collaterals.

Reviews of the said limits and related lending guidelines are undertaken on a periodic basis, whereupon any emerging concentration risks are addressed accordingly. Any exception to the limits and lending guidelines would be subject to approvals from higher credit authorities.

Asset Quality Management

The Group has dedicated teams to effectively manage vulnerable corporate, institutional and consumer credits. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to prevent further deterioration or, where necessary, accelerate remedial actions.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. Group Risk is responsible for developing, enhancing and communicating effective and consistent credit risk management policies, tools and methodologies across the Group, to ensure appropriate standards are in place to identify, measure, control, monitor and report such risks.

In view that the authority limits are directly related to the risk levels of the borrower and the transaction, a Risk-Based Authority Limit structure is implemented based on the Expected Loss principle and internally-developed Credit Risk Rating System.

Tables 10 through 12 present the geographic analysis and distribution of credit exposures under both the Standardised Approach and IRB Approach for the Group, the Bank and Maybank Islamic, respectively.

Tables 13 through 15 present the credit risk exposures by various industries for the Group, the Bank and Maybank Islamic, respectively.

Tables 16 through 18 present the credit risk exposures by maturity periods of one year or less, one to five years and over five years for the Group, the Bank and Maybank Islamic, respectively.

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Table 10: Disclosure on Credit Risk Exposure – Geographical Analysis for Maybank Group

Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Other Overseas Units RM'000	Total RM'000
As at 31 December 2017					
Exempted Exposures (Standardised Approach)					
Sovereigns/Central Banks	72,412,745	30,003,400	7,891,548	12,731,839	123,039,532
Public Sector Entities	20,736,645	2,480,791	–	–	23,217,436
Banks, Development Financial Institutions & MDBs	3,259,863	40,828	–	9,703	3,310,394
Insurance Cos, Securities Firms & Fund Managers	–	393,327	–	–	393,327
Corporates	7,870,631	4,452,154	3,582,474	2,241,633	18,146,892
Regulatory Retail	9,598,564	11,296,178	6,922,317	5,655,684	33,472,742
Residential Mortgages	3,167,265	559	143,231	522,012	3,833,066
Higher Risk Assets	436,799	46,507	10,137	256	493,700
Other Assets	5,959,511	1,813,811	2,773,539	2,138,727	12,685,588
Securitisation Exposures	61,467	–	–	–	61,467
Equity Exposures	490,756	–	–	–	490,756
Total Standardised Approach	123,994,246	50,527,555	21,323,246	23,299,854	219,144,900
Exposures under the IRB Approach					
Banks, Development Financial Institutions & MDBs	22,119,432	14,368,658	2,310,510	18,698,626	57,497,226
Corporate Exposures	150,569,731	71,886,815	20,229,853	41,198,260	283,884,659
a) Corporates (excluding Specialised Lending and firm-size adjustment)	100,413,888	71,886,815	20,229,853	41,198,260	233,728,816
b) Corporates (with firm-size adjustment)	50,155,843	–	–	–	50,155,843
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–
Retail Exposures	149,160,400	52,631,073	9,832,937	–	211,624,410
a) Residential Mortgages	49,313,345	21,621,756	4,633,281	–	75,568,382
b) Qualifying Revolving Retail Exposures	9,639,130	6,038,303	1,147,233	–	16,824,667
c) Hire Purchase Exposures	33,286,702	6,624,661	4,052,423	–	43,963,785
d) Other Retail Exposures	56,921,223	18,346,353	–	–	75,267,576
Total IRB Approach	321,849,563	138,886,546	32,373,300	59,896,885	553,006,295
Total Standardised and IRB Approaches	445,843,809	189,414,101	53,696,546	83,196,739	772,151,195
As at 31 December 2016					
Exempted Exposures (Standardised Approach)					
Sovereigns/Central Banks	59,296,109	23,574,277	7,706,890	9,506,824	100,084,100
Public Sector Entities	12,017,540	2,738,084	–	–	14,755,624
Banks, Development Financial Institutions & MDBs	1,812,550	218,589	–	9,104	2,040,243
Insurance Cos, Securities Firms & Fund Managers	–	316,263	–	–	316,263
Corporates	3,137,781	12,876,249	3,945,572	1,473,053	21,432,655
Regulatory Retail	8,194,606	6,904,459	8,885,895	5,344,159	29,329,119
Residential Mortgages	2,400,006	775	517,791	171,908	3,090,480
Higher Risk Assets	272,332	31,732	11,151	285	315,500
Other Assets	4,826,586	1,770,904	3,074,047	2,592,197	12,263,734
Securitisation Exposures	159,896	–	–	–	159,896
Equity Exposures	295,152	12,285	–	–	307,437
Total Standardised Approach	92,412,558	48,443,617	24,141,347	19,097,530	184,095,051
Exposures under the IRB Approach					
Banks, Development Financial Institutions & MDBs	32,213,368	17,980,088	3,702,223	15,978,846	69,874,525
Corporate Exposures	164,815,046	56,837,792	19,773,456	47,667,771	289,094,065
a) Corporates (excluding Specialised Lending and firm-size adjustment)	102,315,057	56,837,792	19,773,456	47,667,771	226,594,076
b) Corporates (with firm-size adjustment)	62,499,989	–	–	–	62,499,989
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–
Retail Exposures	131,766,740	46,563,795	9,870,585	–	188,201,120
a) Residential Mortgages	40,847,804	21,236,254	4,484,130	–	66,568,188
b) Qualifying Revolving Retail Exposures	7,040,686	5,737,621	956,737	–	13,735,044
c) Hire Purchase Exposures	32,839,370	5,767,878	4,429,718	–	43,036,966
d) Other Retail Exposures	51,038,880	13,822,042	–	–	64,860,922
Total IRB Approach	328,795,154	121,381,675	33,346,264	63,646,617	547,169,710
Total Standardised and IRB Approaches	421,207,712	169,825,292	57,487,610	82,744,147	731,264,761

CREDIT RISK

Table 11: Disclosure on Credit Risk Exposure – Geographical Analysis for Maybank

Exposure Class	Malaysia RM'000	Singapore RM'000	Other Overseas Units RM'000	Total RM'000
As at 31 December 2017				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	44,686,088	29,693,681	9,816,247	84,196,016
Public Sector Entities	10,864,141	2,480,791	–	13,344,932
Banks, Development Financial Institutions & MDBs	–	40,715	–	40,715
Corporates	5,430,343	3,822,577	2,148,826	11,401,746
Regulatory Retail	6,421,704	8,119,949	630,114	15,171,767
Residential Mortgages	268,016	559	170,472	439,047
Higher Risk Assets	181,283	30,023	–	211,306
Other Assets	7,407,513	1,063,534	1,304,114	9,775,161
Securitisation Exposures	61,467	–	–	61,467
Equity Exposures	323,725	–	–	323,725
Total Standardised Approach	75,644,280	45,251,829	14,069,773	134,965,882
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	34,063,156	13,788,080	18,149,952	66,001,188
Corporate Exposures	113,167,573	71,886,815	37,273,991	222,328,379
a) Corporates (excluding Specialised Lending and firm-size adjustment)	78,410,818	71,886,815	37,273,991	187,571,624
b) Corporates (with firm-size adjustment)	34,756,755	–	–	34,756,755
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
Retail Exposures	71,110,297	52,631,073	–	123,741,370
a) Residential Mortgages	25,444,610	21,621,756	–	47,066,366
b) Qualifying Revolving Retail Exposures	7,964,488	6,038,303	–	14,002,791
c) Hire Purchase Exposures	9,017,129	6,624,661	–	15,641,790
d) Other Retail Exposures	28,684,070	18,346,353	–	47,030,423
Total IRB Approach	218,341,026	138,305,968	55,423,943	412,070,937
Total Standardised and IRB Approaches	293,985,306	183,557,797	69,493,716	547,036,819
As at 31 December 2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	38,606,385	22,317,390	6,624,475	67,548,250
Public Sector Entities	7,357,940	2,738,084	–	10,096,024
Banks, Development Financial Institutions & MDBs	–	218,470	–	218,470
Corporates	1,319,017	12,059,786	1,401,177	14,779,980
Regulatory Retail	5,145,358	4,262,299	415,742	9,823,399
Residential Mortgages	228,813	775	171,908	401,496
Higher Risk Assets	156,267	5,456	–	161,723
Other Assets	7,109,135	907,681	1,629,180	9,645,996
Securitisation Exposures	159,896	–	–	159,896
Equity Exposures	275,641	12,285	–	287,926
Total Standardised Approach	60,358,452	42,522,226	10,242,482	113,123,160
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	40,140,327	17,398,947	15,142,458	72,681,732
Corporate Exposures	129,160,794	56,837,792	42,961,383	228,959,969
a) Corporates (excluding Specialised Lending and firm-size adjustment)	80,290,352	56,837,792	42,961,383	180,089,527
b) Corporates (with firm-size adjustment)	48,870,442	–	–	48,870,442
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
Retail Exposures	67,343,430	46,563,796	–	113,907,226
a) Residential Mortgages	23,987,589	21,236,254	–	45,223,843
b) Qualifying Revolving Retail Exposures	5,901,686	5,737,621	–	11,639,307
c) Hire Purchase Exposures	8,203,789	5,767,878	–	13,971,667
d) Other Retail Exposures	29,250,366	13,822,043	–	43,072,409
Total IRB Approach	236,644,551	120,800,535	58,103,841	415,548,927
Total Standardised and IRB Approaches	297,003,003	163,322,761	68,346,323	528,672,087

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Table 12: Disclosure on Credit Risk Exposure – Geographical Analysis for Maybank Islamic

Exposure Class	As at 31 December 2017 Total RM'000	As at 31 December 2016 Total RM'000
Exposures under Standardised Approach		
Sovereigns/Central Banks	**27,310,900**	20,459,579
Public Sector Entities	**15,172,104**	9,650,854
Banks, Development Financial Institutions & MDBs	**1**	–
Corporates	**2,608,048**	1,881,083
Regulatory Retail	**3,802,927**	3,806,466
Residential Mortgages	**2,899,249**	2,171,193
Higher Risk Assets	**10,413**	7,338
Other Assets	**525,325**	905,202
Total Standardised Approach	**52,328,967**	38,881,715
Exposures under IRB Approach		
Banks, Development Financial Institutions & MDBs	**8,839,203**	11,262,901
Corporate Exposures	**52,803,996**	50,163,001
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**37,404,907**	36,533,454
b) Corporates (with firm-size adjustment)	**15,399,089**	13,629,547
c) Specialised Lending (Slotting Approach)		
– Project Finance	**–**	–
Retail Exposures	**101,959,597**	94,710,513
a) Residential Mortgages	**27,676,591**	23,202,177
b) Qualifying Revolving Retail Exposures	**1,674,643**	1,138,999
c) Hire Purchase Exposures	**30,583,616**	29,558,330
d) Other Retail Exposures	**42,024,747**	40,811,007
Total IRB Approach	**163,602,796**	156,136,415
Total Standardised and IRB Approaches	**215,931,763**	195,018,130

* Credit exposure for Maybank Islamic is derived from Malaysia only.

CREDIT RISK

Table 13: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Group

Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
As at 31 December 2017												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	591	–	–	–	8,182	891	115,163,685	–	203,140	7,473,794	189,249	123,039,532
Public Sector Entities	3,331,422	75	74	7,951,093	–	1,871	10,959,151	662	947,135	–	25,953	23,217,436
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	1,440,700	–	–	–	1,869,694	3,310,394
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	56,634	–	–	–	336,693	393,327
Corporates	30,733	1,100,343	636,181	343,914	23,027	416,542	1,397,422	5,070	78,325	4,778,592	9,336,743	18,146,892
Regulatory Retail	116,162	16,588	180,257	206,441	41,250	1,508,454	3,392,895	528,881	581,857	10,034,752	16,865,205	33,472,742
Residential Mortgages	1,934	–	3,971	647	–	49,604	174,435	–	5,052	3,595,843	1,580	3,833,066
Higher Risk Assets	–	–	–	–	–	–	60,773	–	–	20,550	412,377	493,700
Other Assets	–	–	–	–	–	–	2,827,618	710	282,313	7,925,454	1,649,493	12,685,588
Securitisation Exposures	–	–	–	–	–	–	61,467	–	–	–	–	61,467
Equity Exposures	–	–	–	11,814	53,971	–	4,045	–	–	253,889	167,037	490,756
Total Standardised Approach	3,480,842	1,117,006	820,483	8,513,909	126,430	1,977,362	135,538,825	535,323	2,097,822	34,082,874	30,854,024	219,144,900
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	55,219,070	–	–	2,278,154	–	57,497,226
Corporate Exposures	9,186,585	4,363,685	24,918,344	22,296,823	12,289,764	28,263,269	82,758,571	15,191,247	9,328,527	20,003,658	55,284,186	283,884,659
a) Corporates (excluding Specialised Lending and firm-size adjustment)	8,856,530	4,339,138	24,362,447	20,780,194	12,045,709	27,140,972	80,848,753	15,045,926	8,992,622	20,003,658	11,312,867	233,728,816
b) Corporates (with firm-size adjustment)	330,055	24,547	555,897	1,516,629	244,055	1,122,297	1,909,818	145,321	335,905	–	43,971,319	50,155,843
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–	–	–	–	–	–	–
Retail Exposures	678,708	81,354	2,388,468	1,989,832	56,967	7,613,688	4,718,838	1,021,508	912,754	153,597,997	38,564,296	211,624,410
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	75,568,382	–	75,568,382
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	16,824,667	–	16,824,667
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	43,963,785	–	43,963,785
d) Other Retail Exposures	678,708	81,354	2,388,468	1,989,832	56,967	7,613,688	4,718,838	1,021,508	912,754	17,241,163	38,564,296	75,267,576
Total IRB Approach	9,865,293	4,445,039	27,306,812	24,286,655	12,346,731	35,876,957	142,696,479	16,212,755	10,241,281	175,879,809	93,848,482	553,006,295
Total Standardised and IRB Approaches	13,346,135	5,562,045	28,127,295	32,800,564	12,473,161	37,854,319	278,235,304	16,748,078	12,339,103	209,962,683	124,702,508	772,151,195
As at 31 December 2016												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	22	–	–	20,258	–	316	81,037,910	5,032,211	1,780,196	–	12,213,187	100,084,100
Public Sector Entities	390,492	90	9	3,215,415	–	1,568	10,031,100	–	606,813	–	510,137	14,755,624
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	1,008,505	–	–	–	1,031,738	2,040,243
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	119,263	–	–	–	197,000	316,263
Corporates	153,055	–	504,247	220,267	332,790	116,716	901,137	488,033	404,195	1,375,525	16,936,690	21,432,655
Regulatory Retail	8,277	806	32,979	7,099	39,260	121,907	53,865	392,610	108,330	14,857,715	13,706,271	29,329,119
Residential Mortgages	–	–	–	–	–	–	–	171,908	–	2,400,781	517,791	3,090,480
Higher Risk Assets	–	–	–	–	–	691	79,645	285	–	7,338	227,541	315,500
Other Assets	–	–	–	–	–	–	271,361	1,782,255	–	4,995,923	5,214,195	12,263,734
Securitisation Exposures	–	–	–	–	–	–	159,896	–	–	–	–	159,896
Equity Exposures	–	–	3,223	12,302	53,971	–	9,063	–	–	209,360	19,518	307,437
Total Standardised Approach	551,846	896	540,458	3,475,341	426,021	241,198	93,671,745	7,867,302	2,899,534	23,846,642	50,574,068	184,095,051
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	68,224,426	–	–	–	1,650,099	69,874,525
Corporate Exposures	8,666,737	6,409,340	44,247,524	18,118,427	13,602,616	25,117,144	65,373,503	25,633,261	9,647,901	890,641	71,386,971	289,094,065
a) Corporates (excluding Specialised Lending and firm-size adjustment)	8,242,771	6,360,874	43,703,494	17,267,484	13,377,667	24,551,905	63,581,656	25,530,735	9,327,906	890,641	13,758,943	226,594,076
b) Corporates (with firm-size adjustment)	423,966	48,466	544,030	850,943	224,949	565,239	1,791,847	102,526	319,995	–	57,628,028	62,499,989
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–	–	–	–	–	–	–
Retail Exposures	696,047	97,873	2,177,939	1,847,531	63,988	6,154,359	3,963,960	861,084	875,614	135,642,910	35,819,815	188,201,120
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	66,568,188	–	66,568,188
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	13,735,044	–	13,735,044
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	43,036,966	–	43,036,966
d) Other Retail Exposures	696,047	97,873	2,177,939	1,847,531	63,988	6,154,359	3,963,960	861,084	875,614	12,302,712	35,819,815	64,860,922
Total IRB Approach	9,362,784	6,507,213	46,425,463	19,965,958	13,666,604	31,271,503	137,561,889	26,494,345	10,523,515	136,533,551	108,856,885	547,169,710
Total Standardised and IRB Approaches	9,914,630	6,508,109	46,965,921	23,441,299	14,092,625	31,512,701	231,233,634	34,361,647	13,423,049	160,380,193	159,430,953	731,264,761

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Table 14: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank

Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
As at 31 December 2017												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	591	–	–	–	8,182	891	83,973,212	–	203,140	–	10,000	84,196,016
Public Sector Entities	3,245,763	–	74	1,749,868	–	1,817	7,583,127	662	737,817	–	25,804	13,344,932
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	40,715	–	–	–	–	40,715
Corporates	30,733	1,100,343	600,981	333,324	17,536	361,471	903,033	2,007	73,854	–	7,978,464	11,401,746
Regulatory Retail	–	461	4,382	2,322	–	21,775	147,603	–	3,262	5,269	14,986,693	15,171,767
Residential Mortgages	–	–	–	–	–	–	170,472	–	–	268,575	–	439,047
Higher Risk Assets	–	–	–	–	–	–	4,588	–	–	–	206,718	211,306
Other Assets	–	–	–	–	–	–	2,212,093	–	416	7,400,129	162,523	9,775,161
Securitisation Exposures	–	–	–	–	–	–	61,467	–	–	–	–	61,467
Equity Exposures	–	–	–	11,814	53,971	–	4,045	–	–	253,889	6	323,725
Total Standardised Approach	3,277,087	1,100,804	605,437	2,097,328	79,689	385,954	95,100,355	2,669	1,018,489	7,927,862	23,370,208	134,965,882
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	66,001,188	–	–	–	–	66,001,188
Corporate Exposures	6,775,211	3,424,016	19,614,195	15,168,212	11,125,279	24,936,157	74,280,355	13,110,538	8,548,116	–	45,346,300	222,328,379
a) Corporates (excluding Specialised Lending and firm-size adjustment)	6,775,211	3,424,016	19,614,195	15,168,212	11,125,279	24,936,157	74,280,355	13,110,538	8,548,116	–	10,589,545	187,571,624
b) Corporates (with firm-size adjustment)	–	–	–	–	–	–	–	–	–	–	34,756,755	34,756,755
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–	–	–	–	–	–	–
Retail Exposures	340,191	33,878	949,662	842,639	19,776	3,457,929	2,015,534	509,265	396,502	76,710,947	38,465,047	123,741,370
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	47,066,366	–	47,066,366
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	14,002,791	–	14,002,791
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	15,641,790	–	15,641,790
d) Other Retail Exposures	340,191	33,878	949,662	842,639	19,776	3,457,929	2,015,534	509,265	396,502	–	38,465,047	47,030,423
Total IRB Approach	7,115,402	3,457,894	20,563,857	16,010,851	11,145,055	28,394,086	142,297,077	13,619,803	8,944,618	76,710,947	83,811,347	412,070,937
Total Standardised and IRB Approaches	10,392,489	4,558,698	21,169,294	18,108,179	11,224,744	28,780,040	237,397,432	13,622,472	9,963,107	84,638,809	107,181,555	547,036,819
As at 31 December 2016												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	22	–	–	20,258	–	316	59,091,414	3,006,973	1,780,196	–	3,649,071	67,548,250
Public Sector Entities	285,202	–	9	1,487,507	–	1,500	7,947,262	–	371,935	–	2,609	10,096,024
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	218,470	–	–	–	–	218,470
Corporates	126,425	–	499,306	219,069	322,547	107,931	969,096	464,503	369,018	–	11,702,085	14,779,980
Regulatory Retail	–	–	5,105	–	407	15,216	–	21,060	3,172	9,411,488	366,951	9,823,399
Residential Mortgages	–	–	–	–	–	–	–	171,908	–	229,588	–	401,496
Higher Risk Assets	–	–	–	–	–	691	15,433	–	–	–	145,599	161,723
Other Assets	–	–	–	–	–	–	258,076	1,088,424	–	4,090,719	4,208,777	9,645,996
Securitisation Exposures	–	–	–	–	–	–	159,896	–	–	–	–	159,896
Equity Exposures	–	–	3,223	12,302	53,971	–	9,063	–	–	209,360	7	287,926
Total Standardised Approach	411,649	–	507,643	1,739,136	376,925	125,654	68,668,710	4,752,868	2,524,321	13,941,155	20,075,099	113,123,160
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	72,681,731	–	1	–	–	72,681,732
Corporate Exposures	5,285,767	4,233,785	20,245,790	11,715,983	12,791,473	21,136,948	63,444,396	20,152,164	8,889,366	78	61,064,219	228,959,969
a) Corporates (excluding Specialised Lending and firm-size adjustment)	5,285,767	4,233,785	20,245,790	11,715,983	12,791,473	21,136,948	63,444,396	20,152,164	8,889,366	78	12,193,777	180,089,527
b) Corporates (with firm-size adjustment)	–	–	–	–	–	–	–	–	–	–	48,870,442	48,870,442
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–	–	–	–	–	–	–
Retail Exposures	331,095	35,735	885,125	748,835	23,373	2,906,320	1,636,128	429,846	373,145	70,834,817	35,702,807	113,907,226
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	45,223,843	–	45,223,843
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	11,639,307	–	11,639,307
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	13,971,667	–	13,971,667
d) Other Retail Exposures	331,095	35,735	885,125	748,835	23,373	2,906,320	1,636,128	429,846	373,145	–	35,702,807	43,072,409
Total IRB Approach	5,616,862	4,269,520	21,130,915	12,464,818	12,814,846	24,043,268	137,762,255	20,582,010	9,262,512	70,834,895	96,767,026	415,548,927
Total Standardised and IRB Approaches	6,028,511	4,269,520	21,638,558	14,203,954	13,191,771	24,168,922	206,430,965	25,334,878	11,786,833	84,776,050	116,842,125	528,672,087

CREDIT RISK

Table 15: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Islamic

Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
As at 31 December 2017												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	–	–	–	–	–	–	27,310,900	–	–	–	–	27,310,900
Public Sector Entities	85,660	75	–	6,201,224	–	53	3,376,025	–	209,318	–	5,299,749	15,172,104
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	1	–	–	–	–	1
Corporates	–	–	–	–	–	–	–	2,982	–	1,469,348	1,135,718	2,608,048
Regulatory Retail	–	–	–	–	–	–	–	–	–	3,802,927	–	3,802,927
Residential Mortgages	–	–	–	–	–	–	–	–	–	2,899,249	–	2,899,249
Higher Risk Assets	–	–	–	–	–	–	–	–	–	10,413	–	10,413
Other Assets	–	–	–	–	–	–	–	–	–	525,325	–	525,325
Total Standardised Approach	85,660	75	–	6,201,224	–	53	30,686,926	2,982	209,318	8,707,262	6,435,467	52,328,967
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	8,839,203	–	–	–	–	8,839,203
Corporate Exposures	2,298,437	900,773	4,817,708	6,872,006	754,410	2,007,747	7,948,038	1,973,170	623,198	–	24,608,509	52,803,996
a) Corporates (excluding Specialised Lending and firm-size adjustment)	1,968,382	876,226	4,261,811	5,355,377	510,355	885,450	6,038,220	1,827,849	287,293	–	15,393,944	37,404,907
b) Corporates (with firm-size adjustment)	330,055	24,547	555,897	1,516,629	244,055	1,122,297	1,909,818	145,321	335,905	–	9,214,565	15,399,089
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–	–	–	–	–	–	–
Retail Exposures	338,517	47,476	1,438,806	1,147,192	37,190	4,155,759	2,703,304	512,244	516,252	90,963,607	99,250	101,959,597
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	27,676,591	–	27,676,591
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	1,674,643	–	1,674,643
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	30,583,616	–	30,583,616
d) Other Retail Exposures	338,517	47,476	1,438,806	1,147,192	37,190	4,155,759	2,703,304	512,244	516,252	31,028,757	99,250	42,024,747
Total IRB Approach	2,636,954	948,249	6,256,514	8,019,198	791,600	6,163,506	19,490,545	2,485,414	1,139,450	90,963,607	24,707,759	163,602,796
Total Standardised and IRB Approaches	2,722,614	948,324	6,256,514	14,220,422	791,600	6,163,559	50,177,471	2,488,396	1,348,768	99,670,869	31,143,226	215,931,763
As at 31 December 2016												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	–	–	–	–	–	–	20,459,569	–	–	–	10	20,459,579
Public Sector Entities	105,289	90	–	1,727,908	–	68	7,075,093	–	234,878	–	507,528	9,650,854
Corporates	–	–	–	–	10,138	–	21	3,174	35,177	1,375,525	457,048	1,881,083
Regulatory Retail	–	–	–	–	–	–	–	–	–	2,430,941	1,375,525	3,806,466
Residential Mortgages	–	–	–	–	–	–	–	–	–	2,171,193	–	2,171,193
Higher Risk Assets	–	–	–	–	–	–	–	–	–	7,338	–	7,338
Other Assets	–	–	–	–	–	–	–	–	–	905,202	–	905,202
Total Standardised Approach	105,289	90	–	1,727,908	10,138	68	27,534,683	3,174	270,055	6,890,199	2,340,111	38,881,715
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	11,227,414	–	–	–	35,487	11,262,901
Corporate Exposures	3,175,524	2,126,162	5,092,312	5,949,423	665,338	3,014,204	16,340,531	4,169,885	660,509	–	8,969,113	50,163,001
a) Corporates (excluding Specialised Lending and firm-size adjustment)	2,751,558	2,077,696	4,548,282	5,098,480	440,389	2,448,965	14,548,684	4,067,359	340,514	–	211,527	36,533,454
b) Corporates (with firm-size adjustment)	423,966	48,466	544,030	850,943	224,949	565,239	1,791,847	102,526	319,995	–	8,757,586	13,629,547
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–	–	–	–	–	–	–	–	–
Retail Exposures	364,953	62,138	1,292,814	1,098,696	40,615	3,248,039	2,327,832	431,238	502,469	85,224,713	117,006	94,710,513
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	23,202,177	–	23,202,177
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	1,138,999	–	1,138,999
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	29,558,330	–	29,558,330
d) Other Retail Exposures	364,953	62,138	1,292,814	1,098,696	40,615	3,248,039	2,327,832	431,238	502,469	31,325,207	117,006	40,811,007
Total IRB Approach	3,540,477	2,188,300	6,385,126	7,048,119	705,953	6,262,243	29,895,777	4,601,123	1,162,978	85,224,713	9,121,606	156,136,415
Total Standardised and IRB Approaches	3,645,766	2,188,390	6,385,126	8,776,027	716,091	6,262,311	57,430,460	4,604,297	1,433,033	92,114,912	11,461,717	195,018,130

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Table 16: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Group

Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2017				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	48,596,474	28,980,667	45,462,391	123,039,532
Public Sector Entities	6,818,984	8,688,987	7,709,465	23,217,436
Banks, Development Financial Institutions & MDBs	1,399,984	1,910,410	–	3,310,394
Insurance Cos, Securities Firms & Fund Managers	–	393,327	–	393,327
Corporates	3,874,607	11,847,971	2,424,314	18,146,892
Regulatory Retail	10,317,578	15,864,963	7,290,201	33,472,742
Residential Mortgages	19,528	138,668	3,674,870	3,833,066
Higher Risk Assets	95,662	362,798	35,240	493,700
Other Assets	1,506,974	2,246,522	8,932,092	12,685,588
Securitisation Exposures	–	61,467	–	61,467
Equity Exposures	–	490,756	–	490,756
Total Standardised Approach	72,629,791	70,986,536	75,528,573	219,144,900
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	42,927,300	7,849,603	6,720,323	57,497,226
Corporate Exposures	95,261,469	102,869,853	85,753,337	283,884,659
a) Corporates (excluding Specialised Lending and firm-size adjustment)	93,935,962	92,336,888	47,455,966	233,728,816
b) Corporates (with firm-size adjustment)	1,325,507	10,532,965	38,297,371	50,155,843
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
Retail Exposures	7,589,845	41,328,999	162,705,566	211,624,410
a) Residential Mortgages	383,501	4,099,596	71,085,285	75,568,382
b) Qualifying Revolving Retail Exposures	818,316	15,073,270	933,081	16,824,667
c) Hire Purchase Exposures	918,921	14,036,907	29,007,957	43,963,785
d) Other Retail Exposures	5,469,107	8,119,226	61,679,243	75,267,576
Total IRB Approach	145,778,614	152,048,455	255,179,226	553,006,295
Total Standardised and IRB Approaches	218,408,405	223,034,991	330,707,799	772,151,195
As at 31 December 2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	40,316,541	20,294,982	39,472,577	100,084,100
Public Sector Entities	7,235,189	2,261,383	5,259,052	14,755,624
Banks, Development Financial Institutions & MDBs	790,035	1,250,208	–	2,040,243
Insurance Cos, Securities Firms & Fund Managers	–	316,263	–	316,263
Corporates	3,115,342	15,532,671	2,784,642	21,432,655
Regulatory Retail	12,443,285	10,129,129	6,756,705	29,329,119
Residential Mortgages	28,372	146,183	2,915,925	3,090,480
Higher Risk Assets	75,590	226,760	13,150	315,500
Other Assets	5,798,324	5,573,910	891,500	12,263,734
Securitisation Exposures	–	22,343	137,553	159,896
Equity Exposures	–	307,437	–	307,437
Total Standardised Approach	69,802,678	56,061,269	58,231,104	184,095,051
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	54,831,043	4,175,371	10,868,111	69,874,525
Corporate Exposures	96,919,199	83,783,965	108,390,901	289,094,065
a) Corporates (excluding Specialised Lending and firm-size adjustment)	95,884,080	74,049,590	56,660,406	226,594,076
b) Corporates (with firm-size adjustment)	1,035,119	9,734,375	51,730,495	62,499,989
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
Retail Exposures	6,661,545	36,373,540	145,166,035	188,201,120
a) Residential Mortgages	328,040	4,223,717	62,016,431	66,568,188
b) Qualifying Revolving Retail Exposures	519,818	10,085,467	3,129,759	13,735,044
c) Hire Purchase Exposures	904,683	14,730,342	27,401,941	43,036,966
d) Other Retail Exposures	4,909,004	7,334,014	52,617,904	64,860,922
Total IRB Approach	158,411,787	124,332,876	264,425,047	547,169,710
Total Standardised and IRB Approaches	228,214,465	180,394,145	322,656,151	731,264,761

CREDIT RISK

Table 17: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank

Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2017				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	26,193,849	22,063,963	35,938,204	84,196,016
Public Sector Entities	682,342	8,267,373	4,395,217	13,344,932
Banks, Development Financial Institutions & MDBs	–	40,715	–	40,715
Corporates	1,134,575	9,420,789	846,382	11,401,746
Regulatory Retail	6,163,397	5,116,301	3,892,069	15,171,767
Residential Mortgages	1,201	18,697	419,149	439,047
Higher Risk Assets	53,629	129,440	28,237	211,306
Other Assets	71,663	1,297,953	8,405,545	9,775,161
Securitisation Exposures	–	61,467	–	61,467
Equity Exposures	–	323,725	–	323,725
Total Standardised Approach	34,300,656	46,740,423	53,924,803	134,965,882
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	44,446,178	15,641,279	5,913,731	66,001,188
Corporate Exposures	60,763,256	95,946,050	65,619,073	222,328,379
a) Corporates (excluding Specialised Lending and firm-size adjustment)	60,763,256	95,946,050	30,862,318	187,571,624
b) Corporates (with firm-size adjustment)	–	–	34,756,755	34,756,755
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	3,673,250	26,259,616	93,808,504	123,741,370
a) Residential Mortgages	341,083	1,114,605	45,610,678	47,066,366
b) Qualifying Revolving Retail Exposures	393,017	12,736,328	873,446	14,002,791
c) Hire Purchase Exposures	288,806	7,415,823	7,937,161	15,641,790
d) Other Retail Exposures	2,650,344	4,992,860	39,387,219	47,030,423
Total IRB Approach	108,882,684	137,846,945	165,341,308	412,070,937
Total Standardised and IRB Approaches	143,183,340	184,587,368	219,266,111	547,036,819
As at 31 December 2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	24,558,285	14,212,242	28,777,723	67,548,250
Public Sector Entities	645,701	6,909,265	2,541,058	10,096,024
Banks, Development Financial Institutions & MDBs	–	218,470	–	218,470
Corporates	554,357	14,137,666	87,957	14,779,980
Regulatory Retail	7,393,187	1,580,304	849,908	9,823,399
Residential Mortgages	1,253	22,360	377,883	401,496
Higher Risk Assets	34,403	120,917	6,403	161,723
Other Assets	5,435,790	2,222,421	1,987,785	9,645,996
Securitisation Exposures	–	22,343	137,553	159,896
Equity Exposures	–	287,926	–	287,926
Total Standardised Approach	38,622,976	39,733,914	34,766,270	113,123,160
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	47,177,879	16,307,353	9,196,500	72,681,732
Corporate Exposures	61,920,050	75,221,947	91,817,972	228,959,969
a) Corporates (excluding Specialised Lending and firm-size adjustment)	61,920,050	75,221,947	42,947,530	180,089,527
b) Corporates (with firm-size adjustment)	–	–	48,870,442	48,870,442
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	3,401,132	22,519,263	87,986,831	113,907,226
a) Residential Mortgages	293,137	1,128,440	43,802,266	45,223,843
b) Qualifying Revolving Retail Exposures	260,590	8,502,070	2,876,647	11,639,307
c) Hire Purchase Exposures	324,642	8,420,368	5,226,657	13,971,667
d) Other Retail Exposures	2,522,763	4,468,385	36,081,261	43,072,409
Total IRB Approach	112,499,061	114,048,563	189,001,303	415,548,927
Total Standardised and IRB Approaches	151,122,037	153,782,477	223,767,573	528,672,087

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Table 18: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Islamic

Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2017				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	16,814,029	2,392,569	8,104,302	27,310,900
Public Sector Entities	6,136,642	421,613	8,613,849	15,172,104
Banks, Development Financial Institutions & MDBs	–	1	–	1
Corporates	80,832	1,345,208	1,182,008	2,608,048
Regulatory Retail	644,323	1,519,184	1,639,420	3,802,927
Residential Mortgage	859	44,334	2,854,056	2,899,249
Higher Risk Assets	2,588	822	7,003	10,413
Other Assets	1,361	–	523,964	525,325
Total Standardised Approach	23,680,634	5,723,731	22,924,602	52,328,967
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	7,626,287	1,134,011	78,905	8,839,203
Corporate Exposures	22,734,087	15,531,324	14,538,585	52,803,996
a) Corporates (excluding Specialised Lending and firm-size adjustment)	21,408,580	4,998,359	10,997,968	37,404,907
b) Corporates (with firm-size adjustment)	1,325,507	10,532,965	3,540,617	15,399,089
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
Retail Exposures	3,120,789	14,452,556	84,386,252	101,959,597
a) Residential Mortgages	19,395	395,841	27,261,355	27,676,591
b) Qualifying Revolving Retail Exposures	12,548	1,644,771	17,324	1,674,643
c) Hire Purchase Exposures	270,083	9,285,578	21,027,955	30,583,616
d) Other Retail Exposures	2,818,763	3,126,366	36,079,618	42,024,747
Total IRB Approach	33,481,163	31,117,891	99,003,742	163,602,796
Total Standardised and IRB Approaches	57,161,797	36,841,622	121,928,344	215,931,763
As at 31 December 2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	13,053,660	970,721	6,435,198	20,459,579
Public Sector Entities	6,589,488	343,372	2,717,994	9,650,854
Corporates	110,287	563,165	1,207,631	1,881,083
Regulatory Retail	515,535	1,542,727	1,748,204	3,806,466
Residential Mortgage	748	31,421	2,139,024	2,171,193
Higher Risk Assets	1,458	644	5,236	7,338
Other Assets	157,019	–	748,183	905,202
Total Standardised Approach	20,428,195	3,452,050	15,001,470	38,881,715
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	6,910,256	4,264,657	87,988	11,262,901
Corporate Exposures	22,605,090	15,548,573	12,009,338	50,163,001
a) Corporates (excluding Specialised Lending and firm-size adjustment)	21,569,971	5,814,198	9,149,285	36,533,454
b) Corporates (with firm-size adjustment)	1,035,119	9,734,375	2,860,053	13,629,547
c) Specialised Lending (Slotting Approach) – Project Finance	–	–	–	–
Retail Exposures	2,606,739	11,393,518	80,710,256	94,710,513
a) Residential Mortgages	10,893	340,427	22,850,857	23,202,177
b) Qualifying Revolving Retail Exposures	7,959	888,390	242,650	1,138,999
c) Hire Purchase Exposures	201,647	7,299,071	22,057,612	29,558,330
d) Other Retail Exposures	2,386,240	2,865,630	35,559,137	40,811,007
Total IRB Approach	32,122,085	31,206,748	92,807,582	156,136,415
Total Standardised and IRB Approaches	52,550,280	34,658,798	107,809,052	195,018,130

CREDIT RISK

CREDIT IMPAIRMENT POLICY AND CLASSIFICATION AND IMPAIRMENT PROVISIONS FOR LOANS, ADVANCES AND FINANCING

Refer to Note 2.3 to Note 2.5 and Note 3.4 of the Financial Statements for the accounting policies and accounting estimates on impairment assessment for loans, advances and financing. The disclosures on reconciliation of impairment/allowance can be found in Note 52(c) (10) of the Financial Statements. This credit impairment policy is applicable to the Group.

Table 19 (a) to 19 (f) provides details on impaired loans, advances and financing for the Group, the Bank and Maybank Islamic, respectively.

Table 19 (a): Impaired and Past Due Loans, Advances and Financing and Allowances – Industry Analysis for Maybank Group

	Impaired Loans, Advances and Financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31 December 2017						
Agriculture	**85,760**	**123,833**	**23,237**	**93,260**	**8,658**	**(85,684)**
Mining & quarrying	**380,252**	**13,152**	**248,278**	**33,720**	**74,196**	**(135,393)**
Manufacturing	**1,279,606**	**367,539**	**402,759**	**692,296**	**87,306**	**(168,788)**
Construction	**821,101**	**452,369**	**233,596**	**464,140**	**66,230**	**(38,309)**
Electricity, gas & water supply	**447,444**	**18,723**	**284,372**	**55,830**	**139,469**	**(37,408)**
Wholesale, retail trade, restaurants & hotels	**1,856,751**	**885,885**	**609,528**	**658,584**	**219,030**	**(184,305)**
Finance, insurance, real estate & business	**2,584,452**	**1,443,530**	**1,247,159**	**986,324**	**287,480**	**(52,707)**
Transport, storage & communication	**2,543,342**	**283,085**	**1,006,851**	**320,656**	**603,165**	**(143,564)**
Education, health & others	**32,454**	**152,445**	**1,018**	**51,691**	**(10,129)**	**–**
Household	**1,344,443**	**17,322,087**	**58,737**	**582,518**	**26,299**	**(12,388)**
Others	**174,298**	**737,232**	**4,996**	**201,174**	**2,328**	**–**
Total	**11,549,903**	**21,799,880**	**4,120,531**	**4,140,193**	**1,504,032**	**(858,546)**
As at 31 December 2016						
Agriculture	306,765	78,453	97,674	131,868	50,193	(4,212)
Mining & quarrying	536,016	12,181	316,262	22,821	259,929	(28,332)
Manufacturing	1,376,882	275,272	501,655	597,242	279,840	(217,945)
Construction	814,598	728,362	222,044	423,043	162,703	(23,340)
Electricity, gas & water supply	641,238	7,322	266,122	70,843	206,299	(9,854)
Wholesale, retail trade, restaurants & hotels	1,832,007	807,103	486,091	628,953	279,684	(256,991)
Finance, insurance, real estate & business	2,614,440	1,252,106	1,250,081	998,331	743,543	(38,177)
Transport, storage & communication	1,549,355	203,430	552,338	326,649	287,877	(186,212)
Education, health & others	82,040	143,825	13,597	103,426	2,411	(75,829)
Household	1,085,239	17,453,767	58,147	563,047	7,616	(14,435)
Others	216,800	946,315	918	329,656	(5,145)	(2,952)
Total	11,055,380	21,908,136	3,764,929	4,195,879	2,274,950	(858,279)

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Table 19 (b): Impaired and Past Due Loans, Advances and Financing and Allowances – Industry Analysis for Maybank

	Impaired Loans, Advances and Financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31 December 2017						
Agriculture	**50,850**	**69,964**	**13,241**	**50,855**	**5,534**	**(4,872)**
Mining & quarrying	**43,218**	**8,495**	**41,476**	**21,128**	**32,778**	**–**
Manufacturing	**912,283**	**241,077**	**325,411**	**457,611**	**16,627**	**(74,450)**
Construction	**682,670**	**280,620**	**218,868**	**337,715**	**61,099**	**(38,309)**
Electricity, gas & water supply	**253,586**	**3,868**	**214,386**	**19,607**	**64,610**	**–**
Wholesale, retail trade, restaurants & hotels	**1,349,902**	**547,929**	**448,879**	**421,379**	**101,935**	**(53,515)**
Finance, insurance, real estate & business	**2,280,798**	**529,872**	**1,133,847**	**805,769**	**267,569**	**(19,284)**
Transport, storage & communication	**1,702,644**	**197,824**	**603,759**	**274,206**	**445,498**	**(127,296)**
Education, health & others	**13,873**	**66,537**	**–**	**40,821**	**–**	**–**
Household	**763,610**	**6,967,372**	**2,753**	**319,025**	**2,842**	**–**
Others	**17,407**	**5,552**	**–**	**86,554**	**1,004**	**–**
Total	**8,070,841**	**8,919,110**	**3,002,620**	**2,834,670**	**999,496**	**(317,726)**
As at 31 December 2016						
Agriculture	59,054	45,966	12,696	84,252	(306)	(3,506)
Mining & quarrying	11,081	4,024	9,951	9,969	9,951	–
Manufacturing	1,120,741	155,045	395,980	455,374	268,978	(208,644)
Construction	714,441	527,936	207,934	311,434	150,304	(22,677)
Electricity, gas & water supply	268,389	838	161,986	40,065	149,223	–
Wholesale, retail trade, restaurants & hotels	1,289,386	468,406	312,525	415,297	150,514	(149,505)
Finance, insurance, real estate & business	2,193,512	421,454	1,113,335	791,638	683,822	(20,434)
Transport, storage & communication	827,594	112,141	279,127	255,236	99,166	(30,018)
Education, health & others	11,466	74,352	–	60,325	(335)	(75,592)
Household	671,837	7,118,790	–	326,388	–	–
Others	12,888	8,552	–	94,529	–	–
Total	7,180,389	8,937,504	2,493,534	2,844,507	1,511,317	(510,376)

Table 19 (c): Impaired and Past Due Loans, Advances and Financing and Allowances – Industry Analysis for Maybank Islamic

	Impaired Loans, Advances and Financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31 December 2017						
Agriculture	**23,072**	**42,588**	**3,359**	**33,353**	**3,206**	**–**
Mining & quarrying	**228,539**	**2,027**	**141,009**	**7,847**	**(34,259)**	**–**
Manufacturing	**71,881**	**100,379**	**13,460**	**100,650**	**14,322**	**(7,433)**
Construction	**97,736**	**125,748**	**10,288**	**104,073**	**2,841**	**–**
Electricity, gas & water supply	**712**	**12,387**	**–**	**19,522**	**–**	**–**
Wholesale, retail trade, restaurants & hotels	**166,371**	**188,496**	**56,821**	**170,372**	**391**	**(2,815)**
Finance, insurance, real estate & business	**204,002**	**243,687**	**100,658**	**121,228**	**6,935**	**–**
Transport, storage & communication	**539,245**	**42,377**	**335,204**	**28,567**	**79,636**	**(14,182)**
Education, health & others	**12,404**	**69,912**	**379**	**6,373**	**379**	**–**
Household	**358,972**	**10,207,505**	**–**	**204,332**	**–**	**–**
Others	**7,599**	**5,381**	**–**	**24,866**	**–**	**–**
Total	**1,710,533**	**11,040,487**	**661,178**	**821,183**	**73,451**	**(24,430)**
As at 31 December 2016						
Agriculture	5,671	13,682	153	37,370	153	–
Mining & quarrying	254,583	5,855	175,268	4,960	175,268	–
Manufacturing	58,189	89,285	7,717	80,528	(6,005)	–
Construction	54,663	181,925	7,448	93,722	7,448	–
Electricity, gas & water supply	440	3,557	–	18,600	–	–
Wholesale, retail trade, restaurants & hotels	136,166	165,425	61,288	143,877	51,337	(25,452)
Finance, insurance, real estate & business	195,782	223,873	93,869	121,370	21,537	–
Transport, storage & communication	476,080	40,512	271,607	43,383	187,787	–
Education, health & others	7,742	51,146	–	16,693	–	–
Household	293,477	10,148,202	–	169,355	–	–
Others	6,493	7,582	–	22,968	–	–
Total	1,489,286	10,931,045	617,350	752,826	437,525	(25,452)

CREDIT RISK

Table 19 (d): Impaired and Past Due Loans, Advances and Financing and Allowances – Geographical Analysis for Maybank Group

	Impaired Loans, Advances and Financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31 December 2017						
Malaysia	**5,619,324**	**17,880,667**	**1,724,584**	**2,622,845**	**267,236**	**(239,329)**
Singapore	**2,931,842**	**2,048,224**	**867,371**	**731,590**	**701,257**	**(82,792)**
Indonesia	**1,417,698**	**1,410,066**	**326,431**	**364,792**	**386,319**	**(488,395)**
Other Overseas Units	**1,581,039**	**460,923**	**1,202,145**	**420,966**	**149,220**	**(48,030)**
Total	**11,549,903**	**21,799,880**	**4,120,531**	**4,140,193**	**1,504,032**	**(858,546)**
As at 31 December 2016						
Malaysia	5,754,507	7,352,799	1,713,706	2,829,374	588,641	(321,385)
Singapore	1,587,853	1,592,124	288,583	453,358	193,534	(59,726)
Indonesia	1,993,758	1,617,949	525,649	436,893	290,706	(256,340)
Other Overseas Units	1,719,262	11,345,264	1,236,991	476,254	1,202,069	(220,828)
Total	11,055,380	21,908,136	3,764,929	4,195,879	2,274,950	(858,279)

Table 19 (e): Impaired and Past Due Loans, Advances and Financing and Allowances – Geographical Analysis for Maybank

	Impaired Loans, Advances and Financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31 December 2017						
Malaysia	**3,896,008**	**6,838,942**	**1,051,832**	**1,801,020**	**187,810**	**(208,895)**
Singapore	**2,897,765**	**2,048,224**	**862,033**	**731,590**	**698,780**	**(82,792)**
Indonesia	**–**	**–**	**–**	**–**	**–**	**–**
Other Overseas Units	**1,277,068**	**31,944**	**1,088,755**	**302,060**	**112,906**	**(26,039)**
Total	**8,070,841**	**8,919,110**	**3,002,620**	**2,834,670**	**999,496**	**(317,726)**
As at 31 December 2016						
Malaysia	4,246,493	7,352,799	1,084,575	2,076,099	589,412	(321,384)
Singapore	1,570,036	1,566,427	285,722	453,358	197,771	(59,726)
Indonesia	–	–	–	–	–	–
Other Overseas Units	1,363,860	18,278	1,123,237	315,050	724,134	(129,266)
Total	7,180,389	8,937,504	2,493,534	2,844,507	1,511,317	(510,376)

Table 19 (f): Impaired and Past Due Loans, Advances and Financing and Allowances – Geographical Analysis for Maybank Islamic

	Impaired Loans, Advances and Financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31 December 2017						
Malaysia	**1,710,533**	**11,040,487**	**661,178**	**821,183**	**73,451**	**(24,430)**
Other Overseas Units	**–**	**–**	**–**	**–**	**–**	**–**
Total	**1,710,533**	**11,040,487**	**661,178**	**821,183**	**73,451**	**(24,430)**
As at 31 December 2016						
Malaysia	1,489,286	10,931,045	617,350	752,826	437,525	(25,452)
Other Overseas Units	–	–	–	–	–	–
Total	1,489,286	10,931,045	617,350	752,826	437,525	(25,452)

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BASEL II REQUIREMENTS

The Group has obtained BNM's approval to use internal credit models for evaluating the majority of its credit risk exposures. For the RWA computation of Corporate and Bank portfolios, the Group adopts the FIRB Approach, which relies on its own internal PD estimates and applies supervisory estimates of LGD and EAD, while the Retail and Retail-Small and Medium Enterprises ("RSME") portfolios adopt the AIRB Approach relying on internal estimates of PD, LGD, and EAD.

In line with Basel II requirements for capital adequacy purposes, the parameters are calibrated to a full economic cycle experience to reflect the long-run, cycle-neutral estimations:

- **Probability of Default ("PD")**

  PD represents the probability of a borrower defaulting within the next 12 months. The first level estimation is based on portfolio's Observed Default Rate of the more recent years' data. The average long-run default experience covering crisis periods including the major Asian crisis in 1997 is reflected through Central Tendency calibration for the Basel estimated PD.

- **Loss Given Default ("LGD")**

  LGD measures the economic loss the bank would incur in the event of a borrower defaulting. Among others, it takes into account post default pathways, cure probability, direct and indirect costs associated with the workout, recoveries from borrower and collateral liquidation.

  For Basel II purpose, LGD is calibrated to loss experiences during the period of economic crisis whereby for most portfolios, the estimated loss during crisis years is expected to be higher than that during normal economic period. The crisis period LGD, known as Downturn LGD, is used as an input for RWA calculation.

- **Exposure at Default ("EAD")**

  EAD is linked to facility risk, namely the expected gross exposure of a facility should a borrower default. The "race-to-default" is captured by Credit Conversion Factor ("CCF"), which should reflect the expected increase in exposure amount due to additional drawdown by a borrower facing financial difficulties leading to default.

  Internal experience during crisis period is being taken into consideration for EAD estimations and where there is a material difference in EAD during downturn period as compared to normal period, downturn EAD would be used in RWA computation.

Application of Internal Ratings

Since the development and implementation of the Group's internal rating models, internal ratings are used in the following areas:

- **Credit Approval**

  The level of approval for a loan application is determined based on the internal rating of the borrower and the quantum of exposure being requested.

- **Policy**

  Policy is formulated to fast track loan application processing for low risk borrowers. Additionally for the Review Policy, borrowers with higher risk grades are subjected to additional semi-annual reviews to ensure close monitoring and tracking of these borrowers.

- **Reporting**

  Regular reporting on the risk rating portfolio distribution and sectoral outlook vs. borrower risk profile within sector are being produced and monitored by the Group.

- **Capital Management**

  The Group has emplaced risk-based capital management, ICAAP programme and uses regulatory capital charge for decision making and budgeting process.

- **Risk Governance**

  Internal ratings are used for various risk governance activities such as the setting of group exposure limits under the Maybank Group Sectoral ("MGS") Policy, threshold limit for Credit Review Committee ("CRC") review, sectoral limit policy, sampling methodology for credit review and policy breach.

- **Pricing Decision**

  Internal ratings are being used as a basis for pricing credit facilities.

NON-RETAIL PORTFOLIO

Non-retail exposures comprise of Corporate, Commercial, Small Business, Real Estate, NBFIs and Special Purpose Vehicles, while, for bank exposures, they include Commercial, Investment, Savings and Co-operative Banks apart from the Development Financial Institutions ("DFIs") portfolios.

The general approach adopted by the Group can be categorised into the following three categories:

- **Default History Based ("Good-Bad" Analysis)**

  This approach is adopted when the Group has sufficient default data. Under this approach, statistical method is employed to determine the likelihood of default on existing exposures. Scorecards under the Group's CRRS models were developed using this approach.

- **Shadow Rating Approach**

  This approach is usually applied when there are few or no default data available or also known as "low default portfolio" category. The objective of this methodology is to replicate the risk ranking applied by the external rating agency. The Group's Bank Risk Rating Scorecards were developed using this approach.

- **Experts Judgement Approach**

  The default experience for some exposures, for example Holding Companies and Specialised Lending is insufficient for the Group to perform the required analyses to develop a robust statistical model. Hence, another approach known as experts' judgement approach is opted to develop the scorecard. Under this approach, the qualitative, quantitative and factor weights are determined by the Group's credit experts.

CREDIT RISK

Credit Risk Models and Tools

Credit Risk Rating System ("CRRS")

The Borrower Risk Rating ("BRR"), which is a component of CRRS, is a borrower-specific rating element that provides an estimate on the likelihood of the borrower going into default over the next 12 months. The BRR estimates the borrower risk and is independent of the type/nature of facilities and collaterals offered.

The BRR is generated from a structured rating process which consists of quantitative and qualitative factors. From the raw rating, the rating is then capped at policy rating, if any. The Group Support Matrix is then used to objectively measure the impact of the group relationship on the raw rating of the borrower, where relevant. In view that the risk rating is based on historical financial data, judgemental override is allowed on the BRR by the relevant parties. Rating judgemental override is permissible subject to a maximum five notches upgrade to be decided by the rating approval party and unlimited downgrade (subject to the worst performing grades of 21) that can be performed by the business units.

For reference, each grade can be mapped to external agency ratings, such as Standard & Poor's ("S&P"), as illustrated in Table 20 below that contains mapping of internal rating grades of corporate borrowers with S&P's and Rating Agency of Malaysia's ("RAM") rating grades.

Table 20: Rating Grades

Risk Category	Rating Grade	S&P Equivalent	RAM Equivalent
Very Low	1-5	AAA to A-	AAA to AA1
Low	6-10	BBB+ to BB+	AA1 to A3
Medium	11-15	BB+ to B+	A3 to BB1
High	16-21	B+ to CCC	BB1 to C

International Risk Rating Scorecard ("IRRS")

IRRS is used to rate Corporate and Commercial borrowers of the Group's branches and subsidiaries, incorporated and/or operating outside Malaysia and Singapore (except Maybank Indonesia, which has its own scorecards).

Bank Risk Rating Scorecard ("BRRS")

The Group has developed BRRS to risk grade the Group's bank counterparties. As the Group's bank portfolio fall under low default portfolio category, the shadow-bond rating technique is used in developing the scorecards.

A different masterscale known as Global Masterscale is used to map the PD generated from BRRS to the scale. There are altogether 17 performing grades in the BRRS Masterscale with Grade 1 being the best performing grade and Grade 17 being the worst performing grade. For defaulted borrowers, the applicable grade is Grade 18. The BRRS Global Masterscale and its mapping to S&P's and RAM's ratings are shown in Table 21 below:

Table 21: BRRS Global Masterscale

Rating Grade	S&P Equivalent	RAM Equivalent
1-4	AAA to AA-	AAA
5-8	A+ to BBB+	AAA to AA
9-12	BBB to BB	AA to BBB
13-17	BB- to CCC	BBB to C

Tables 22 through 24 show the exposures by PD bands for Non-Retail Portfolios of the Group, the Bank and Maybank Islamic, respectively. A summary of the PD distribution of these exposures is also provided.

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Table 22: Disclosure on Exposure by PD Band (IRB Approach) for Non-Retail for Maybank Group

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31 December 2017					
Non-Retail Exposures					
Bank					
0.0000 – 0.0470	1,751,496	45.58	17.09	3	299,333
0.0470 – 0.1460	37,855,525	53.62	18.15	39,278	6,869,277
0.1460 – 0.9280	15,450,182	53.95	52.30	63,207	8,080,189
0.9280 – 100	2,440,021	48.29	116.68	11,672	2,847,020
100	–	–	–	–	–
Total for Bank Exposures	57,497,224			114,160	18,095,819
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 – 0.1200	28,008,648	44.08	21.37	3,779,300	5,986,137
0.1200 – 0.6440	103,396,022	44.00	50.81	6,356,518	52,536,778
0.6440 – 3.0000	82,336,019	43.66	94.63	3,343,125	77,917,862
3.0000 – 100	11,660,365	42.12	155.87	586,540	18,174,506
100	8,327,762	43.60	–	85,155	–
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	233,728,816			14,150,638	154,615,283
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	2,584,401	41.33	21.35	26,362	551,646
0.1200 – 0.6440	15,700,959	41.03	46.09	417,410	7,237,333
0.6440 – 3.0000	25,179,676	38.08	75.85	333,508	19,099,730
3.0000 – 100	5,208,999	36.66	122.61	94,300	6,386,559
100	1,481,809	42.24	–	2,029	–
Total for Corporate (with firm-size adjustment)	50,155,844			873,609	33,275,268
Total Non-Retail Exposures	341,381,884			15,138,407	205,986,370
As at 31 December 2016					
Non-Retail Exposures					
Bank					
0.0000 – 0.0470	5,372,196	45.00	21.74	–	1,167,989
0.0470 – 0.1460	50,014,457	45.00	28.71	207,377	14,358,561
0.1460 – 0.9280	12,447,049	45.00	61.94	47,529	7,709,109
0.9280 – 100	2,040,823	45.00	128.20	701	2,616,278
100	–	–	–	–	–
Total for Bank Exposures	69,874,525			255,607	25,851,936
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 – 0.1200	28,819,237	43.76	22.15	4,933,655	6,384,230
0.1200 – 0.6440	103,051,099	43.43	50.16	10,420,596	51,685,680
0.6440 – 3.0000	77,211,810	43.40	94.94	2,121,315	73,301,383
3.0000 – 100	9,169,494	43.55	161.17	270,453	14,778,808
100	8,342,436	44.16	0.03	155,712	2,236
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	226,594,076			17,901,731	146,152,337
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	3,129,874	44.12	21.25	31,729	665,184
0.1200 – 0.6440	22,011,849	44.04	44.19	420,496	9,727,362
0.6440 – 3.0000	29,218,132	43.39	73.78	495,687	21,556,917
3.0000 – 100	6,728,331	44.19	120.33	58,941	8,095,912
100	1,411,803	44.64	–	3,302	–
Total for Corporate (with firm-size adjustment)	62,499,989			1,010,155	40,045,375
Total Non-Retail Exposures	358,968,590			19,167,493	212,049,648

CREDIT RISK

Table 23: Disclosure on Exposure by PD Band (IRB Approach) for Non-Retail for Maybank

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31 December 2017					
Non-Retail Exposures					
Bank					
0.0000 – 0.0470	1,659,364	47.88	17.10	3	283,710
0.0470 – 0.1460	47,589,136	45.31	19.72	20,328	9,383,295
0.1460 – 0.9280	14,489,720	44.95	52.78	61,543	7,648,249
0.9280 – 100	2,262,968	45.00	115.88	4,172	2,622,340
100	–	–	–	–	–
Total for Bank Exposures	66,001,188			86,046	19,937,594
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 – 0.1200	22,827,455	44.58	21.44	2,670,330	4,894,952
0.1200 – 0.6440	90,275,324	42.85	50.05	4,214,312	45,184,316
0.6440 – 3.0000	60,830,330	43.18	92.16	2,378,740	56,063,630
3.0000 – 100	7,640,005	40.95	158.96	381,531	12,144,833
100	5,998,510	43.10	–	83,686	–
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	187,571,624			9,728,599	118,287,731
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	1,742,713	39.41	20.58	22,085	358,572
0.1200 – 0.6440	11,065,963	39.93	45.45	289,547	5,029,742
0.6440 – 3.0000	17,171,956	38.33	72.49	261,879	12,448,600
3.0000 – 100	3,555,645	35.47	119.09	72,226	4,234,396
100	1,220,478	41.18	–	1,976	–
Total for Corporate (with firm-size adjustment)	34,756,755			647,713	22,071,310
Total Non-Retail Exposures	288,329,567			10,462,358	160,296,635
As at 31 December 2016					
Non-Retail Exposures					
Bank					
0.0000 – 0.0470	5,170,577	46.00	21.88	–	1,130,082
0.0470 – 0.1460	55,576,609	45.00	28.18	5,668	15,646,185
0.1460 – 0.9280	9,684,341	45.00	69.13	45,768	6,413,728
0.9280 – 100	2,250,205	45.00	132.15	702	2,910,027
100	–	–	–	–	–
Total for Bank Exposures	72,681,732			52,138	26,100,022
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 – 0.1200	26,313,709	45.00	24.05	4,284,510	5,726,102
0.1200 – 0.6440	86,830,186	44.00	51.47	7,590,465	42,545,868
0.6440 – 3.0000	54,741,049	44.00	94.66	1,268,272	51,710,156
3.0000 – 100	6,753,598	44.00	165.98	218,590	10,874,988
100	5,450,985	44.00	–	150,393	420
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	180,089,527			13,512,230	110,857,534
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	2,756,234	45.00	21.44	31,327	584,849
0.1200 – 0.6440	17,502,211	45.00	41.87	326,337	7,732,582
0.6440 – 3.0000	22,725,866	45.00	69.28	394,353	16,489,818
3.0000 – 100	4,816,570	45.00	119.80	36,809	5,733,878
100	1,069,561	45.00	–	3,191	–
Total for Corporate (with firm-size adjustment)	48,870,442			792,017	30,541,127
Total Non-Retail Exposures	301,641,701			14,356,385	167,498,683

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Table 24: Disclosure on Exposure by PD Band (IRB Approach) for Non-Retail for Maybank Islamic

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31 December 2017					
Non-Retail Exposures					
Bank					
0.0000 – 0.0470	–	–	–	–	–
0.0470 – 0.1460	8,234,154	45.00	13.34	17,223	1,098,347
0.1460 – 0.9280	597,171	45.00	43.21	–	258,060
0.9280 – 100	7,878	30.72	31.86	7,500	2,510
100	–	–	–	–	–
Total for Bank Exposures	8,839,203			24,723	1,358,917
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 – 0.1200	9,923,684	44.80	22.70	1,108,970	2,253,046
0.1200 – 0.6440	16,946,240	44.56	49.47	2,141,663	8,382,812
0.6440 – 3.0000	8,013,206	44.56	101.84	868,076	8,160,429
3.0000 – 100	1,102,797	44.14	154.84	14,450	1,707,625
100	1,418,980	43.72	–	1,469	–
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	37,404,907			4,134,628	20,503,912
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	841,688	43.24	22.94	4,277	193,074
0.1200 – 0.6440	4,634,996	42.12	47.63	127,863	2,207,590
0.6440 – 3.0000	8,007,720	37.83	83.06	71,629	6,651,130
3.0000 – 100	1,653,355	37.86	130.17	22,074	2,152,163
100	261,330	43.31	–	53	–
Total for Corporate (with firm-size adjustment)	15,399,089			225,896	11,203,957
Total Non-Retail Exposures	61,643,199			4,385,247	33,066,786
As at 31 December 2016					
Non-Retail Exposures					
Bank					
0.0000 – 0.0470	–	–	–	–	–
0.0470 – 0.1460	10,083,943	45.01	31.74	201,709	3,198,992
0.1460 – 0.9280	1,174,378	45.00	56.32	1,761	641,460
0.9280 – 100	4,580	45.00	158.77	–	7,272
100	–	–	–	–	–
Total for Bank Exposures	11,262,901			203,470	3,847,724
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0200 – 0.1200	8,640,047	44.98	25.18	649,145	1,956,407
0.1200 – 0.6440	16,334,148	44.80	58.49	2,830,131	8,107,843
0.6440 – 3.0000	9,825,861	44.92	98.28	853,043	8,824,438
3.0000 – 100	781,429	43.72	136.75	51,863	1,064,004
100	951,969	44.69	0.19	5,320	1,816
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	36,533,454			4,389,502	19,954,508
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	373,640	43.27	18.95	402	80,335
0.1200 – 0.6440	4,509,639	44.18	42.46	94,159	1,994,780
0.6440 – 3.0000	6,492,266	43.60	71.97	101,334	5,067,099
3.0000 – 100	1,911,761	42.83	123.08	22,132	2,362,034
100	342,241	44.00	–	112	–
Total for Corporate (with firm-size adjustment)	13,629,547			218,139	9,504,248
Total Non-Retail Exposures	61,425,902			4,811,111	33,306,480

CREDIT RISK

RETAIL PORTFOLIO

The Group's retail portfolios are under the AIRB Approach. This approach calls for a more extensive reliance on the Bank's own internal experience (based on historical data) by estimating all three main components of RWA calculation namely PD, EAD and LGD which are based on its own historical data.

Separate PD, EAD and LGD statistical models are developed at the respective retail portfolio level, with each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimates derived from such models are used as input for RWA calculations.

AIRB Coverage for Retail Portfolios

Currently the following material retail portfolios are under Retail IRB:

Basel II Retail Sub-Portfolio Category	Maybank Retail Portfolios
Residential Mortgage	• Housing Loan (Malaysia, Singapore and Indonesia) • Other Property Based Loan (Malaysia) • Staff Housing Loan (Malaysia) • Equity Term Loan (Singapore)
Qualifying Revolving Retail Exposure ("QRRE")	• Credit Card (Malaysia, Singapore and Indonesia)
Other Retail	• Auto Loan (Malaysia, Singapore and Indonesia) • Unit Trust Loan (Malaysia) • Commercial Property Loan (Malaysia)

RSME Portfolio

Legal entities that carry a maximum exposure of RM5 million and are eligible for treatment as 'retail' exposure, are rated under the RSME scorecard. Similar to retail portfolios, separate PD, EAD and LGD statistical models are developed at the portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio.

Retail and RSME Masterscale

A retail and RSME masterscale with mapping to PD is used to promote a common risk language across the Group's retail portfolios as shown in the table below:

Table 25: Retail and RSME Masterscale

Rating Grade	PD Range
R1 to R2	0.25% to 0.44%
R3 to R5	0.79% to 2.50%
R6 to R8	4.45% to 14.06%
R9 to R11	25% to 79.06%

Risk Measurement for Retail Portfolio

Application and behaviour scorecards are part of Basel II Retail IRB models and are used to estimate the probability that a customer will fail to make full and timely repayment of credit obligations. Business decisions and strategies are then built around the scores.

Application Scorecard

With application scorecards, at the point of time when an applicant applies for the credit facility, each applicant is assigned a score that corresponds to the probability of future repayment. Scores are designed to rank-order the riskiness of the applicants, whereby higher score represents lower risk.

Application scorecards benefit both risk management and business acquisition process through:

- Consistency in credit risk assessment;
- Improved turnaround time;
- Better management control of the portfolios; and
- Improved revenue and profit through the identification and acceptance of additional business.

Currently, application scorecards are deployed for all major retail portfolios in Malaysia, Singapore and Indonesia.

Behaviour Scorecard

The Credit Card product is subject to variable utilisation and payment patterns; a customer is able to utilise any portion of the granted limit and pay any amount of the outstanding balance. Due to the volatile nature of the product, a more robust risk measurement tool is required to manage the portfolio.

Behavioural Scorecards are therefore developed for Credit Card portfolios both in Malaysia and Singapore. Behaviour score measures the borrower's riskiness based on transaction information and behavioural pattern of customer's utilisation and payment of the Credit Card. The scores are generated on a monthly basis and amongst others, are being used for the following purposes:

- Collection Strategies;
- Limit Management; and
- Transaction Authorisation.

With the use of Behaviour score, the Credit Card portfolio is able to be closely managed to reduce defaulters, increase collection and ultimately increase profitability.

Tables 26 through 28 show the exposures by PD bands for Retail Portfolios of the Group, the Bank and Maybank Islamic, respectively. A summary of the PD distribution of these exposures are also provided.

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Table 26: Disclosure on Exposures by PD band (IRB Approach) for Retail for Maybank Group

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31 December 2017					
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	39,565,929	13.73	8.75	25,422	3,460,897
0.5900 – 3.3330	29,205,603	15.38	22.21	36,866	6,486,324
3.3330 – 18.7500	4,934,269	16.64	59.74	16,295	2,947,493
18.7500 – 100	1,341,093	14.01	76.20	1,754	1,021,941
100	521,488	37.66	91.52	711	477,264
Total for Residential Mortgages Exposures	75,568,382			81,048	14,393,919
Qualifying Revolving Retail Exposures					
0.0000 – 0.5900	8,456,166	68.26	11.93	5,703,279	1,008,903
0.5900 – 3.3330	6,532,996	67.71	34.82	2,984,162	2,274,650
3.3330 – 18.7500	1,509,084	65.83	109.32	252,468	1,649,777
18.7500 – 100	282,600	63.18	199.78	46,914	564,582
100	43,821	75.56	118.12	9,060	51,760
Total for Qualifying Revolving Retail Exposures	16,824,667			8,995,883	5,549,672
Hire Purchase Exposures					
0.0000 – 0.5900	33,968,055	42.95	15.22	–	5,169,005
0.5900 – 3.3330	5,585,375	40.82	43.37	–	2,422,480
3.3330 – 18.7500	1,983,018	40.32	61.22	–	1,214,004
18.7500 – 100	411,204	39.96	96.66	–	397,464
100	2,016,133	81.58	46.17	–	930,925
Total Hire Purchase Exposures	43,963,785			–	10,133,878
Other Retail Exposures					
0.0000 – 0.5900	22,837,743	20.77	11.41	2,982,642	2,605,800
0.5900 – 3.3330	37,491,078	18.59	22.34	4,711,507	8,375,429
3.3330 – 18.7500	11,886,910	15.44	25.92	579,744	3,081,125
18.7500 – 100	2,298,769	24.56	57.15	49,904	1,313,856
100	753,076	43.24	52.69	6,952	396,770
Total Other Retail Exposures	75,267,576			8,230,749	15,772,980
Total Retail Exposures	211,624,410			17,307,680	45,850,449
As at 31 December 2016					
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	32,422,747	17.27	10.13	13,275	3,285,838
0.5900 – 3.3330	27,453,288	24.22	31.75	36,854	8,716,296
3.3330 – 18.7500	4,945,604	27.00	88.84	17,798	4,393,442
18.7500 – 100	1,284,006	19.82	99.94	750	1,283,285
100	462,543	60.51	86.86	863	401,746
Total for Residential Mortgages Exposures	66,568,188			69,540	18,080,607
Qualifying Revolving Retail Exposures					
0.0000 – 0.5900	7,341,961	78.97	14.18	1,251,165	1,041,185
0.5900 – 3.3330	4,905,576	78.17	38.10	5,319,087	1,868,882
3.3330 – 18.7500	1,253,881	77.30	123.64	52,985	1,550,331
18.7500 – 100	206,129	78.74	219.17	23,191	451,778
100	27,497	74.63	111.58	–	30,681
Total for Qualifying Revolving Retail Exposures	13,735,044			6,646,428	4,942,857
Hire Purchase Exposures					
0.0000 – 0.5900	34,328,542	45.45	16.03	–	5,501,651
0.5900 – 3.3330	4,132,392	43.01	48.94	–	2,022,587
3.3330 – 18.7500	2,012,897	41.99	61.43	–	1,236,484
18.7500 – 100	411,342	41.81	95.36	–	392,244
100	2,151,793	83.30	46.92	–	1,009,688
Total Hire Purchase Exposures	43,036,966			–	10,162,654
Other Retail Exposures					
0.0000 – 0.5900	18,837,630	25.65	12.06	1,212,570	2,271,636
0.5900 – 3.3330	27,213,098	20.83	29.09	3,984,408	7,916,122
3.3330 – 18.7500	15,848,471	18.73	26.58	544,963	4,213,228
18.7500 – 100	2,353,882	28.25	60.75	43,917	1,429,868
100	607,841	55.50	50.43	8,148	306,505
Total Other Retail Exposures	64,860,922			5,794,006	16,137,359
Total Retail Exposures	188,201,120			12,509,974	49,323,477

CREDIT RISK

Table 27: Disclosure on Exposures by PD band (IRB Approach) for Retail for Maybank

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31 December 2017					
Retail Exposures					
Residential Mortgages					
0.0000 – 05900	27,976,664	12.95	8.09	22,583	2,262,260
0.5900 – 3.3330	15,684,367	14.36	20.36	35,199	3,193,686
3.3330 – 18.7500	2,475,476	14.80	54.64	14,515	1,352,610
18.7500 – 100	658,197	13.08	74.67	1,616	491,508
100	271,662	30.37	105.65	482	287,014
Total for Residential Mortgages Exposures	47,066,366			74,395	7,587,078
Qualifying Revolving Retail Exposures					
0.0000 – 05900	7,644,629	74.78	12.34	5,350,639	943,031
0.5900 – 3.3330	5,172,424	73.67	33.72	2,633,533	1,744,025
3.3330 – 18.7500	992,313	69.92	101.27	237,158	1,004,883
18.7500 – 100	169,054	64.62	186.77	39,884	315,748
100	24,371	89.38	122.63	4,006	29,886
Total for Qualifying Revolving Retail Exposures	14,002,791			8,265,220	4,037,573
Hire Purchase Exposure					
0.0000 – 05900	13,412,684	40.84	15.40	–	2,065,889
0.5900 – 3.3330	1,629,509	38.90	41.50	–	676,255
3.3330 – 18.7500	454,395	39.62	60.92	–	276,817
18.7500 – 100	80,637	39.23	100.37	–	80,936
100	64,565	80.53	215.04	–	138,841
Total Hire Purchase Exposures	15,641,790			–	3,238,738
Other Retail Exposures					
0.0000 – 05900	17,435,879	16.80	10.09	2,878,329	1,759,486
0.5900 – 3.3330	23,866,699	19.37	21.36	4,350,874	5,097,580
3.3330 – 18.7500	4,373,744	17.71	28.74	414,945	1,256,986
18.7500 – 100	947,404	28.78	69.79	28,701	661,156
100	406,697	43.09	68.65	3,984	279,179
Total Other Retail Exposures	47,030,423			7,676,833	9,054,387
Total Retail Exposures	123,741,370			16,016,448	23,917,776
As at 31 December 2016					
Retail Exposures					
Residential Mortgages					
0.0000 – 05900	25,960,285	14.48	9.22	10,745	2,392,964
0.5900 – 3.3330	15,787,382	21.23	28.89	33,436	4,561,685
3.3330 – 18.7500	2,514,725	21.28	75.34	15,153	1,894,561
18.7500 – 100	695,063	18.12	95.29	476	662,333
100	266,388	51.78	99.37	627	264,704
Total for Residential Mortgages Exposures	45,223,843			60,437	9,776,247
Qualifying Revolving Retail Exposures					
0.0000 – 05900	6,469,080	83.31	10.54	1,112,338	931,647
0.5900 – 3.3330	4,081,091	81.70	35.65	5,131,863	1,508,456
3.3330 – 18.7500	952,414	79.96	109.19	46,661	1,108,744
18.7500 – 100	136,303	82.84	215.78	19,971	294,251
100	419	74.63	52.31	–	219
Total for Qualifying Revolving Retail Exposures	11,639,307			6,310,833	3,843,317
Hire Purchase Exposure					
0.0000 – 05900	11,742,666	45.24	15.67	–	1,840,401
0.5900 – 3.3330	1,553,062	42.62	41.34	–	641,965
3.3330 – 18.7500	511,020	41.95	59.76	–	305,404
18.7500 – 100	90,262	41.92	97.89	–	88,355
100	74,657	83.90	229.77	–	171,538
Total Hire Purchase Exposures	13,971,667			–	3,047,663
Other Retail Exposures					
0.0000 – 05900	14,514,819	20.68	10.54	1,105,822	1,529,272
0.5900 – 3.3330	22,499,243	21.49	25.04	2,953,982	5,633,171
3.3330 – 18.7500	4,745,767	20.97	32.06	357,976	1,521,393
18.7500 – 100	928,156	34.03	76.81	17,912	712,909
100	384,424	58.48	66.20	6,458	254,508
Total Other Retail Exposures	43,072,409			4,442,150	9,651,253
Total Retail Exposures	113,907,226			10,813,420	26,318,480

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Table 28: Disclosure on Exposures by PD band (IRB Approach) for Retail for Maybank Islamic

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31 December 2017					
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	9,347,644	14.50	9.94	2,839	928,792
0.5900 – 3.3330	15,522,435	16.39	24.44	1,668	3,794,248
3.3330 – 18.7500	2,241,619	18.47	66.28	1,780	1,485,786
18.7500 – 100	465,345	14.94	85.46	137	397,662
100	99,548	44.94	91.43	229	91,018
Total for Residential Mortgages Exposures	27,676,591			6,653	6,697,506
Qualifying Revolving Retail Exposures					
0.0000 – 0.5900	690,252	61.74	7.96	352,640	54,955
0.5900 – 3.3330	797,179	61.74	31.19	350,629	248,603
3.3330 – 18.7500	149,310	61.74	87.34	15,309	130,402
18.7500 – 100	37,836	61.74	179.72	7,029	68,000
100	66	61.74	118.62	–	79
Total for Qualifying Revolving Retail Exposures	1,674,643			725,607	502,039
Hire Purchase Exposures					
0.0000 – 0.5900	25,119,407	45.05	17.99	–	4,517,898
0.5900 – 3.3330	3,589,239	42.74	45.55	–	1,634,967
3.3330 – 18.7500	1,451,514	41.02	62.37	–	905,362
18.7500 – 100	282,650	40.68	104.45	–	295,241
100	140,806	82.62	219.42	–	308,956
Total Hire Purchase Exposures	30,583,616			–	7,662,424
Other Retail Exposures					
0.0000 – 0.5900	5,401,864	24.75	15.67	104,313	846,313
0.5900 – 3.3330	23,965,075	17.80	20.53	360,633	4,919,839
3.3330 – 18.7500	10,960,064	13.17	21.64	64,799	2,371,470
18.7500 – 100	1,351,365	20.35	48.30	21,203	652,700
100 (Grade 12)	346,379	43.38	33.95	2,968	117,591
Total Other Retail Exposures	42,024,747			553,916	8,907,913
Total Retail Exposures	101,959,597			1,286,176	23,769,882
As at 31 December 2016					
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	4,287,399	20.06	14.47	2,530	598,342
0.5900 – 3.3330	16,169,665	27.22	42.13	3,418	6,395,603
3.3330 – 18.7500	2,231,091	32.72	113.52	2,645	2,389,149
18.7500 – 100	416,284	21.52	121.65	274	503,677
100	97,738	69.23	78.61	236	74,443
Total for Residential Mortgages Exposures	23,202,177			9,103	9,961,214
Qualifying Revolving Retail Exposures					
0.0000 – 0.5900	407,709	74.63	10.09	138,826	41,233
0.5900 – 3.3330	576,969	74.63	37.07	187,224	217,526
3.3330 – 18.7500	128,051	74.63	106.78	6,324	137,916
18.7500 – 100	26,161	74.63	216.27	3,220	56,515
100	109	74.63	142.98	–	136
Total for Qualifying Revolving Retail Exposures	1,138,999			335,594	453,326
Hire Purchase Exposures					
0.0000 – 0.5900	24,285,374	45.66	18.27	–	4,389,110
0.5900 – 3.3330	3,473,414	43.41	46.24	–	1,590,956
3.3330 – 18.7500	1,415,334	42.03	64.00	–	895,031
18.7500 – 100	258,124	41.70	107.01	–	272,571
100	126,084	82.71	214.85	–	272,257
Total Hire Purchase Exposures	29,558,330			–	7,419,925
Other Retail Exposures					
0.0000 – 0.5900	4,322,811	30.61	17.74	106,748	742,362
0.5900 – 3.3330	23,736,348	20.17	24.61	1,030,427	5,695,570
3.3330 – 18.7500	11,102,705	16.48	27.51	186,987	2,691,835
18.7500 – 100	1,425,726	22.47	56.16	26,006	716,960
100	223,417	52.52	26.82	1,690	51,998
Total Other Retail Exposures	40,811,007			1,351,858	9,898,725
Total Retail Exposures	94,710,513			1,696,555	27,733,190

CREDIT RISK

INDEPENDENT MODEL VALIDATION

The use of models will give rise to model risk, which is defined as the risk of a model not performing the tasks or able to capture the risks it was designed to. Any model not performing in line with expectations may potentially result in financial loss, incorrect business decisions, misstatement of external financial disclosures, or damage to the reputation.

To manage this risk, model validation is performed to assess whether the model is performing according to expectations. The model validation function at the Group is distinct from the model development function and model users, with the objective to provide the required independence in performing the function. In line with regulatory requirements, all credit IRB models used for capital calculation are subject to independent validation by the Model Validation team. Additionally, as part of best practices, other significant models such as market risk models used for valuation and pricing are also subject to validation. Approval and oversight of model validation are governed by the technical committee and the relevant risk committees. The technical committee known as Model Validation and Acceptance Committee ("MVAC") meets regularly and its membership is drawn from Risk and Business stakeholders.

Scope and Frequency of Model Validation

Validation techniques include both quantitative and qualitative analysis to test the appropriateness and robustness of the IRB models used. Validation of credit risk models covers activities that evaluate and examine the rating system and the estimation process and methods for deriving the risk components. For instance, for credit risk models the risk components are known as PD, LGD and EAD. The process involves validating whether the risk models are capable of discriminating ('discriminatory or rank ordering power') and are giving consistent and predictive estimates ('calibration') of the relevant risk parameters.

Model validation is conducted at two stages:

- Pre-implementation model validation which is conducted prior to launch of the model; and
- Post-implementation validation which is performed at least on an annual basis for models used for IRB capital calculation. For other types of models which are deemed less risky and not subject to regulatory requirements, post implementation validation is performed on a less frequent basis.

In addition to annual review, frequent monitoring are performed by the model owners to ensure that the models are performing as expected, and that the assumptions used in model development remain appropriate.

As part of governance, validation processes are also subject to regular independent review by Internal Audit, to ensure that they are fit to be used for regulatory purposes.

CREDIT RISK MITIGATION

The Group takes a holistic approach when granting credit facilities and do so very much based on the repayment capacity of the borrower, rather than placing the credit risk mitigation as a primary source of repayment. As a fundamental credit principle, the Group generally does not grant facilities solely on the basis of collaterals provided. Credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Depending on a customer's credit standing and the type of product, facilities may be provided on an unsecured basis. Nevertheless, collateral is taken whenever possible to mitigate the credit risk assumed. The Group's general policy is to promote the use of credit risk mitigation, justified by commercial prudence and good practice as well as capital efficiency. The value of collateral taken is also monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group include cash, marketable securities, real estate, equipment, inventory and trade receivables. For IRB purposes, personal guarantees are not recognised as an eligible credit risk protection.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to accommodate an extension of credit. To recognise the effects of guarantees under the FIRB Approach, the Group adopts the Probability of Default substitution approach whereby exposures guaranteed by an eligible guarantor will utilise the PD of the guarantor in the computation of its capital requirement.

As a general rule-of-thumb, the following eligibility criteria must be met before the collateral can be accepted for IRB purposes:

- **Legal Certainty**

  The documentation must be legally binding and enforceable in all relevant jurisdictions.

- **Material Positive Correlation**

  The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness.

- **Third-party Custodian**

  The collateral that is held by a third-party custodian must be segregated from the custodian's own assets.

Tables 29 through 31 show the credit risk mitigation analysis under the Standardised Approach for the Group, the Bank and Maybank Islamic, respectively. Whilst Tables 32 through 34 show the credit risk mitigation analysis under the IRB Approach.

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Table 29: Disclosure on Credit Risk Mitigation Analysis (Standardised Approach) for Maybank Group

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31 December 2017				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	122,775,998	–	–	–
Public Sector Entities	22,840,791	16,629,816	756,640	–
Banks, Development Financial Institutions & MDBs	3,269,679	–	–	–
Insurance Cos, Securities Firms & Fund Managers	393,327	–	–	–
Corporates	17,969,903	32,258	766,657	18,596
Regulatory Retail	31,342,925	–	5,378,788	2,897,358
Residential Mortgages	3,826,609	–	–	407,873
Higher Risk Assets	400,619	–	–	–
Other Assets	12,685,588	–	–	–
Securitisation Exposures	61,467	–	–	–
Equity Exposures	490,756	–	–	–
Defaulted Exposures	497,352	–	5,929	2,993
Total On-Balance Sheet Exposures	216,555,014	16,662,074	6,908,014	3,326,820
Off-Balance Sheet Exposures				
OTC Derivatives	537,335	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	2,044,952	–	30,663	2,831
Defaulted Exposures	7,599	–	–	–
Total for Off-Balance Sheet Exposures	2,589,886	–	30,663	2,831
Total On and Off-Balance Sheet Exposures	219,144,900	16,662,074	6,938,677	3,329,651
As at 31 December 2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	100,065,244	–	–	–
Public Sector Entities	13,923,606	4,066,333	753,144	–
Banks, Development Financial Institutions & MDBs	2,040,243	–	–	–
Insurance Cos, Securities Firms & Fund Managers	316,263	–	–	–
Corporates	20,707,104	68,375	1,097,135	1,348
Regulatory Retail	28,512,768	–	4,323,640	–
Residential Mortgages	3,075,170	–	–	2,392,294
Higher Risk Assets	266,106	–	–	–
Other Assets	12,263,734	–	–	–
Securitisation Exposures	159,896	–	–	–
Equity Exposures	307,436	–	–	–
Defaulted Exposures	701,069	–	2,886	8,384
Total On-Balance Sheet Exposures	182,338,639	4,134,708	6,176,805	2,402,026
Off-Balance Sheet Exposures				
OTC Derivatives	364,096	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,392,168	–	53,622	103
Defaulted Exposures	148	–	–	–
Total for Off-Balance Sheet Exposures	1,756,412	–	53,622	103
Total On and Off-Balance Sheet Exposures	184,095,051	4,134,708	6,230,427	2,402,129

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Table 30: Disclosure on Credit Risk Mitigation Analysis (Standardised Approach) for Maybank

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31 December 2017				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	83,932,589	–	–	–
Public Sector Entities	13,194,608	7,193,958	752,207	–
Banks, Development Financial Institutions & MDBs	–	–	–	–
Corporates	11,201,506	32,258	16,427	236
Regulatory Retail	13,934,026	–	1,683,499	–
Residential Mortgages	437,944	–	–	267,473
Higher Risk Assets	128,604	–	–	–
Other Assets	9,775,160	–	–	–
Securitisation Exposures	61,467	–	–	–
Equity Exposures	323,725	–	–	–
Defaulted Exposures	131,004	–	5,929	1,102
Total On-Balance Sheet Exposures	133,120,633	7,226,216	2,458,062	268,811
Off-Balance Sheet Exposures				
OTC Derivatives	451,625	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,386,154	–	30,663	1
Defaulted Exposures	7,470	–	–	–
Total for Off-Balance Sheet Exposures	1,845,249	–	30,663	1
Total On and Off-Balance Sheet Exposures	134,965,882	7,226,216	2,488,725	268,812
As at 31 December 2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	67,546,000	–	–	–
Public Sector Entities	10,096,024	1,320,516	750,200	–
Banks, Development Financial Institutions & MDBs	218,470	–	–	–
Corporates	14,464,363	63	16,105	–
Regulatory Retail	9,776,532	–	1,454,536	–
Residential Mortgages	398,575	–	–	226,565
Higher Risk Assets	121,138	–	–	–
Other Assets	9,645,995	–	–	–
Securitisation Exposures	159,896	–	–	–
Equity Exposures	287,926	–	–	–
Defaulted Exposures	87,291	–	1,740	2,921
Total On-Balance Sheet Exposures	112,802,210	1,320,579	2,222,581	229,486
Off-Balance Sheet Exposures				
OTC Derivatives	29,311	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	291,639	–	52,174	103
Defaulted Exposures	–	–	–	–
Total for Off-Balance Sheet Exposures	320,950	–	52,174	103
Total On and Off-Balance Sheet Exposures	113,123,160	1,320,579	2,274,755	229,589

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Table 31: Disclosure on Credit Risk Mitigation Analysis (Standardised Approach) for Maybank Islamic

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31 December 2017				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	27,310,794	–	–	–
Public Sector Entities	14,945,783	9,435,858	4,433	–
Banks, Development Financial Institutions & MDBs	1	–	–	–
Corporates	2,608,048	–	–	2,876
Regulatory Retail	3,794,110	–	795,889	2,897,358
Residential Mortgages	2,897,358	–	–	–
Higher Risk Assets	36	–	–	–
Other Assets	525,325	–	–	–
Defaulted Exposures	17,028	–	–	1,891
Total On-Balance Sheet Exposures	52,098,483	9,435,858	800,322	2,902,125
Off-Balance Sheet Exposures				
OTC Derivatives	61,054	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	169,430	–	–	–
Total for Off-Balance Sheet Exposures	230,484	–	–	–
Total On and Off-Balance Sheet Exposures	52,328,967	9,435,858	800,322	2,902,125
As at 31 December 2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	20,459,569	–	–	–
Public Sector Entities	8,818,836	2,745,816	2,944	–
Corporates	1,880,733	68,312	–	1,348
Regulatory Retail	3,801,273	–	546,711	–
Residential Mortgages	2,165,730	–	–	2,165,730
Higher Risk Assets	38	–	–	–
Other Assets	905,203	–	–	–
Defaulted Exposures	16,033	–	810	5,463
Total On-Balance Sheet Exposures	38,047,415	2,814,128	550,465	2,172,541
Off-Balance Sheet Exposures				
OTC Derivatives	317,173	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	517,127	–	1,448	–
Total for Off-Balance Sheet Exposures	834,300	–	1,448	–
Total On and Off-Balance Sheet Exposures	38,881,715	2,814,128	551,913	2,172,541

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Table 32: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Group

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31 December 2017				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	53,881,944	–	523,783	–
Corporate Exposures	235,961,877	4,359,947	3,943,687	24,080,916
a) Corporates (excluding Specialised Lending and firm-size adjustment)	191,813,872	4,359,947	3,943,687	24,080,916
b) Corporates (with firm-size adjustment)	44,148,005	–	–	–
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	191,152,691	–	–	–
a) Residential Mortgages	75,237,737	–	–	–
b) Qualifying Revolving Retail Exposures	7,349,137	–	–	–
c) Hire Purchase Exposures	42,012,215	–	–	–
d) Other Retail Exposures	66,553,602	–	–	–
Defaulted Exposures	9,334,882	–	56,916	839,915
Total On-Balance Sheet Exposures	490,331,394	4,359,947	4,524,386	24,920,831
Off-Balance Sheet Exposures				
OTC Derivatives	6,439,476	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	55,701,968	15,732	409,944	1,026,011
Defaulted Exposures	533,456	–	338	2,800
Total for Off-Balance Sheet Exposures	62,674,900	15,732	410,282	1,028,811
Total On and Off-Balance Sheet Exposures	553,006,294	4,375,679	4,934,668	25,949,642
As at 31 December 2016				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	58,080,430	–	818,304	–
Corporate Exposures	235,533,833	136,918	1,419,180	17,803,005
a) Corporates (excluding Specialised Lending and firm-size adjustment)	173,033,830	136,918	1,419,180	17,803,005
b) Corporates (with firm-size adjustment)	62,500,003	–	–	–
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	173,727,510	–	351,116	510,866
a) Residential Mortgages	63,813,353	–	–	510,866
b) Qualifying Revolving Retail Exposures	6,566,597	–	351,116	–
c) Hire Purchase Exposures	42,810,084	–	–	–
d) Other Retail Exposures	60,537,476	–	–	–
Defaulted Exposures	7,075,288	3,965	74,559	1,303,285
Total On-Balance Sheet Exposures	474,417,061	140,883	2,663,159	19,617,156
Off-Balance Sheet Exposures				
OTC Derivatives	4,784,898	–	17,135	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	67,922,238	43,926	941,004	1,721,659
Defaulted Exposures	45,513	–	1,245	6,822
Total for Off-Balance Sheet Exposures	72,752,649	43,926	959,384	1,728,481
Total On and Off-Balance Sheet Exposures	547,169,710	184,809	3,622,543	21,345,637

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Table 33: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31 December 2017				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	63,692,418	–	518,782	–
Corporate Exposures	183,807,840	3,538,362	3,050,842	23,786,178
a) Corporates (excluding Specialised Lending and firm-size adjustment)	155,058,924	3,538,362	3,050,842	23,786,178
b) Corporates (with firm-size adjustment)	28,748,916	–	–	–
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	107,574,829	–	–	–
a) Residential Mortgages	46,991,971	–	–	–
b) Qualifying Revolving Retail Exposures	5,737,571	–	–	–
c) Hire Purchase Exposures	15,641,790	–	–	–
d) Other Retail Exposures	39,203,497	–	–	–
Defaulted Exposures	5,684,671	–	56,122	473,815
Total On-Balance Sheet Exposures	360,759,758	3,538,362	3,625,746	24,259,993
Off-Balance Sheet Exposures				
OTC Derivatives	4,315,808	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	46,936,830	15,732	410,008	1,028,843
Defaulted Exposures	58,540	–	178	1,341
Total for Off-Balance Sheet Exposures	51,311,178	15,732	410,186	1,030,184
Total On and Off-Balance Sheet Exposures	412,070,936	3,554,094	4,035,932	25,290,177
As at 31 December 2016				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	61,384,375	–	813,304	–
Corporate Exposures	184,599,098	136,918	1,137,575	17,563,589
a) Corporates (excluding Specialised Lending and firm-size adjustment)	135,728,642	136,918	1,137,575	17,563,589
b) Corporates (with firm-size adjustment)	48,870,456	–	–	–
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	102,226,072	–	–	–
a) Residential Mortgages	44,897,646	–	–	–
b) Qualifying Revolving Retail Exposures	5,328,358	–	–	–
c) Hire Purchase Exposures	13,897,011	–	–	–
d) Other Retail Exposures	38,103,057	–	–	–
Defaulted Exposures	5,035,496	2,927	74,559	965,204
Total On-Balance Sheet Exposures	353,245,041	139,845	2,025,438	18,528,793
Off-Balance Sheet Exposures				
OTC Derivatives	5,212,190	–	17,135	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	57,056,005	9,063	864,153	1,703,379
Defaulted Exposures	35,691	–	1,245	6,822
Total for Off-Balance Sheet Exposures	62,303,886	9,063	882,533	1,710,201
Total On and Off-Balance Sheet Exposures	415,548,927	148,908	2,907,971	20,238,994

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Table 34: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Islamic

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31 December 2017				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	7,833,475	–	5,001	–
Corporate Exposures	45,230,111	821,585	164,329	294,738
a) Corporates (excluding Specialised Lending and firm-size adjustment)	29,831,022	821,585	164,329	294,738
b) Corporates (with firm-size adjustment)	15,399,089	–	–	–
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	100,100,113	–	–	–
a) Residential Mortgages	27,570,620	–	–	–
b) Qualifying Revolving Retail Exposures	948,984	–	–	–
c) Hire Purchase Exposures	30,442,810	–	–	–
d) Other Retail Exposures	41,137,699	–	–	–
Defaulted Exposures	1,570,340	–	762	363,269
Total On-Balance Sheet Exposures	154,734,039	821,585	170,092	658,007
Off-Balance Sheet Exposures				
OTC Derivatives	1,818,180	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,045,847	–	–	–
Defaulted Exposures	4,730	–	160	237
Total for Off-Balance Sheet Exposures	8,868,757	–	160	237
Total On and Off-Balance Sheet Exposures	163,602,796	821,585	170,252	658,244
As at 31 December 2016				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	10,345,970	–	5,000	–
Corporate Exposures	43,985,636	–	242,587	220,905
a) Corporates (excluding Specialised Lending and firm-size adjustment)	30,356,089	–	242,587	220,905
b) Corporates (with firm-size adjustment)	13,629,547	–	–	–
c) Specialised Lending (Slotting Approach)				
– Project Finance	–	–	–	–
Retail Exposures	92,571,741	–	–	–
a) Residential Mortgages	23,095,571	–	–	–
b) Qualifying Revolving Retail Exposures	803,333	–	–	–
c) Hire Purchase Exposures	29,432,246	–	–	–
d) Other Retail Exposures	39,240,591	–	–	–
Defaulted Exposures	974,598	1,038	–	330,714
Total On-Balance Sheet Exposures	147,877,945	1,038	247,587	551,619
Off-Balance Sheet Exposures				
OTC Derivatives	34,072	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,221,701	34,863	76,851	18,280
Defaulted Exposures	2,697	–	–	–
Total for Off-Balance Sheet Exposures	8,258,470	34,863	76,851	18,280
Total On and Off-Balance Sheet Exposures	156,136,415	35,901	324,438	569,899

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SECURITISATION

Securitisation is a financial transaction backed by cash flow from underlying financial assets or the value of specific assets that are used to service obligations to debt holders. During the securitisation process, the underlying assets (e.g. consumer loans, receivables, mortgages) are selected and pooled together into a special purpose vehicle ("SPV"). The SPV will then issue securities that can be sold to debt investors.

Securitisations may be categorised as either:

- Traditional securitisations – where assets are sold to an SPV, which issues notes in different tranches with different risk and return profiles. Cash flow from the underlying assets is used by the SPV to pay the coupons and principal on the notes issued by the SPV; or
- Synthetic transactions – where only the underlying credit risk or part of the credit risk is transferred to a third party without the ownership of assets being transferred to the SPV.

Some structures have multiple tranches that reflect different degrees of credit risk (i.e. one class of creditor is entitled to receive payments from the pool before another class of creditors). The class in a particular series that is entitled to receive payment first will rank senior to the sub-tranche notes of the same series.

As part of the Group's capital and liquidity management strategy, the Group can decide to securitise loans granted to customers.

The Group is also involved in the investment of securities which include the purchase of securitised bonds in the secondary markets. These are primarily legacy exposures that are being held in the banking book. Similar to non-securitised assets, these securitisation exposures are governed by and managed in accordance to credit risk and market risk policies. The valuation of our investment in securitisation exposures mainly focuses on quotations from external parties.

Primary recourse for securitisation exposures lies with the underlying assets. Key risks inherent in securitised bonds include credit risk, liquidity risk, counterparty risk, prepayment risk and interest rate risk. These risks are typically mitigated by credit enhancement which may be in the form of overcollateralization, reserve accounts, subordination, excess interest, or other support arrangements. The securitised bonds may also be covered with added protection features such as financial covenants and events of defaults stipulated in the legal documentation which, when breached, provide for the acceleration of repayment and/or other remediation.

Table 35 shows the securitisation exposures under the Standardised Approach for the Group and the Bank.

Table 35: Disclosure on Securitisation under the Standardised Approach for Maybank Group and Maybank

	Group			Maybank		
Type of Securitisation Exposures	**Exposure after CRM RM'000**	**Risk Weights of Securitisation Exposures 20%**	**Risk Weighted Asset RM'000**	**Exposure after CRM RM'000**	**Risk Weights of Securitisation Exposures 20%**	**Risk Weighted Asset RM'000**
As at 31 December 2017						
Originated by Third Party						
On Balance Sheet Exposure	**61,467**	**61,467**	**12,293**	**61,467**	**61,467**	**12,293**
Total (Traditional Securitisation)	**61,467**	**61,467**	**12,293**	**61,467**	**61,467**	**12,293**
As at 31 December 2016						
Originated by Third Party						
On Balance Sheet Exposure	159,896	159,896	31,979	159,896	159,896	31,979
Total (Traditional Securitisation)	159,896	159,896	31,979	159,896	159,896	31,979

CREDIT RISK

CREDIT EXPOSURES SUBJECT TO STANDARDISED APPROACH

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB Approach, and those portfolios that are currently in transition to the IRB Approach.

The Standardised Approach measures credit risk pursuant to fixed risk-weights and is the least sophisticated of the capital calculation methodologies. The risk-weights applied under Standardised Approach are prescribed by BNM and is based on the asset class to which the exposure is assigned. For exposures subject to Standardised Approach, approved External Credit Assessment Agencies ("ECAI") ratings and the prescribed risk-weights based on asset classes are used in the computation of regulatory capital.

The ECAI used by the Group include Fitch Ratings, Moody's Investor Services, S&P, RAM, Malaysia Rating Corporation ("MARC") and Rating & Investment Inc. Assessments provided by approved ECAIs are mapped to credit quality grades prescribed by the regulator.

Table 36 shows the risk-weights applicable for Banking Institutions and Corporates under the Standardised Approach.

Table 36: Risk-Weights under Standardised Approach

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Rating & Investment Inc
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A3	A+ to A-	A+ to A-
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	BBB+ to BB-
4	B+ and below	B1 to below	B+ and below	B1 and below	B+ and below	B+ and below
5	Unrated					

Table 37 shows the risk-weights applicable for Banking Institutions and Corporates under the Standardised Approach for short-term ratings.

Table 37: Risk-Weights under Standardised Approach for Short-Term Ratings

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Rating & Investment Inc
1	A-1	P-1	F1+, F1	P-1	MARC-1	a-1+, a-1
2	A-2	P-2	F2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B to D	NP	MARC-4	b, c
5	Unrated					

Tables 38 through 40 show the risk-weights under Standardised Approach for the Group, the Bank and Maybank Islamic, respectively. Tables 41 through 43 further show the rated exposures by ECAIs for the Group, the Bank and Maybank Islamic respectively.

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Table 38: Credit Risk Disclosure on Risk-Weights under the Standardised Approach for Maybank Group

	Exposures after Netting and Credit Risk Mitigation												
Risk Weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation* RM'000	Total Risk Weighted Assets* RM'000
As at 31 Dec 2017													
0%	**116,278,500**	**17,386,456**	**366,098**	**–**	**2,160,253**	**5,082,304**	**–**	**–**	**5,866,005**		**–**	**147,139,616**	**–**
20%	**1,854,329**	**3,254,836**	**2,035,881**	**–**	**1,942,611**	**–**	**–**	**–**	**1,612,267**		**–**	**10,699,924**	**2,139,985**
35%	**–**	**–**	**–**	**–**	**–**	**–**	**2,820,354**	**–**	**–**		**–**	**2,820,354**	**987,124**
50%	**2,168,098**	**121,102**	**908,415**	**–**	**300,225**	**9,493**	**978,668**	**–**	**–**		**–**	**4,486,001**	**2,243,000**
75%	**–**	**–**	**–**	**–**	**–**	**22,746,153**	**28,411**	**–**	**–**		**–**	**22,774,564**	**17,080,923**
100%	**2,738,605**	**2,455,042**	**–**	**393,327**	**13,503,581**	**4,885,729**	**5,634**	**–**	**5,204,145**		**485,932**	**29,671,995**	**29,671,995**
150%	**–**	**–**	**–**	**–**	**134,728**	**410,339**	**–**	**493,699**	**3,171**		**4,824**	**1,046,761**	**1,570,143**
Total	**123,039,532**	**23,217,436**	**3,310,394**	**393,327**	**18,041,398**	**33,134,018**	**3,833,067**	**493,699**	**12,685,588**	**61,467**	**490,756**	**218,639,215***	**53,693,170***
As at 31 Dec 2016													
0%	90,159,950	8,334,536	549,102	–	1,911,251	4,484,317	–	–	7,189,332		–	112,628,488	–
20%	3,966,380	5,228,049	1,150,315	–	1,237,202	–	–	–	359,103		–	11,941,049	2,388,210
35%	–	–	–	–	–	–	2,229,945	–	–		–	2,229,945	780,481
50%	2,889,726	–	340,826	–	72,216	12,213	843,117	–	–		–	4,158,098	2,079,049
75%	–	–	–	–	–	23,479,312	6,310	–	–		–	23,485,622	17,614,217
100%	3,068,044	1,193,039	–	316,263	18,007,417	857,842	11,108	–	4,693,507		306,657	28,453,877	28,453,877
150%	–	–	–	–	151,065	263,050	–	315,500	4,448		779	734,842	1,102,263
Total	100,084,100	14,755,624	2,040,243	316,263	21,379,151	29,096,734	3,090,480	315,500	12,246,390	159,896	307,436	183,631,921*	52,418,097*

* Total Exposures after netting & credit risk mitigation and risk-weighted assets do not include securitisation.

Table 39: Credit Risk Disclosure on Risk-Weights under the Standardised Approach for Maybank

	Exposures after Netting and Credit Risk Mitigation												
Risk Weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation* RM'000	Total Risk Weighted Assets* RM'000
As at 31 Dec 2017													
0%	**80,682,156**	**7,946,165**	**40,715**	**–**	**500,838**	**1,642,991**	**–**	**–**	**4,850,772**		**–**	**95,663,637**	**–**
20%	**1,812,914**	**2,922,564**	**–**	**–**	**1,857,665**	**–**	**–**	**–**	**1,432,621**		**–**	**8,025,764**	**1,605,153**
35%	**–**	**–**	**–**	**–**	**–**	**–**	**404,593**	**–**	**–**		**–**	**404,593**	**141,608**
50%	**383,068**	**121,102**	**–**	**–**	**294,381**	**1,195**	**33,387**	**–**	**–**		**–**	**833,133**	**416,567**
75%	**–**	**–**	**–**	**–**	**–**	**9,518,947**	**–**	**–**	**–**		**–**	**9,518,947**	**7,139,210**
100%	**1,317,878**	**2,355,101**	**–**	**–**	**8,728,707**	**3,911,306**	**1,067**	**–**	**3,491,766**		**319,680**	**20,125,505**	**20,125,505**
150%	**–**	**–**	**–**	**–**	**11,318**	**3,728**	**–**	**211,306**	**–**		**4,045**	**230,397**	**345,596**
Total	**84,196,016**	**13,344,932**	**40,715**	**–**	**11,392,909**	**15,078,167**	**439,047**	**211,306**	**9,775,159**	**61,467**	**323,725**	**134,801,976***	**29,773,639***
As at 31 Dec 2016													
0%	61,550,990	4,571,895	218,470	–	481,818	1,490,249	–	–	5,687,255		–	74,000,677	–
20%	3,890,231	4,418,710	–	–	1,123,530	–	–	–	258,076		–	9,690,547	1,938,109
35%	–	–	–	–	–	–	373,650	–	–		–	373,650	130,777
50%	410,692	–	–	–	57,651	585	20,828	–	–		–	489,756	244,878
75%	–	–	–	–	–	8,281,762	6,310	–	–		–	8,288,072	6,216,054
100%	1,696,337	1,105,419	–	–	13,091,331	28,369	708	–	3,683,322		287,926	19,893,412	19,893,412
150%	–	–	–	–	9,713	234	–	161,723	–		–	171,670	257,505
Total	67,548,250	10,096,024	218,470	–	14,764,043	9,801,199	401,496	161,723	9,628,653	159,896	287,926	112,907,784*	28,680,735*

* Total Exposures after netting & credit risk mitigation and risk-weighted assets do not include securitisation.

CREDIT RISK

Table 40: Credit Risk Disclosure on Risk-Weights under the Standardised Approach for Maybank Islamic

	Exposures after Netting and Credit Risk Mitigation											
Risk Weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
As at 31 Dec 2017												
0%	**27,269,485**	**12,529,891**	**1**	**–**	**183,244**	**796,041**	**–**	**–**	**247,002**	**–**	**41,025,664**	**–**
20%	**41,415**	**332,272**	**–**	**–**	**72,546**	**–**	**–**	**–**	**–**	**–**	**446,233**	**89,246**
35%	**–**	**–**	**–**	**–**	**–**	**–**	**1,950,726**	**–**	**–**	**–**	**1,950,726**	**682,754**
50%	**–**	**–**	**–**	**–**	**353**	**941**	**927,959**	**–**	**–**	**–**	**929,253**	**464,627**
75%	**–**	**–**	**–**	**–**	**–**	**1,672,576**	**18,829**	**–**	**–**	**–**	**1,691,405**	**1,268,554**
100%	**–**	**2,309,941**	**–**	**–**	**2,351,693**	**1,333,369**	**1,735**	**–**	**278,323**	**–**	**6,275,061**	**6,275,062**
150%	**–**	**–**	**–**	**–**	**212**	**–**	**–**	**10,413**	**–**	**–**	**10,625**	**15,938**
Total	**27,310,900**	**15,172,104**	**1**	**–**	**2,608,048**	**3,802,927**	**2,899,249**	**10,413**	**525,325**	**–**	**52,328,967**	**8,796,181**
As at 31 Dec 2016												
0%	20,413,706	6,262,641	–	–	179,980	548,649	–	–	634,591	–	28,039,567	–
20%	45,873	2,296,425	–	–	73,932	–	–	–	–	–	2,416,230	483,246
35%	–	–	–	–	–	–	1,376,925	–	–	–	1,376,925	481,924
50%	–	–	–	–	467	1,082	789,864	–	–	–	791,413	395,706
75%	–	–	–	–	–	1,881,210	–	–	–	–	1,881,210	1,410,908
100%	–	1,091,788	–	–	1,626,440	1,375,525	4,404	–	270,611	–	4,368,768	4,368,768
150%	–	–	–	–	264	–	–	7,338	–	–	7,602	11,403
Total	20,459,579	9,650,854	–	–	1,881,083	3,806,466	2,171,193	7,338	905,202	–	38,881,715	7,151,955

Table 41: Disclosure on Rated Exposures according to Ratings by ECAI by Maybank Group

	Rating Categories					
Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	Total RM'000
As at 31 December 2017						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	**17,386,456**	**3,254,836**	**121,102**	**–**	**2,455,042**	**23,217,436**
Insurance Cos, Securities Firms & Fund Managers	**–**	**–**	**–**	**–**	**393,327**	**393,327**
Corporates	**2,160,253**	**1,942,611**	**300,225**	**134,728**	**13,503,581**	**18,041,398**
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	**116,278,500**	**1,854,329**	**2,168,098**	**–**	**2,738,605**	**123,039,532**
C) Ratings of Banking Institutions:						
Banks, MDBs and FDIs	**366,098**	**2,035,881**	**908,415**	**–**	**–**	**3,310,394**
Total Exposures	**136,191,307**	**9,087,657**	**3,497,840**	**134,728**	**19,090,555**	**168,002,087**
As at 31 December 2016						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	8,334,536	5,228,049	–	–	1,193,039	14,755,624
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	316,263	316,263
Corporates	1,911,251	1,237,202	72,216	151,065	18,007,417	21,379,151
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	90,159,950	3,966,381	2,889,726	–	3,068,044	100,084,101
C) Ratings of Banking Institutions:						
Banks, MDBs and FDIs	549,102	1,150,315	340,826	–	–	2,040,243
Total Exposures	100,954,839	11,581,947	3,302,768	151,065	22,584,763	138,575,382

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Table 42: Disclosure on Rated Exposures according to Ratings by ECAI by Maybank

Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	Total RM'000
As at 31 December 2017						
On and Off Balance-Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	**7,946,165**	**2,922,564**	**121,102**	**–**	**2,355,101**	**13,344,932**
Insurance Cos, Securities Firms & Fund Managers	**–**	**–**	**–**	**–**	**–**	**–**
Corporates	**500,838**	**1,857,665**	**294,381**	**11,318**	**8,728,708**	**11,392,910**
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	**80,682,156**	**1,812,914**	**383,068**	**–**	**1,317,878**	**84,196,016**
C) Ratings of Banking Institutions:						
Banks, MDBs and FDIs	**40,715**	**–**	**–**	**–**	**–**	**40,715**
Total Exposures	**89,169,874**	**6,593,143**	**798,551**	**11,318**	**12,401,687**	**108,974,573**
As at 31 December 2016						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	4,571,895	4,418,710	–	–	1,105,419	10,096,024
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–
Corporates	481,817	57,652	1,123,530	9,713	13,091,331	14,764,043
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	61,550,990	3,890,232	410,692	–	–	65,851,914
C) Ratings of Banking Institutions:						
Banks, MDBs and FDIs	218,470	–	–	–	–	218,470
Total Exposures	66,823,172	8,366,594	1,534,222	9,713	14,196,750	90,930,451

Table 43: Disclosure on Rated Exposures according to Ratings by ECAI by Maybank Islamic

Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	Total RM'000
As at 31 December 2017						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	**12,529,891**	**332,272**	**–**	**–**	**2,309,941**	**15,172,104**
Banks, Development Financial Institutions & MDBs	**–**	**–**	**–**	**–**	**–**	**–**
Corporates	**183,243**	**72,546**	**353**	**212**	**2,351,693**	**2,608,047**
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	**27,269,485**	**41,415**	**–**	**–**	**–**	**27,310,900**
Total Exposures	**39,982,619**	**446,233**	**353**	**212**	**4,661,634**	**45,091,051**
As at 31 December 2016						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	6,262,641	2,296,425	–	–	1,091,788	9,650,854
Corporates	179,980	74,399	–	–	1,626,704	1,881,083
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	20,413,706	45,873	–	–	–	20,459,579
Total Exposures	26,856,327	2,416,697	–	–	2,718,492	31,991,516

CREDIT RISK

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities.

Counterparty credit risk originates from the Group's lending business, investment and treasury activities that impact the Group's trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter ("OTC") derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows.

Limits

Counterparty credit risk exposures are managed via counterparty limits either on a single counterparty basis or counterparty group basis that adheres to BNM's Single Counterparty Exposure Limits ("SCEL"). The Group actively monitors and manages its exposures to ensure that exposures to a single counterparty or a group of connected counterparties are within prudent limits at all times. Counterparty credit risk exposures may be materially affected by market risk events. The Group has in place dedicated teams to promptly identify, review, and prescribe appropriate actions to the respective risk committees.

Credit Risk Exposure Treatment

For on-balance sheet exposures, the Group employs risk treatments in accordance with BNM and Basel II guidelines. For off-balance sheet exposures, the Group measures credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Group's credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM's guidelines and Basel II requirements.

Counterparty Credit Risk Mitigation

The Group typically engages with entities of strong credit quality and utilises a comprehensive approach of limit setting by trade, counterparty and portfolio levels to diversify exposures across different counterparties. As a secondary recourse, the Group adopts credit risk mitigation methods using bilateral netting and collateral netting with counterparties, where appropriate.

Counterparty credit risk exposures in swaps and derivatives are mitigated via master netting arrangements i.e. the International Swaps and Derivatives Association ("ISDA") Master Agreement which provides for closeout and payment netting with counterparties, where possible.

A master agreement governs all transactions between two parties and enables the netting of outstanding obligations upon termination of outstanding transactions should an event of default or other predetermined events occur.

In certain cases, the Group may request for further mitigation by entering into a Credit Support Annex ("CSA") agreement with approved ISDA counterparties. This provides collateral margining in order to mitigate counterparty credit risk exposures.

Tables 44 through 46 show the off-balance sheet and counterparty credit risk exposures for the Group, the Bank and Maybank Islamic, respectively.

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Table 44: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group

Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
As at 31 December 2017			
Direct credit substitutes	12,216,975	12,064,534	6,552,472
Transaction related contingent items	18,831,965	9,348,060	6,086,500
Short-term self-liquidating trade-related contingencies	5,544,647	1,107,435	694,977
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	13,133,194	412,246	180,312
Foreign exchange related contracts	176,623,638	4,472,716	2,067,829
– One year or less	155,405,836	2,936,500	844,889
– Over one year to five years	19,963,457	1,447,021	1,174,766
– Over five years	1,254,345	89,195	48,174
Interest/profit rate related contracts	39,861,024	2,509,744	1,500,635
– One year or less	13,195,871	266,834	146,095
– Over one year to five years	21,055,538	1,639,966	836,583
– Over five years	5,609,615	602,944	517,957
Commodity contracts	490,296	21,436	5,768
– One year or less	262,303	10,492	3,792
– Over one year to five years	227,993	10,944	1,976
– Over five years	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	244,228,266	4,910,417	2,180,701
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	12,105,361	26,263,062	12,565,526
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	28,586,754	19,461,340	9,980,336
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	133,658,775	315,487	73,053
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	1,664,271	306,640	260,242
Total	686,945,166	81,193,117	42,148,351
As at 31 December 2016			
Direct credit substitutes	12,878,417	11,637,132	6,773,719
Transaction related contingent items	20,378,669	9,865,761	6,526,837
Short-term self-liquidating trade-related contingencies	6,091,737	1,206,287	806,417
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	4,412,355	85,577	4,084
Foreign exchange related contracts	171,957,081	6,879,417	3,760,563
– One year or less	135,133,814	3,133,811	1,368,872
– Over one year to five years	30,284,278	2,700,192	1,710,991
– Over five years	6,538,989	1,045,414	680,700
Interest/profit rate related contracts	24,700,056	1,825,522	1,579,986
– One year or less	11,076,154	208,119	172,482
– Over one year to five years	7,161,056	916,913	602,663
– Over five years	6,462,846	700,490	804,841
Commodity contracts	330,604	43,124	21,111
– One year or less	330,604	43,124	21,111
– Over one year to five years	–	–	–
– Over five years	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	231,678,436	3,502,945	1,177,354
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	52,255,639	29,185,348	14,299,675
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	26,919,348	16,793,150	9,513,436
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	59,706,889	285,408	71,269
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	1,870,500	349,176	291,078
Total	613,179,731	81,658,847	44,825,529

CREDIT RISK

Table 45: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank

Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
As at 31 December 2017			
Direct credit substitutes	10,491,711	10,373,876	5,071,621
Transaction related contingent items	14,501,336	7,207,090	4,429,669
Short-term self-liquidating trade-related contingencies	4,691,333	937,807	548,026
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	12,954,667	411,803	180,312
Foreign exchange related contracts	166,426,869	4,102,244	1,895,291
– One year or less	149,102,193	2,738,707	778,150
– Over one year to five years	17,318,601	1,363,294	1,117,016
– Over five years	6,075	243	125
Interest/profit rate related contracts	27,236,265	1,829,987	1,167,903
– One year or less	4,983,926	129,324	101,606
– Over one year to five years	16,529,264	1,084,951	551,190
– Over five years	5,723,075	615,712	515,107
Commodity contracts	490,296	21,436	5,768
– One year or less	262,303	10,492	3,792
– Over one year to five years	227,993	10,944	1,976
– Over five years	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	244,228,266	4,910,417	2,180,701
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,958,301	23,168,096	10,967,370
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	20,971,288	14,511,405	6,780,823
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	99,184,486	143,269	38,661
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	793,568	132,499	129,236
Total	**607,928,386**	**67,749,929**	**33,395,379**
As at 31 December 2016			
Direct credit substitutes	11,161,467	10,133,153	5,276,902
Transaction related contingent items	17,027,217	8,226,900	5,175,883
Short term self liquidating trade related contingencies	5,185,003	1,029,670	644,283
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	4,412,355	85,577	4,084
Foreign exchange related contracts	160,730,105	6,579,633	3,650,493
– One year or less	126,735,651	2,971,990	1,311,952
– Over one year to five years	28,771,658	2,663,207	1,699,266
– Over five years	5,222,796	944,436	639,275
Interest/profit rate related contracts	18,106,672	1,345,520	1,218,721
– One year or less	6,627,195	58,799	105,545
– Over one year to five years	4,958,416	581,299	370,716
– Over five years	6,521,061	705,422	742,460
Commodity contracts	330,604	43,124	21,111
– One year or less	330,604	43,124	21,111
– Over one year to five years	–	–	–
– Over five years	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	231,678,436	3,502,945	1,177,354
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	45,289,350	25,583,666	12,464,323
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,386,347	10,987,463	6,040,954
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	39,795,404	133,844	32,994
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	761,776	127,432	124,460
Total	551,864,736	67,778,927	35,831,562

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Table 46: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic

Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
As at 31 December 2017			
Direct credit substitutes	1,472,763	1,438,157	1,292,069
Transaction related contingent items	3,484,342	1,717,826	1,278,929
Short-term self-liquidating trade-related contingencies	188,659	36,697	28,596
Foreign exchange related contracts	13,600,196	589,507	186,751
– One year or less	9,699,523	407,037	83,392
– Over one year to five years	2,652,403	93,518	55,310
– Over five years	1,248,270	88,952	48,049
Profit rate related contracts	6,902,547	755,660	326,147
– One year or less	170,607	5,545	975
– Over one year to five years	5,650,590	677,839	283,202
– Over five years	1,081,350	72,276	41,970
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,154,910	2,676,066	1,093,008
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,080,688	4,046,677	2,296,142
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	3,628,674	172,218	34,392
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	–	–	–
Total	40,512,779	11,432,808	6,536,034
As at 31 December 2016			
Direct credit substitutes	1,456,342	1,243,371	1,275,387
Transaction related contingent items	2,383,664	1,155,527	861,936
Short-term self-liquidating trade-related contingencies	277,534	50,777	35,283
Foreign exchange related contracts	13,142,938	594,292	169,997
– One year or less	10,314,126	456,329	116,847
– Over one year to five years	1,512,620	36,985	11,725
– Over five years	1,316,192	100,978	41,425
Profit rate related contracts	3,572,384	527,108	284,452
– One year or less	1,794	612	710
– Over one year to five years	2,372,828	424,297	191,105
– Over five years	1,197,762	102,199	92,637
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,911,008	2,728,616	1,321,241
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	7,683,303	4,636,842	2,314,448
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	3,834,297	151,564	38,274
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	–	–	–
Total	37,261,470	11,088,097	6,301,018

COUNTRY RISK

Country risk is the risk arising from changes in various political, financial or economic factors that may adversely cause a borrower or counterparty to default on their obligations.

The limits for countries are set based on country-specific criteria as well as strategic business considerations, and are approved at RMC.

MARKET RISK

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 Group manages market risk of its trading and non-trading/banking activities using a variety of measurement techniques and controls.

TRADED MARKET RISK

Traded market risk arises mainly from proprietary trading, flow trading and market-making activities. These activities may create positions held with trading intent to express a market view, to benefit from short-term price movements or to lock in arbitrage profits.

The overall trading book portfolio is governed by trading limits, trading book policies and procedures. Policy requires the Group to set trading limits against the various quantitative and qualitative measures outlined below to manage the Group's traded market risk.

i. The Group employs a Value-at-Risk ("VaR") model to measure the expected loss in the trading book arising from severe market movements over a specified period of time within a given probability of occurrence. The Group is approved to utilize a VaR model based on the historical simulation method at a 99% confidence level using a 1-day holding period. For periodic independent validation, the VaR model is back tested regularly to gauge its model performance and accuracy. In addition, the Group computes a Stressed VaR based on a 1-day holding period to measure the VaR of the trading book arising from market movements over a previously identified stress period.

ii. Risk sensitivity measures: The Group measures first order and second order movements in market prices. For the trading portfolio's risk sensitivity to interest rate movements, it is measured using the present value exposure to a one basis point ("PV01"). For the trading portfolio's risk sensitivity to foreign exchange rate movements, the foreign exchange net open position ("FX NOP") measure is employed. For non-linear risk sensitivity to market prices, option risk sensitivities are employed to manage options risk. For measuring the adverse impact of severe market price movements to trading profit in stress event scenarios, stressed profit/loss methods are employed.

   For traded credit risk, the Group adopts measures of Jump-to-Default ("JTD") and credit spread sensitivity to a basis point ("CS01"). JTD measures the immediate impact to the value of the portfolio during a credit event (e.g. issuer default) while CS01 measures the change in value of the portfolio when the credit spread changes by 1 basis point.

iii. The Group's approved policies require disciplined trading conduct. Dealers are to adhere to the limits set at all times and are strictly prohibited from transacting in any non-permissible instruments/activities as stipulated in the approved policies.

iv. In the event that trading risks require to be brought to management attention, there is a robust escalation process to inform designated authorities to ensure prompt action are taken for any non-adherence. Monthly reports are escalated and presented to Senior Management/ committee for further deliberation.

NON-TRADED MARKET RISK

Non-traded market risk is primarily inherent risk arising from banking book activities. The major risk classes are interest rate risk/rate of return risk in the banking book and foreign exchange risk.

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RoRBB")

IRR/RoRBB is defined as risk of loss in earnings or economic value on banking book exposures arising from movements in interest rates. Sources of IRR/ RoRBB include repricing, basis, yield curve and option risk. In addition, Islamic operations is exposed to displaced commercial risk.

Accepting IRR/RoRBB is a normal part of banking and can be an important source of profitability and shareholder value. However, excesses of this risk can be detrimental to the Group's earnings, capital, liquidity and solvency.

Banking book policies and limits are established to measure and manage non-traded market risk. Repricing gap analysis remains one of the building blocks for IRR/RoRBB assessment for the Group. Earnings-at-Risk ("EaR") and Economic Value-at-Risk ("EVaR") are derived to gauge the maximum tolerance level of the adverse impact of market interest rate towards earnings and capital.

Through Group Asset and Liability Management Committee ("Group ALCO") supervision, the lines of businesses are insulated from IRR/RoRBB through fund transfer pricing whereby non-traded market and liquidity risks are centralised at the corporate treasury unit for active risk management and balance sheet optimisation. The corporate treasury unit reviews the risk exposures regularly and recommends strategies to mitigate any unwarranted risk exposures in accordance with the approved policies.

Certain portfolios such as products with non-deterministic characteristics are subjected to periodic statistical modelling to understand the customer/ product's behavioural patterns in relation to changing rates and business cycles. Regular risk assessment and stress testing are applied to ensure the portfolios can withstand the risk tolerance and adverse rate scenarios.

Tables 47 (a) and (b) show the impact of a change in IRR/RoRBB to earnings and capital for the Group, the Bank and Maybank Islamic respectively.

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Table 47 (a): Interest Rate Risk/Rate of Return Risk in the Banking Book for the Group, Maybank and Maybank Islamic (Impact on Earnings)

	As at 31 December 2017			As at 31 December 2016		
	Group ±200bps RM'000	Maybank ±200bps RM'000	Maybank Islamic ±200bps RM'000	Group ±200bps RM'000	Maybank ±200bps RM'000	Maybank Islamic ±200bps RM'000
Impact on Earnings of which:	**1,465,943**	**1,642,395**	**521,662**	1,384,286	1,194,799	369,967
MYR	**1,545,596**	**982,952**	**559,189**	1,517,106	1,084,392	431,121
USD	**(432,702)**	**(347,163)**	**(28,010)**	(492,613)	(345,595)	(65,220)
SGD	**(223,822)**	**(220,869)**	**–**	116,304	116,004	–
IDR	**(80,514)**	**3,274**	**–**	(90,418)	4,873	–
Others*	**657,386**	**1,224,202**	**(9,517)**	333,907	335,125	4,066

Table 47 (b): Interest Rate Risk/Rate of Return Risk in the Banking Book for Maybank Group, Maybank and Maybank Islamic (Impact on Capital)

	As at 31 December 2017			As at 31 December 2016		
	Group ±200bps RM'000	Maybank ±200bps RM'000	Maybank Islamic ±200bps RM'000	Group ±200bps RM'000	Maybank ±200bps RM'000	Maybank Islamic ±200bps RM'000
Impact on Earnings of which:	**(2,560,724)**	**(2,483,054)**	**(69,453)**	(751,915)	(549,678)	188,282
MYR	**(3,248,403)**	**(3,170,675)**	**(75,842)**	(1,368,946)	(1,174,984)	(192,184)
USD	**4,681**	**(11,161)**	**6,017**	234,269	242,170	3,722
SGD	**717,865**	**716,918**	**–**	306,408	305,805	–
IDR	**(111,424)**	**(43,084)**	**–**	(85,602)	(53,887)	–
Others*	**76,557**	**24,947**	**371**	161,955	131,217	179

Notes:
1. All figures are in absolute amount with the exception of 'total impact' which is in net aggregate amount (after netting off currency/position at different geographical locations).
2. * Inclusive of GBP, HKD, BND, VND, CNY, EUR, PHP and other currencies.

Foreign Exchange Risk in the Banking Book

Foreign exchange ("FX") risk arises from adverse movements in the exchange rates of two currencies.

FX risk exposures can be attributed to structural and non-structural positions. Structural FX positions are primarily net investments in overseas branches and subsidiaries whereas other FX positions are non-structural in nature. Generally, structural FX positions need not be hedged as these investments are by definition "perpetual" and revaluation losses will not materialise if they are not sold. The residual or unhedged FX positions are managed in accordance with the approved policies and limits.

Foreign currency assets in the banking book are match-funded by the same currency to minimise FX NOP. In addition, the Group implements qualitative controls such as listing of permissible on/offshore currencies and hedging requirements for managing FX risk.

The FX risk is primarily assessed from both earnings and capital perspectives. Group ALCO plays an active role in ensuring FX risk is managed within stipulated limits.

CAPITAL TREATMENT FOR MARKET RISK

The Group adopts the SA to compute the minimum capital requirement for market risk as per BNM's Guidelines on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets). Tables 7 through 9 separately disclose the RWA and capital requirements for Market Risk of the Group, the Bank and Maybank Islamic, respectively.

Interest rate/profit rate, foreign exchange and options are the primary risk factors in the Group's trading activities, whilst commodity and equity are generally attributed to investment banking activities.

LIQUIDITY RISK

Liquidity risk is defined as the risk of an adverse impact to the financial condition or overall safety and soundness arising from the inability (or perceived inability) or unexpected higher cost to meet obligations.

It is also known as consequential risk, triggered by underlying problems which can be endogenous (e.g. credit risk deterioration, rating downgrade, operational risk events) or exogenous (e.g. market disruption, default in the banking payment system and deterioration of sovereign risk).

MARKET RISK

Balance sheet risk measures structurally maintain a diverse and stable funding base while achieving an optimal portfolio. These measures drive the desired targets for loans to deposits ratio, sources of funds through borrowing, wholesale borrowing and swaps markets in order to support the growing asset base regionally. Through these measures, the Group shapes its assets and liabilities profile to achieve its desired balance sheet state.

The net cash flow mismatch along different time horizons, also known as liquidity gap analysis, provides Senior Management with a clear picture of the imminent funding needs in the near term as well as the structural balance sheet for the medium term and long term tenors. The sources of fund providers are reviewed to maintain a wide diversification by currency, provider, product and term, thus minimising excessive funding concentration.

The Group runs liquidity stress scenarios to assess the vulnerability of cash flows under stressed market situations. The Group continuously reviews and maintains unencumbered High Quality Liquid Assets ("HQLA") that can be easily sold or pledged, as readily available sources of funds for immediate cash to determine the funding capacity to withstand stressed situations.

In line with BNM requirements on Liquidity Coverage Ratio ("LCR") effective 1 June 2015, the Group ensures its LCR remains above the specified regulatory minimum requirements at both entity and consolidated levels.

LCR is a short-term resilience assessment to measure the adequacy of HQLA to withstand an acute liquidity stress scenario over a 30-day horizon. HQLA are liquid assets that can be easily and immediately converted into cash at little or no loss of value.

Over and above this, the Group is preparing for the Net Stable Funding Ratio ("NSFR") to ensure that it maintains sufficient stable funds to support its asset growth over a one year horizon. NSFR promotes long-term structural funding of the Balance Sheet and strengthens the long term resilience of the liquidity risk profile.

EQUITY RISK IN THE BANKING BOOK

Equity price risk is the risk arising from movements in the price of equities, equity indices and equity baskets.

The objective of equity exposure is to determine the nature and extent of the Group's exposure to investment risk arising from equity positions and instruments held in its banking book.

- **Publicly Traded**

  Holding of equity investments comprises of quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value.

- **Privately Held**

  Privately held equities are unquoted investments where their fair value cannot be reliably measured and therefore are carried at cost less impairment losses, if any.

The Group holds investments in equity securities with the purpose of gaining strategic advantage as well as capital appreciation on the sale thereof.

Tables 48 and 49 show the equity exposures for banking book positions for the Group and the Bank respectively.

Table 48: Equities Disclosures for Banking Book Positions for Maybank Group

	As at 31 December 2017		As at 31 December 2016	
Equity Type	**EAD RM'000**	**RWA RM'000**	**EAD RM'000**	**RWA RM'000**
Publicly traded	**490,756**	**493,168**	307,436	307,825
Privately held	**493,699**	**740,548**	315,500	473,250
		RM'000		**RM'000**
Total Net Unrealised Gains/(Loss)		**170,315**		163,594
Cumulative realised gains/(losses) arising from sales and liquidations in the reporting period		**38,748**		631,840

Table 49: Equities Disclosures for Banking Book Positions for Maybank

	As at 31 December 2017		As at 31 December 2016	
Equity Type	**EAD RM'000**	**RWA RM'000**	**EAD RM'000**	**RWA RM'000**
Publicly traded	**323,725**	**325,748**	287,926	287,926
Privately held	**211,306**	**316,959**	161,723	242,584
		RM'000		**RM'000**
Total Net Unrealised Gains/(Loss)		**41,656**		63,777
Cumulative realised gains/(losses) arising from sales and liquidations in the reporting period		**34,493**		632,425

NON-FINANCIAL RISK

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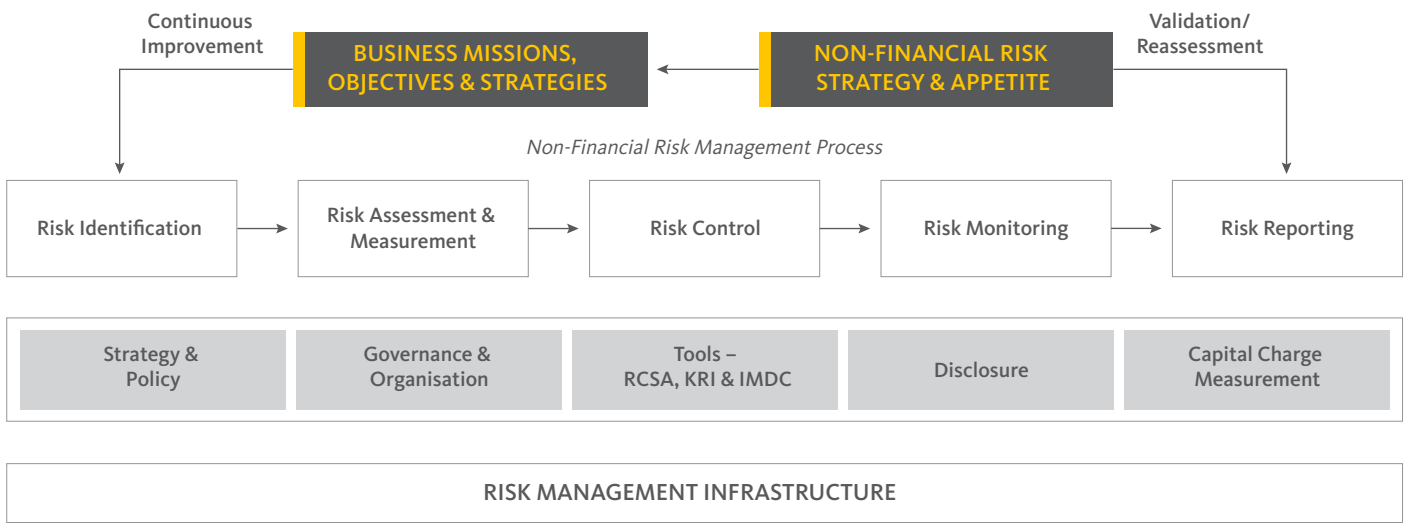
The Group has evolved and broadened its management of operational risk to encompass a wider range of emerging non-financial risks. This is utmost critical in enabling the Group to effectively manage the risk of loss arising from operational failures due to inadequate or failed internal processes, people and systems or external factors that could result in monetary losses or negative reputational implications to the brand value and stakeholder's perception towards the Group.

MANAGEMENT OF NON-FINANCIAL RISK

The management of non-financial risk is anchored on an established risk strategy that provides the overall principles and objectives, with defined risk appetite reflecting the Group's acceptable tolerance level for non-financial risk. A sound risk governance model premised on the Three Lines of Defence and a robust risk culture are vital in driving the management of non-financial risk in the Group. Further information on the risk governance model and risk culture can be found in the Group Risk Management section under the Corporate Book.

To further strengthen the management of non-financial risk, risk methodologies and tools are deployed and integrated into processes to support businesses from point of discovery of an incident until its resolution. The risk methodologies and tools complement each other for an effective process to identify, assess and measure, control, monitor and report non-financial risk exposures on a timely basis, in minimising the resulting reputational risk towards the Group. An integrated risk management system for non-financial risk forms the foundation to enable the implementation of the methodologies and tools.

Diagram 2: Management of Non-Financial Risk



Risk Identification, Assessment and Measurement

- **Incident Management and Data Collection ("IMDC")**

  IMDC provides a structured and systematic platform for the management and reporting of non-financial risk incidents. The collection of consistent and standardised information on non-financial risk incidents in a centralised database enables a comprehensive analysis of operational lapses, focuses on operational 'hotspots' and minimises the risk impact of future operational losses.

- **Risk and Control Self-Assessment ("RCSA")**

  RCSA is a process of continual assessment of non-financial risk inherent in the operations of the Group and the effectiveness of corresponding controls in place to mitigate the risk. It is a risk profiling tool which gives due emphasis to the review of business processes for the identification of control gaps and development of appropriate action plans to address these gaps.

  RCSA is integral in supporting businesses to manage changes in the business and operational environment of the Group, in which a rigorous process of identification and assessment of risk and controls with appropriate mitigation and action plans is built into the governance of the changes, for example product approval for new/enhanced products/services, implementation of IT projects and other changes to the operating environment of the Group (e.g. outsourcing, restructuring or enhancement to business processes).

- **Key Risk Indicator ("KRI")**

  KRI provides a structured process to measure and monitor critical non-financial risk exposures by way of establishing indicators that serves as early warning signals to increasing risk at the Group, Business and Operating levels. KRI enables close monitoring of non-financial risk to be within the tolerable level before the risk translates into operational losses.

NON-FINANCIAL RISK

Risk Control and Mitigation

The objective of non-financial risk controls and mitigation is to minimise or mitigate non-financial risk exposure to an acceptable level, as defined by the Group's risk appetite.

The key control and mitigation tools deployed in the Group are as follows:

- **Outsourcing**

  Outsourcing minimises non-financial risk exposure by enabling the Group to focus on its core business with a view to enhance operational efficiency. An external party is engaged to perform an internal operational function on behalf of the Group whilst the Group still maintains ownership and ultimate responsibility of the function outsourced including meeting technology risk standards.

- **Anti-Fraud Management**

  The Group has in place robust and comprehensive tools and programs aligned to the established vision, principles and strategies in ensuring that the risks arising from fraud are managed in a decisive, timely and systematic manner. Therefore mitigating the risk to the lowest level possible and to deter future occurrences. Clear roles and responsibilities are outlined at every level of the organisation in promoting high standards of integrity in every employee.

- **Business Continuity Management ("BCM")**

  BCM serves as a tool for a comprehensive and integrated approach in building organisational resilience in event of disruptions, with the capability for an effective response in safeguarding the interests of its key stakeholders, reputation, brand and value-creating activities.

  The BCM approach in the Group is premised upon the following key focus:

  - To implement mitigating measures to minimise the impact of disruption (i.e. disaster/crisis/emergency) to business and critical operations; and
  - To resume business and critical operations of the Group in a timely manner in the event of a disruption.

  In the event of a disruption, the main priority for the Group is always the safety of people, followed by stabilisation of the disruptive incident and escalation to the appropriate stakeholder for response with the aim of minimising the potential impact of the disruption. The BCM approach encapsulates key components as further outlined in the diagram below, which includes identification of potential threats to the Group, assessment of the level of impact to the people and business operations should those threats be realised, and implementation of appropriate strategies to ensure people safety and business recovery against downtime.

Diagram 3: BCM Approach

The Group continuously reviews business operations' resilience through regular testing (planned and without prior notification), in ensuring the established BCM process and infrastructure have the required capability and resources to recover during disruptions. Regular Crisis Simulation Exercise ("CSE") and Business Continuity Plan ("BCP") "Live Run" Activations are carried out for each critical business function in the Group, in addition to simultaneous CSEs across the Group. Regular testing and exercises, checks, amongst others, on the preparedness of staff, the readiness of alternate worksites, reliability of IT system disaster recovery, and effectiveness of communication, escalation and recovery procedures between all locations.

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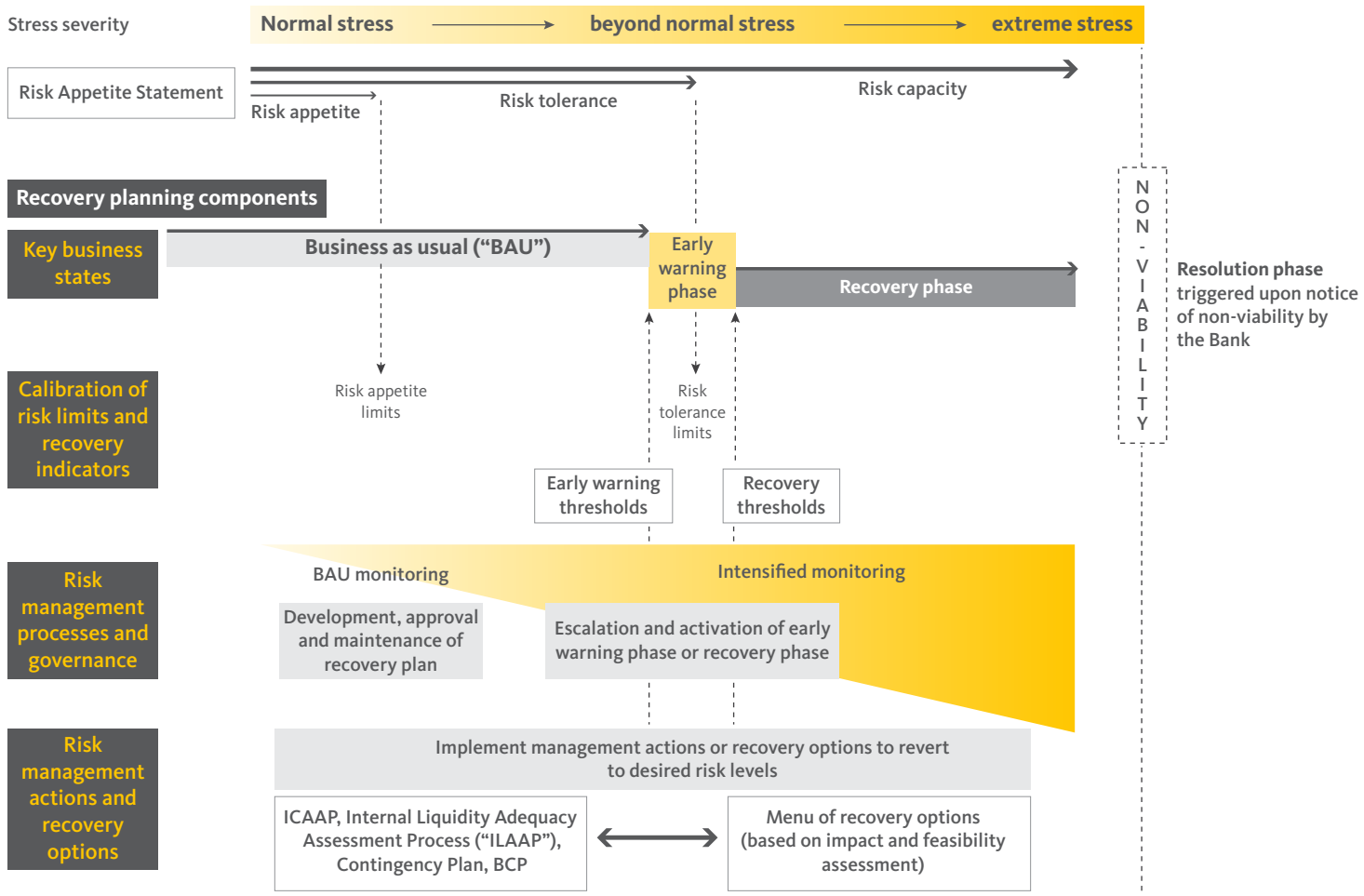
- **Maybank Group Recovery Planning ("RCP")**

  The RCP is instituted with the aim to identify credible options to recover from events impacting the Group's financial strength, operational capability as well as reputation. It provides a systematic approach in addressing potential capital, liquidity or funding disruptions affecting the liquidity soundness and financial solvency of the Group.

  The Plan encompasses clear strategies, decision-making authorities, roles and responsibilities and communication. Other key components covered as part of the Plan include recovery indicators, recovery options and preparatory measures as well as scenario analysis. The Plan serves as a guideline for proactive actions to be taken under different capital and liquidity event scenarios focusing on "Normal", "Beyond Normal" and "Extreme" stress levels. It is developed as part of the Group's IRM Framework which outlines overarching principles for the management of risks that the Group is exposed to.

Diagram 4: Interlink Between Recovery Plan Components and Risk Management Framework



The Recovery Plan is an iterative and evolutionary process with regular reviews to ensure its effectiveness and robustness against changing scenarios and Regulatory requirements.

Risk Monitoring and Reporting

Supporting the implementation of the methodologies and tools are clearly defined processes to facilitate timely escalation and reporting of non-financial risk exposures experienced by businesses and operations to designated stakeholders (i.e. Management and relevant risk committees) in the Group for effective oversight on non-financial risk exposure. This includes continuous review, monitoring and reporting and analyses of non-financial risk incidents and its trend, risk 'hotspots', RCSA risk profile, risk exposure level via KRIs and the performance of outsourced service providers.

CAPITAL TREATMENT FOR OPERATIONAL RISK

The Group adopts the BIA to compute the minimum capital requirement for operational risk as per BNM's Guidelines on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets). Tables 7 through 9 disclose separately the RWA and capital requirements for Operational Risk for the Group, the Bank and Maybank Islamic, respectively.

The Group has established the foundation for The Standardised Approach ("TSA") for Operational Risk. For the purpose of operational risk capital requirement, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and BNM.

SHARIAH GOVERNANCE

Shariah principles are the foundation for the practice of Islamic finance through the observance of the tenets, conditions and principles prescribed by Shariah as resolved by BNM's and Securities Commission's Shariah Advisory Council ("SAC") and the appointed Shariah Committee within the Group. Comprehensive Shariah compliance infrastructure will ensure stakeholders' confidence in Islamic financial institutions' business activities and operations.

In accordance with BNM requirements, the Group established a comprehensive and sound Shariah Governance Framework to ensure effective and efficient oversight by the Board, Shariah Committee, Management and Business Units on business activities and operations of Islamic products and services carried out by the Group's Islamic banking businesses.

Underpinning the governance framework is detailed policies and procedures that include the required steps to ensure that each transaction executed by the Group complies with Shariah requirements.

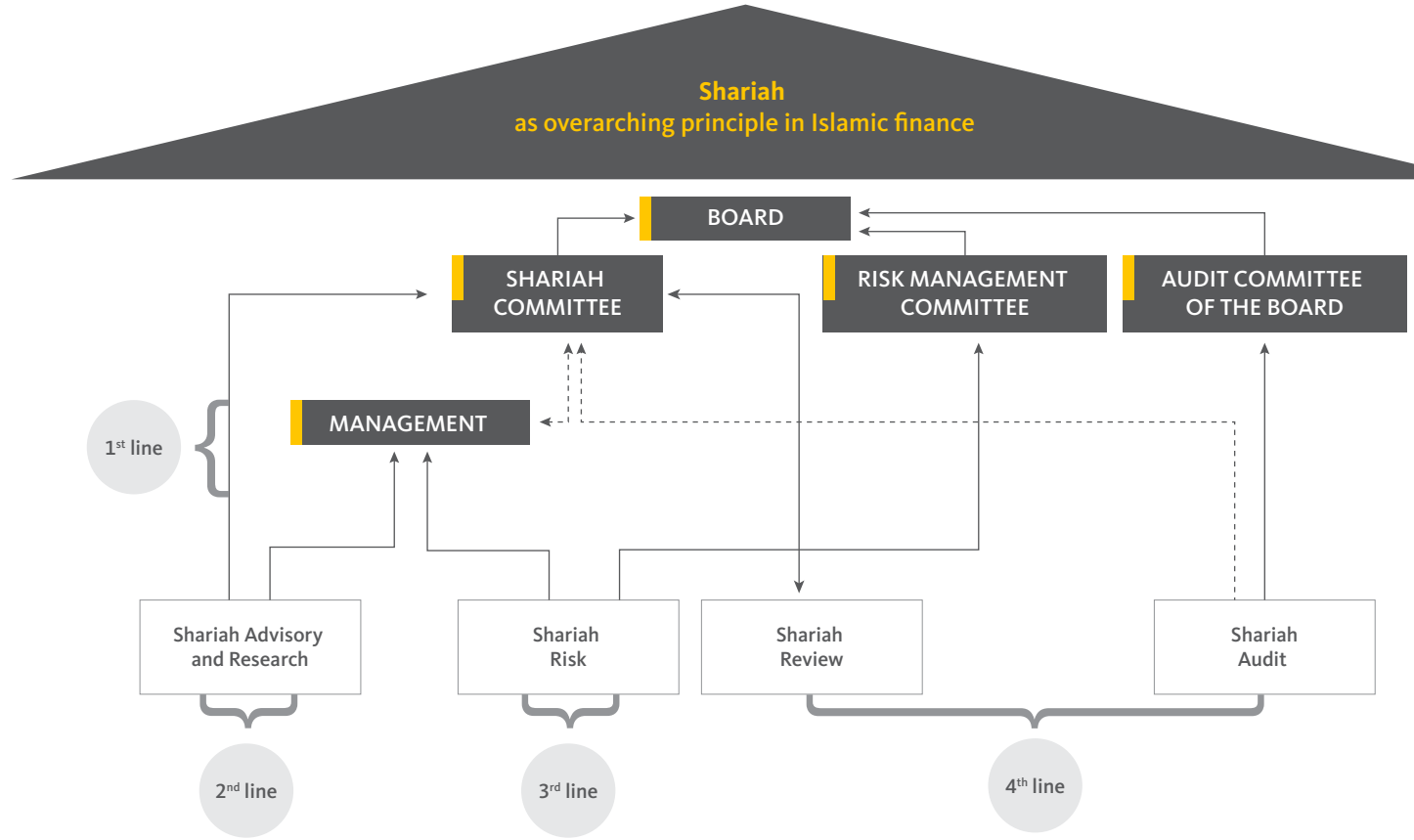
IMPLEMENTATION OF THE SHARIAH GOVERNANCE FRAMEWORK ("SGF")

The implementation of the SGF is through the following approach:

- Broad oversight, accountability and responsibility of the Board, Shariah Committee and Board Committees;
- Oversight, guidance and observance by the Executive Committees;
- Establishment of functions for Shariah Advisory and Research, Shariah Risk, Shariah Review and Shariah Audit; and
- Accountability of the management in ensuring day-to-day compliance to Shariah requirements in its business operations.

The Shariah Governance structure adopted by the Group is as illustrated in the diagram below.

Diagram 5: Shariah Governance Structure for the Group



RECTIFICATION PROCESS OF SHARIAH NON-COMPLIANT INCOME

Shariah non-compliance risk is the possible failure in fulfilling the required Shariah requirement and tenets as determined by Shariah Advisory Council of BNM and appointed Shariah Committee within the Group.

The control structure for handling and reporting of Shariah non-compliance issues has been emplaced in the Group. As at 31 December 2017, Maybank Islamic reported 3 Shariah Non-Compliance incidences with total sum of RM502.34 that needed to be purified, whereby the amount has been fully channelled to charity in 2017.

INVESTMENT ACCOUNT ("IA")

The Islamic Financial Services Act 2013 ("IFSA") distinguishes investment account from Islamic deposits, where an investment account is defined by the application of Shariah contracts with a non-principal guarantee feature for the purpose of investment.

Mudarabah is a contract between a customer as the capital provider (rabbul mal) and the bank as an entrepreneur (mudarib) under which the customer provides capital to be invested in a Mudarabah venture that is managed by the bank. Any profit generated from the venture is distributed between the customer and the bank according to a mutually agreed Profit Sharing Ratio ("PSR") whilst financial losses are borne by the customer provided such losses are not due to the bank's misconduct (ta'addi), negligence (taqsir) or breach of specific terms (mukhalafah al-shurut).

The Mudarabah venture managed by the bank in this instance refers to monies placed by the customers through various Mudarabah products offered by the bank which are subsequently invested into a blended portfolio of the bank's assets.

Maybank Islamic offers two types of Investment Account ("IA") namely, Restricted Profit Sharing Investment Account ("RPSIA") which refers to an IA where the customer provides a specific investment mandate to the bank and Unrestricted Investment Account which refers to an IA where the customer provides the bank with the mandate to make the ultimate investment decision without specifying any particular restriction or condition. The IA is not covered by the Perbadanan Insurans Deposit Malaysia ("PIDM").

Maybank Islamic's Unrestricted Mudarabah Investment Account ("UA")

In line with the transition requirements by BNM, Maybank Islamic had undergone a reclassification exercise effective 16 July 2015 whereby eligible Mudarabah-based deposit accounts were reclassified to UA for customers who chose to do so.

The investment objective of UA places emphasis on capital preservation and stable returns with the risk profile varying from low risk to low-to-medium risk depending on the fund it is invested in.

Notwithstanding the above, customers are made aware, through the respective fund's Product Disclosure Sheet, of the various risk factors associated with UA which includes (but not limited to):

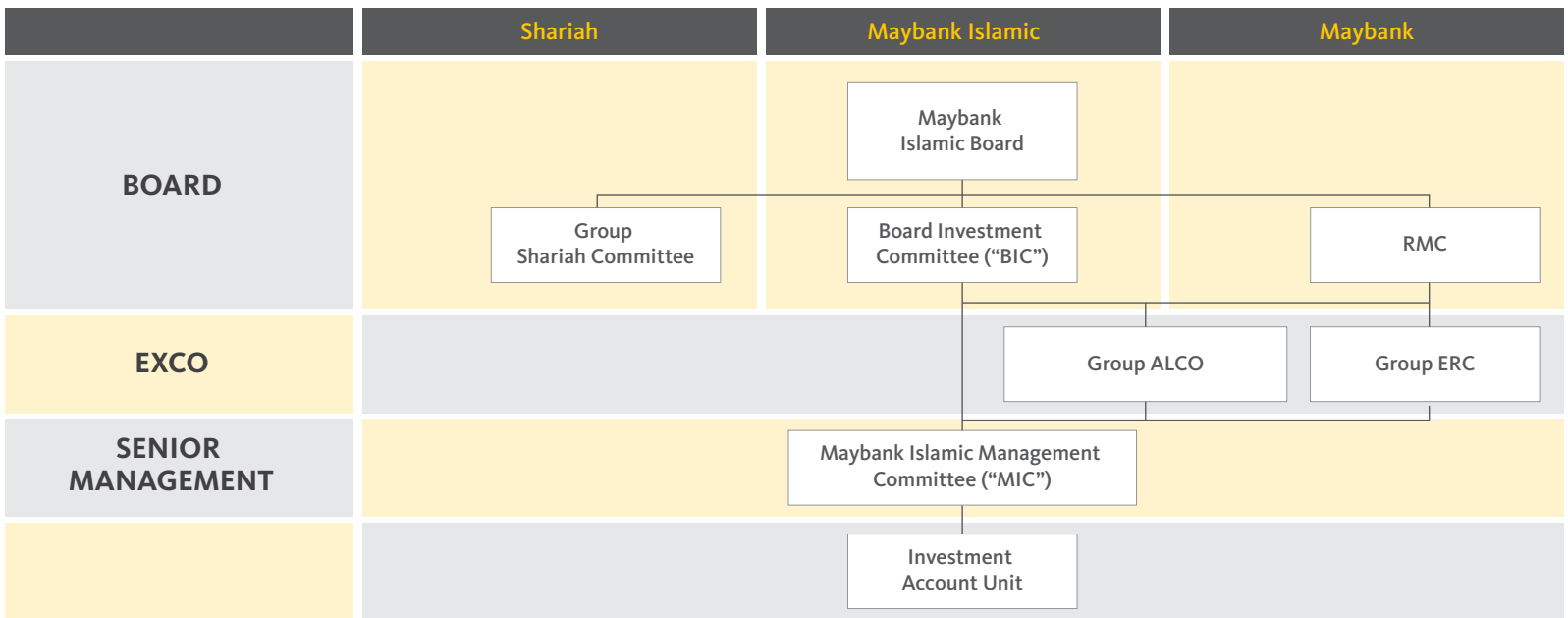
- Risk of capital reduction – Any investment carries the risk of reduction in the value of purchasing power. Hence, Maybank Islamic will only invest the fund in diversified assets with low risk attributes and apply sound investment management standards.
- Market risk – Invested assets are subjected to fluctuations in market rates, which may impact the overall income performance of the fund. This risk shall be managed by Maybank Islamic in accordance with its overall hedging strategy.
- Liquidity risk – Such risk occurs when withdrawals/redemption exceed total investments. The risk shall be managed by Maybank Islamic in accordance with its overall liquidity management strategy.
- Credit risk – This may arise when substantial amount of assets for the fund goes into default. This shall be managed by Maybank Islamic by prudent selection of diversified asset portfolios and close monitoring of the performance of the selected assets.

The investment mandate, strategy and parameters for UA are in accordance with the governance set up by Maybank Islamic to ensure effective and efficient oversight on business activities and operations of UA in safeguarding the customer's interest.

INVESTMENT ACCOUNT ("IA")

The governance structure adopted by the Group for IA is as illustrated in the diagram below:

Diagram 6: IA Governance Structure



The roles and responsibilities of the respective committees are as below:

- Broad oversight, accountability and responsibility of Maybank Islamic Board, Group Shariah Committee and Board Committees;
- Oversight, guidance and observance by the Executive Committees;
- Accountability of the Senior Management in ensuring management, development and implementation of operational policies that govern the conduct of the IA; and
- Establishment of functions for the IA unit.

UA Performance

The gross exposure of the financing funded by UA as at 31 December 2017 was RM24,555,445,091. The related individual allowance and collective allowance is not included in the financial statements of Maybank Islamic. The performance of UA is as described in the table below:

As at 31 December 2017	%
Return on Assets ("ROA")	**5.34%**
Average Net Distributable Income	**5.15%**
Average Net Distributable Income Attributable to the IAH	**3.07%**
Average Profit Sharing Ratio to the IAH	**59.63%**

	RM'000
Impaired assets funded by UA	**65,965**
Collective allowance provisions funded by UA	**50,480**
Individual allowance provisions funded by UA	**–**

Notes:
1. ROA refers to total gross income/average amount of assets funded by UA.
2. Average Net Distributable Income refers to total average net distributable income/average amount of assets funded by UA.

FORWARD-LOOKING STATEMENTS

This document could or may contain certain forward-looking statements that are based on current expectations or beliefs, as well as assumptions or anticipation of future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, plan, goal, believe, will, may, would, could, potentially, intend or other words of similar expressions. Undue reliance should not be placed solely on any of such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in light of changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations and dispositions.

The Group undertakes no obligation to revise or update any forward-looking statements contained in this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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THE DIGITAL BANK OF CHOICE

MAYBANK IS AMONG ASIA'S LEADING BANKING GROUPS, AND ALSO MALAYSIA'S LEADING PROVIDER OF INTEGRATED FINANCIAL SERVICES.

As a financial institution that grew out of a community need since we opened our doors in 1960, our commitment is deeply rooted in our culture. We are committed to providing access to financing at fair terms and pricing, to advise our customers based on their needs as well as to be at the heart of the communities that we serve. We also prioritise customer experience using next generation digital technologies. These are the brand drivers that support our mission of Humanising Financial Services.

The financial world has embraced technological changes over the years and Maybank has been at the forefront. Our digitalisation efforts are part of our strategic objective to be the Digital Bank of Choice in the region by 2020. We have introduced many innovative digital products and services in recent years, which have helped us build closer affinity with our customers.

THIS IS OUR MAYBANK, OUR FUTURE.

Maybank