

Company Registration No. 201804195C

Maybank Singapore Limited

Annual Financial Statements
31 December 2019



Maybank Singapore Limited

General information

Directors

Datuk Karownikaran @ Karunikaran
Datuk Abdul Farid bin Alias
Anthony Brent Elam
Spencer Lee Tien Chye
Wong Heng Ning Kevin
Lee Yong Guan
Renato Tinio De Guzman

Company Secretary

Melissa Tham Lyn-Li

Registered Office

2 Battery Road
#01-01 Maybank Tower
Singapore 049907

Auditor

Ernst & Young LLP

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The directors are pleased to present their statement to the member of Maybank Singapore Limited (the "Bank") together with the audited financial statements of the Bank for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

- (a) the accompanying statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Bank for the financial year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

Directors

The directors of the Bank in office at the date of this statement are:

Datuk Karownikaran @ Karunakaran
Datuk Abdul Farid bin Alias
Anthony Brent Elam
Spencer Lee Tien Chye
Wong Heng Ning Kevin
Lee Yong Guan
Renato Tinio De Guzman (Appointed on 1 July 2019)

Arrangements to enable directors to acquire shares or debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Malayan Banking Berhad ("Maybank") has implemented an employee's share scheme named as the Maybank Group Employees' Share Grant Plan ("ESGP") and the scheme was awarded to the participating Maybank Group who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders of the ultimate parent company, Maybank at an Extraordinary General Meeting held on 6 April 2017. The ESGP was implemented on 14 December 2018 and it is in force for a period of seven (7) years from the effective date and is administered by the ESGP Committee of Maybank. The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the ESGP Committee of Maybank.

Arrangements to enable directors to acquire shares or debentures (cont'd)

The number of ESGP Shares awarded is based on the assumption that the Maybank Group and the eligible employees have met average performance targets. The eligible employees are given thirty (30) days from the award date to accept the offer. The ESGP Shares under the ESGP may be granted over a five-year period and each grant will be vested based on a three-year cliff vesting schedule (i.e. vested at the end of three (3) years from the ESGP grant dates).

During the financial year, none of the directors of the Bank or their nominees held shares acquired pursuant to the ESGP except as disclosed in the next section of this statement.

Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Bank for the purpose of section 164 of the Singapore Companies Act, Chapter 50, none of the directors holding office at the end of the financial year had any interest in the shares in, or debentures of, the Bank or its related corporations, except as follows:

	Direct interest		Deemed interest	
	As at 1.1.2019 or date of appointment	As at 31.12.2019	As at 1.1.2019 or date of appointment	As at 31.12.2019
Malayan Banking Berhad				
(Ordinary shares)				
Datuk Abdul Farid bin Alias	633,406	646,865	-	-
Spencer Lee Tien Chye	101,965	104,131	276,739	282,619
Renato Tinio De Guzman	14,393 ^(a)	14,393 ^(a)	-	-
(ESGP Shares Award)				
Datuk Abdul Farid bin Alias	-	-	300,000 ⁽¹⁾	300,000
	-	-	-	300,000 ⁽²⁾

^(a) 14,393 ordinary shares held jointly with spouse in the name of Citigroup Nominees (Asing) Sdn Bhd Exempt an for Bank of Singapore Limited

⁽¹⁾ 1st Grant - Awarded on 14.12.2018 but not yet vested

⁽²⁾ 2nd Grant - Awarded on 30.9.2019 but not yet vested

Maybank Singapore Limited

Directors' statement

Share options

During the financial year, there were:

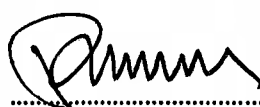
- (a) no share options granted by the Bank to any person to subscribe for unissued shares in the Bank; and
- (b) no shares issued by virtue of the exercise of options to take up unissued shares of the Bank.

As at the end of the financial year, there were no unissued shares of the Bank under option.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:



.....
Datuk Karownikaran @ Karunakaran
Chairman



.....
Datuk Abdul Farid bin Alias
Director

Singapore
21 February 2020

Independent auditor's report to the Member of Maybank Singapore Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Singapore Limited (the "Bank"), pursuant to Section 373 of the Singapore Companies Act, Chapter 50 (the "Act"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and cash flow statement of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Bank as at 31 December 2019 and financial performance, changes in equity and cash flows of the Bank for the financial year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 are independent of the Bank in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the general information, directors' statement and supplementary information, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The director's responsibilities include overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

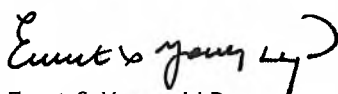
Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of management's 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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

21 February 2020

Maybank Singapore Limited

Statement of comprehensive income
For the financial year ended 31 December 2019

	Note	2019 S\$'000	For the financial period from 1 February 2018 (date of incorporation) to 31 December 2018 S\$'000
Interest income	4	947,125	138,381
Interest expense	4	(466,464)	(64,515)
Net interest income		480,661	73,866
Fee and commission income	5	225,160	29,271
Fee and commission expense	5	(41,081)	(8,590)
Net fee and commission income		184,079	20,681
Dealing profits and foreign exchange income	6	21,440	3,485
Other income		1,660	209
Total other items of income		23,100	3,694
Income before operating expenses		687,840	98,241
Staff costs	7	(246,900)	(38,072)
Other operating expenses	8	(125,497)	(10,458)
Operating profit before impairment		315,443	49,711
Provision for impairment losses on financial assets	9	(53,570)	(17,703)
Profit before taxation		261,873	32,008
Taxation	10	(44,044)	(13,092)
Net profit after taxation		217,829	18,916
Profit for the year/period attributable to the owner		217,829	18,916
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Net change in fair value on debt securities at fair value through other comprehensive income ("FVOCI")		4,029	(19)
Changes in allowance for expected credit losses of debt securities at FVOCI		108	154
Reclassification to profit or loss		(1,636)	-
Income tax relating to components of other comprehensive income	27	448	(23)
Other comprehensive income for the year/period, net of income tax		2,949	112
Total comprehensive income for the year/period		220,778	19,028
Total comprehensive income attributable to the owner		220,778	19,028

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Singapore Limited

**Statement of financial position
As at 31 December 2019**

	Note	2019 S\$'000	2018 S\$'000
Assets			
Cash and balances with central bank	11	1,144,435	1,316,742
Singapore government securities and treasury bills	12	4,581,588	3,059,118
Other government securities and treasury bills	13	-	125,587
Debt Securities	14	130,336	-
Balances and placements with and loans to banks	16	5,563,209	2,641,754
Bills receivable	17	29,441	35,466
Loans and advances to non-bank customers	17	21,965,778	22,377,194
Amounts due from related corporations	19	3,772,013	4,040,853
Other assets	20	398,570	257,331
Intangible assets	21	100,980	88,138
Right-of-use assets	22	51,823	-
Property and equipment	23	17,570	19,646
Total assets		37,755,743	33,961,829
Liabilities			
Deposits of and balances of banks	24	99,600	-
Deposits of non-bank customers	25	34,648,682	31,183,221
Bills payable		59,573	72,996
Amounts due to related corporations	19	4,792	4,062
Current income tax payable		40,278	5,200
Other liabilities	26	300,109	269,407
Lease liabilities	22	51,392	-
Deferred tax liabilities	27	11,411	7,915
Total liabilities		35,215,837	31,542,801
Equity attributable to the owner			
Share capital	28	2,400,000	2,400,000
Retained earnings		136,845	18,916
Fair value adjustment reserve		3,061	112
Total equity attributable to the owner		2,539,906	2,419,028
Total liabilities and equity attributable to the owner		37,755,743	33,961,829
Off-balance sheet items			
Contingent liabilities	30	352,019	447,641
Commitments	31	7,934,495	8,918,442
Financial derivatives (notional)	32	8,414,367	8,819,171
Total off-balance sheet items		16,700,881	18,185,254

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Singapore Limited

Statement of changes in equity
For the financial year ended 31 December 2019

	Share capital S\$'000	Retained earnings S\$'000	Fair value adjustment Reserve S\$'000	Total S\$'000
At 1 February 2018 (date of incorporation)	*	-	-	*
Profit for the period	-	18,916	-	18,916
Other comprehensive income:				
Net change in fair value of debt securities at FVOCI	-	-	(19)	(19)
Net changes in allowance for expected credit losses of debt securities at FVOCI	-	-	154	154
Income tax relating to components of other comprehensive income	-	-	(23)	(23)
Total comprehensive income for the period	-	18,916	112	19,028
Issuance of share capital	2,400,000	-	-	2,400,000
At end of financial period	2,400,000	18,916	112	2,419,028
At 1 January 2019	2,400,000	18,916	112	2,419,028
Profit for the year	-	217,829	-	217,829
Other comprehensive income:				
Net change in fair value of debt securities at FVOCI	-	-	4,029	4,029
Net changes in allowance for expected credit losses of debt securities at FVOCI	-	-	108	108
Reclassification to profit or loss	-	-	(1,636)	(1,636)
Income tax relating to components of other comprehensive income	-	-	448	448
Total comprehensive income for the year	-	217,829	2,949	220,778
Dividend paid	-	(99,900)	-	(99,900)
At end of financial year	2,400,000	136,845	3,061	2,539,906

* Consist of 100 ordinary shares at \$1 each.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Singapore Limited

Cash flow statement
For the financial year ended 31 December 2019

	Note	2019 S\$'000	For the financial period from 1 February 2018 (date of incorporation) to 31 December 2018 S\$'000
Cash flows from operating activities			
Profit before taxation		261,873	32,008
Adjustments for:			
Depreciation and amortisation	8	40,144	3,939
Finance cost	22	1,542	-
Provision for impairment loss for contingent liabilities, bills receivable and loans and advances to non-bank customers	9	61,002	18,596
Provision for impairment loss for FVOCI debt securities	9	108	154
Provision for impairment loss for balances and placements with and loans to banks	9	824	559
Net gain on sale of FVOCI financial assets		1,636	-
Operating profit before changes in operating assets and liabilities		367,129	55,256
Decrease/(increase) in operating assets:			
Bills receivable		6,025	(35,466)
Loans and advances to non-bank customers		350,132	(22,395,790)
Other assets		(141,239)	(257,331)
Amounts due from a related corporation		800,000	(4,000,000)
Restricted balances with central bank		(124,123)	(992,110)
		890,795	(27,680,697)
Increase/(decrease) in operating liabilities:			
Deposits of and balances of banks		99,600	-
Deposits of non-bank customers		3,465,461	31,183,221
Bills payable		(13,423)	72,996
Other liabilities		29,638	269,407
Amounts due to related corporations		730	4,062
		3,582,006	31,529,686
Finance cost paid		(1,542)	-
Income taxes paid		(5,022)	-
Net cash flows generated from operating activities		4,833,366	3,904,245

Maybank Singapore Limited

Cash flow statement
For the financial year ended 31 December 2019

	Note	2019 S\$'000	For the financial period from 1 February 2018 (date of incorporation) to 31 December 2018 S\$'000
Cash flows from investing activities			
Property and equipment and intangible assets transferred from Malayan Banking Berhad Singapore Branch ("MBS")	21, 23	-	(102,107)
Purchase of Singapore government securities and treasury bills		(1,521,655)	(3,059,135)
Proceeds from disposal/(purchase) of other government securities and treasury bills		125,589	(125,590)
Purchase of debt securities		(130,396)	-
Purchase of property and equipment and intangible assets	21, 23	(37,633)	(9,616)
Net cash flows used in investing activities		(1,564,095)	(3,296,448)
Cash flows from financing activities			
Proceeds from share issuance	28	-	2,400,000
Payment of principal portion of lease liabilities	22	(12,362)	-
Dividend paid	29	(99,900)	-
Net cash flows (used in)/generated from financing activities		(112,262)	2,400,000
Net increase in cash and cash equivalents for the year/period		3,157,009	3,007,797
Cash and cash equivalents at beginning of year/period		3,007,797	-
Cash and cash equivalents at end of year/period	36	6,164,806	3,007,797

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Maybank Singapore Limited (the “Bank”), incorporated in Singapore, has its registered office at 2 Battery Road, #01-01 Maybank Tower, Singapore 049907.

The immediate holding company is Cepak Mentari Berhad (“CMB”), which in turn is a directly wholly-owned subsidiary of Malayan Banking Berhad (ultimate holding company).

The Bank was incorporated on 1 February 2018 with issued share capital of S\$100. The Monetary Authority of Singapore (“MAS”) has on 3 October 2018, issued a full banking licence with the Qualifying Full Bank privileges to the Bank. The Bank is operating under a qualifying full bank license with an Asian Currency Unit granted by the MAS.

Assets and liabilities recorded in the financial statements of the Bank result only from transactions recorded locally.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with Singapore Financial Reporting Standards (“FRSs”) as required by the Singapore Companies Act, Chapter 50 (the “Act”).

The financial statements of the Bank, expressed in Singapore dollars (“SGD” or “S\$”), are prepared in accordance with the historical cost convention, except as otherwise disclosed in the accounting policies below. All information presented has been rounded to the nearest thousand (“S\$’000”), unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3.

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Bank has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of FRS 116 as described below, the adoption of these standards did not have any effect on the financial performance or position of the Bank.

FRS 116 Leases

FRS 116 is effective for annual periods beginning on or after 1 January 2019 and replaces *FRS 17 Leases*, *INT FRS 104 Determining whether an Arrangement contains a Lease*, *INT FRS 15 Operating Leases – Incentives and* *INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 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 FRS 17. Lessor accounting under FRS 116 is substantially unchanged from FRS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in FRS 17. Therefore, FRS 116 does not have an impact for leases where the Bank is the lessor.

On 1 January 2019, the Bank has applied FRS 116 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying FRS 116, to the unremitted profits brought forward and not restate prior year comparatives information which remain as previously reported under FRS 17 and related interpretations. The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The Bank has elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities and provision of restoration cost, hence there were no impact to the retained earnings brought forward as at 1 January 2019.

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

- (a) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (b) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under FRS 116;
- (c) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and
- (d) Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- (a) Right-of-use assets of S\$58,938,000 were recognised and presented separately in the statement of financial position.
- (b) Additional lease liabilities of S\$57,608,000 were recognised and presented separately in the statement of financial position.
- (c) Additional provision of restoration cost of S\$1,330,000 were recognised and presented under other liabilities in the statement of financial position.

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

2.2 *Changes in accounting policies (cont'd)*

FRS 116 Leases (cont'd)

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

	S\$'000
Operating lease commitment as at 31 December 2018	30,602
Weighted average incremental borrowing rate as at 1 January 2019	2.7%
	<hr/>
Discounted operating lease commitments as at 1 January 2019	20,168
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	37,440
	<hr/>
At 1 January 2019	<u>57,608</u>

2.3 *Standards issued but not yet effective*

The Bank has not adopted the following standards that have been issued but not yet effective:

Amendments to FRS 1 and FRS 8 Definition of Material

The definition of 'material' across the standards FRS 1 *Presentation of Financial Statements* and FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, has been aligned. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Bank's financial statements.

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

2.4 *Income and expense recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured as the fair value of consideration received or receivable excluding discounts, rebates and sales taxes or duties. The Bank assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense are recognised in profit or loss using the effective interest rate method. Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairment. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The Bank does not purchase or originate credit impaired ("POCI") financial assets.

The Bank also holds investments in financial assets issued in countries with negative interest rates. The Bank discloses interest received on these financial assets as interest expense.

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income is recognised as the related services are performed. Fee income relating to loan facilities, trade finance facilities and guarantees, where they are charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature, is recognised on an effective interest rate basis over the relevant period.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Dealing profits and foreign exchange income comprise gains less losses related to financial derivatives designated at fair value through profit or loss, and include all realised and unrealised fair value changes, interest and foreign exchange differences.

2.5 *Date of recognition*

All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date i.e., the date that an asset is delivered to or by an entity. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

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

2.6 *Financial instruments - Initial recognition and 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.

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- (a) Amortised cost;
- (b) Fair value through other comprehensive income ("FVOCI"); and
- (c) Fair value through profit or loss ("FVTPL").

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

- (a) *Cash and balances with central bank, balances and placements with and loans to banks, bills receivable, loans and advances to non-bank customers and amounts due from related corporations at amortised cost*

The Bank measures cash and balances with central bank, balances and placements with and loans to banks, bills receivable, loans and advances to non-bank customers and amounts due from related corporations at amortised cost if both of the following conditions are met:

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

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

2.6 *Financial instruments - Initial recognition and measurement (cont'd)*

- (a) *Cash and balances with central bank, balances and placements with and loans to banks, bills receivable, loans and advances to non-bank customers and amounts due from related corporations at amortised cost (cont'd)*

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

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

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

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

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

2.6 *Financial instruments - Initial recognition and measurement (cont'd)*

- (a) *Cash and balances with central bank, balances and placements with and loans to banks, bills receivable, loans and advances to non-bank customers and amounts due from related corporations at amortised cost (cont'd)*

The SPPI test

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

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

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

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

- (b) *Debt securities at FVOCI*

Debt securities are measured at FVOCI when both of the following conditions are met:

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

FVOCI debt securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income ("OCI"). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt securities at FVOCI is explained in Note 2.11(a). Where the Bank holds more than one investment in the same security, they are deemed to be disposed off on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

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

2.6 *Financial instruments - Initial recognition and measurement (cont'd)*

(c) *Contingent liabilities and loan commitments*

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in 2.11 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, shipping guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The nominal values of these instruments together with the corresponding ECL are disclosed in Note 17 and 30.

2.7 *Reclassification of financial assets and liabilities*

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line.

Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in the period.

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

2.8 *Derecognition of financial assets and liabilities*

(a) *Derecognition due to substantial modification of terms and conditions*

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired financial assets ("POCI").

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original Effective Interest Rate ("EIR"), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(b) *Derecognition other than for substantial modification*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where 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 value of the original financial liability and the consideration paid is recognised in profit or loss.

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

2.9 Fair value

Fair value is the amount which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair value of financial instruments is based on their quoted price in an active market (including recent market transactions) at the end of the reporting period without any deduction for transaction cost. If a quoted market price is not available, the fair value of the instrument is estimated using valuation techniques. Valuation techniques include the use of recent arm's length prices, pricing models or discounted cash flow techniques.

The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique which variables include only data from observable markets.

For subsequent measurement of financial assets or financial liabilities at fair value through profit or loss, the Bank values such assets/liabilities using quoted market prices or dealer price quotations for financial instruments traded in active markets without any deduction for transaction cost.

2.10 Derivative financial instruments

Derivative financial instruments arise from forward, swap and option transactions undertaken by the Bank in the foreign exchange and interest rate derivative markets.

Derivative financial instruments are recognised initially at fair value on the date that the derivatives are entered into. Subsequent to initial recognition, the derivative financial instruments are re-measured at fair value. The gain or loss on re-measurement at fair value is recognised immediately in profit or loss.

Certain derivatives embedded in other derivatives are treated as separate derivatives when their economic characteristics and risk are not closely related to those of the host contract and the host contract is not carried at fair value.

Assets, including gains, resulting from derivatives financial instruments which are marked-to-market are included in "Other Assets" arising from derivative financial instruments. Liabilities, including losses, resulting from such contracts are included in "Other Liabilities" arising from derivative financial instruments.

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

2.11 *Impairment*

(a) *Financial assets*

The Bank records the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and contingent liabilities, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under FRS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL").

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financial instruments into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When financial instruments are first recognised, the Bank recognises an allowance based on 12mECL. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast exposure at default ("EAD") and multiplied by the expected Loss Given default ("LGD") and discounted by an approximation to the original EIR. Stage 1 also include facilities where the credit risk has improved and have been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL, with probability of default ("PD") and LGDs are estimated over the lifetime of the financial instrument and discounted by an approximation to the original EIR. Stage 2 loans also include facilities, where the credit risk has improved and have been reclassified from Stage 3.

Stage 3: Financial instruments are considered credit-impaired, and the Bank recognises the lifetime expected credit losses for these loans, with the PD set at 100%.

There are three main components to measure ECL which are the PD model, the LGD model and the EAD model. The models are to leverage as much as possible Malayan Banking Berhad's existing Basel II models and perform the required adjustments to produce a FRS 109 compliant model.

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

2.11 Impairment (cont'd)

(a) Financial assets (cont'd)

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the Bank's related corporation, Maybank Kim Eng ("MKE"). In addition, MKE Research's assumptions and analysis are also based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations. Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

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

- Gross Domestic Product ("GDP") growth
- Unemployment rates
- 3M SIBOR
- Property Price Index

The Bank applies the following three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- Base scenario: This scenario reflects that current macro-economic conditions continue to prevail; and
- Upside and Downside scenarios: These scenarios are set relative to the base scenario; reflecting best and worst-case macro-economic conditions based on subject matter expert's best judgment from current economic conditions.

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

For credit-impaired financial assets that are deemed to be individually significant, the Bank assesses ECL on individual borrower basis, and performs collective assessment for other financial assets as per Bank's policy.

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

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

2.11 *Impairment (cont'd)*

(a) *Financial assets (cont'd)*

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated ECL, the difference is first treated as an addition to the ECL that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(b) *Collateral valuation*

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on an annual basis. Details of the impact of the Bank's various collaterals are disclosed in Note 33(b)(iv).

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collaterals are valued based on data provided by internal valuers and independent third party valuers.

(c) *Collateral repossessed*

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess collaterals in its retail and corporate portfolio, but engages external agents for the sale of collaterals to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, collaterals under legal repossession processes are not recorded on the balance sheet.

(d) *Write-offs*

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

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

2.11 Impairment (cont'd)

(e) Non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. An impairment loss is recognised in profit or loss unless it reverses a previous revaluation.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Deposits of non-bank customers

These deposits comprise current, time, short deposits from retail and wholesale activities. Recognition occurs upon the establishment of contractual obligations.

2.13 Bills receivable and payable

Bills receivable and bills payable are classified as financial assets at amortised cost and financial liabilities at amortised cost, respectively.

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

2.14 *Singapore and other government securities and treasury bills*

Singapore and other government securities and treasury bills are debt securities held for dealing and non-dealing purposes. They are classified as either FVTPL or FVOCI, depending on the objective of holding the securities.

2.15 *Loans and advances to non-bank customers*

Loans and advances to non-bank customers are stated at amortised cost net of impairment losses.

2.16 *Property and equipment*

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

On disposal of an item of property and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Depreciation is provided on a straight line basis so as to write-off items of property and equipment over their estimated useful lives as follows:

Renovation	- 5 years or lease terms
Office equipment, furniture and fittings	- 5 years
Computer and electrical equipment	- 4 to 10 years
Motor vehicles	- 4 years

Construction-in-progress, representing renovation-in-progress are stated at cost. This includes acquisition cost, materials, direct labour and other directly related expenses. Construction-in-progress is not depreciated until such time as the relevant asset is completed and ready for operational use.

Depreciation methods, useful lives and residual values if not insignificant, are reassessed annually.

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

2.17 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. All software development costs in excess S\$1,000 are capitalised as intangible asset when the Bank can demonstrate the technical feasibility of completing the intangible asset so that it will be available-for-use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. Amortisation is charged to profit or loss using a straight-line method over their useful lives not exceeding 10 years, commencing from the date the software application goes live. Intangible assets 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 are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in the statement of comprehensive income.

2.18 Leases

(a) Operating leases (Policy applicable before 1 January 2019)

Rental payable and receivable under operating leases are accounted for in profit or loss on a straight-line basis over the periods of the respective leases. Leases incentives received are recognised in profit or loss as an integral part of the total lease payments and receipts.

(b) Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Bank is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to impairment assessment. The right-of-use assets are subject to impairment assessment in line with the Bank's policy as described in Note 2.11(b).

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

2.18 *Leases (cont'd)*

(c) *Lease liabilities*

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

(d) *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

2.19 Taxes

Income tax expense comprises current income tax and deferred tax. Current income tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set-off current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current income tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credit and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.20 Foreign currencies

The functional currency represents the currency in which transactions are predominantly denominated in the respective books and reflects the economic substance of the underlying events and circumstances relevant to the books.

The Bank adopts SGD as its functional currency. Monetary assets and liabilities denominated in currencies other than SGD are translated into SGD at rates of exchange ruling at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the initial transactions. Transactions in foreign currencies during the period are converted at rates of exchange ruling on transaction dates. Exchange differences are dealt with through profit or loss.

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

2.21 Repurchase and resale agreements

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The receivables are shown as collateralised by the underlying securities. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held-for-trading or investments as appropriate.

Repurchase and resell agreements not classified as at fair value through profit or loss are classified as liabilities held at amortised cost. The difference between the sale and repurchase (purchase and resell) considerations is recognised on an accrual basis using the effective interest rate method over the period of the transaction and is included in profit or loss as interest.

2.22 Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.23 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, non-restricted balances with central banks, balances and placements with and loans to banks and nostro and money market deposits with related corporations, which are payable on demand or at short notice. Cash and bank balances with Central Bank includes amounts held for regulatory liquidity reserves.

2.24 Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

(b) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expenses as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

2.25 *Share capital*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 *Dividend*

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.

2.27 *Related parties*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Bank if that person:
 - (i) Has control or joint control over the Bank;
 - (ii) Has significant influence over the Bank; or
 - (iii) Is a member of the key management personnel of the Bank or of a parent of the Bank.

- (b) An entity is related to the Bank if any of the following conditions applies:
 - (i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Significant accounting estimates and judgements

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments made in applying accounting policies

In the process of applying the Bank's accounting policies, the Bank's management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements are as follows:

(a) *Fair value of financial instruments*

Quoted market prices or dealer quotes are obtained for financial instruments traded in an active market. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Bank uses a variety of methods and makes assumptions that are based on market conditions existed at the end of each reporting period. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments not traded in an active market (refer to Note 33).

(b) *Taxes*

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Bank recognises tax liabilities based on estimates of whether additional taxes and interests will be due. These tax liabilities are recognised when the Bank believes that certain positions may not be fully sustained upon review by tax authorities, despite the Bank's belief that its tax return positions are supportable. This assessment relies on estimates and assumptions and may involve judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made. The carrying amount of the Bank's current income tax payable and deferred tax liabilities at the end of the reporting period is disclosed in Notes 10 and 24.

(c) *Lease Term of Contracts with Renewal Options*

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

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

3. Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(a) *Impairment loss of bills receivable and loans and advances to non-bank customers*

The Bank reviews individually significant bills receivable and loans and advances 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 Bank makes judgements about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Bank's ECL calculations under FRS 109 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

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

The above methodology is consistent with Malayan Banking Berhad group accounting policy.

The carrying amount of the Bank's bills receivable and loans and advances to non-bank customers at the end of the reporting period is disclosed in Note 16 to the financial statements, respectively.

3. Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(b) *Impairment of debt securities at FVOCI*

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

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

(c) *Leases - Estimating the incremental borrowing rate*

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires an estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make entity-specific estimates.

4. Interest income and interest expense

Interest income comprises interest arising from various types of lending and investment activities.

(a) The breakdown of interest income is as follows:

	2019 S\$'000	2018 S\$'000
A related corporation	137,236	20,494
Islamic banking activities	67,055	10,403
Others	742,834	107,484
	947,125	138,381
	947,125	138,381

Interest income from a related corporation includes income of S\$89,736,000 from S\$3,731,866,000 (2018: S\$14,211,000 from S\$4,000,000,000 of inter-company placements by a related corporation (Note 19)) and income of S\$47,500,000 from S\$5,407,028,000 (2018: S\$6,283,000 from S\$2,462,368,000 of reverse repo agreements with a related corporation (Note 15)).

Interest income derived from each class of financial instruments were as follows:

	2019 S\$'000	2018 S\$'000
Financial assets at FVOCI	81,007	10,436
Financial assets at amortised cost	866,118	127,945
	947,125	138,381
	947,125	138,381

Interest income derived from financial assets at amortised cost is calculated using the effective interest rate method. Included in interest income from others is interest income of S\$12,012,000 (2018: S\$13,220,000) from impaired loans to customers.

4. Interest income and interest expense (cont'd)

- (b) Interest expense comprises all interest incurred on deposits and borrowings from financial institutions and non-bank customers.

The breakdown of interest expense is as follows:

	2019 S\$'000	2018 S\$'000
Islamic banking activities	9,249	1,449
Others	457,215	63,066
	466,464	64,515

Interest expense derived from each class of financial instruments were as follows:

	2019 S\$'000	2018 S\$'000
Financial liabilities at amortised cost	466,464	64,515

5. Fee and commission income and expense

Fee and commission income mainly comprises remittance and credit card commissions, trade financing, unit-trust related fee income, whilst fee and commission expense mainly comprises credit card and loan, insurance and loan related commission paid:

	2019 S\$'000	2018 S\$'000
Fee and commission income:		
A related corporation	32,529	2,235
Islamic banking activities	4,464	396
Others	188,167	26,640
	225,160	29,271
Fee and commission expense:		
A related corporation	842	64
Islamic banking activities	2	35
Others	40,237	8,491
	41,081	8,590

6. Dealing profits and foreign exchange income

	2019 S\$'000	2018 S\$'000
Financial assets at FVTPL:		
- Foreign exchange derivatives	(1,944)	(215)
- Securities transaction	-	1
- Interest rate derivatives	3,455	713
	1,511	499
Foreign exchange gain from spot asset revaluation	19,929	2,986
	21,440	3,485

7. Staff costs

	2019 S\$'000	2018 S\$'000
Wages, salaries and bonuses	185,593	30,304
Commission	22,385	2,470
Contribution to defined contribution plan	23,047	3,272
Staff allowances	8,537	1,305
Others	7,338	721
	246,900	38,072

8. Other operating expenses

	Note	2019 S\$'000	2018 S\$'000
Auditor's remuneration		470	369
Depreciation of property and equipment	23	7,467	1,305
Depreciation of right-of-use assets	22	13,277	-
Amortisation of intangible assets	21	19,400	2,634
Maintenance and hire of property and equipment		15,741	1,148
Premises maintenance expenses		3,195	114
Rental expenses**		9,925	3,924
Administration expenses		43,248	7,771
Outsourcing costs paid to a related corporation		7,726	315
Write-back of legal expense		(1,209)	(873)
Computerisation costs		7,897	1,383
Service charges		16,492	2,160
Irrecoverable GST input tax		2,774	600
Finance cost	22	1,542	-
Overhead expenses allocated to related corporations*		(28,076)	(11,381)
Others		5,628	989
		<u>125,497</u>	<u>10,458</u>

* Overhead expenses allocated to related corporations include overhead expenses charged to/charged by related corporations under service level agreements. Transfer prices between related corporations are on an arm's length basis in a manner similar to transactions with third parties.

** Low value assets expenses are included in rental expenses which amounted to S\$463,000.

9. Provision for impairment losses on financial assets

	Note	2019 S\$'000	2018 S\$'000
Provision for impairment loss for FVOCI debt securities	12,13,14	108	154
Provision for impairment loss for balances and placements with and loans to banks	16	824	559
Provision for impairment loss for bills receivable and loans and advances to non-bank customers	17	61,284	18,494
Provision for impairment loss for contingent liabilities		(282)	102
Bad debts recovered		(8,413)	(1,610)
Bad debts written-off		49	4
		<u>53,570</u>	<u>17,703</u>

10. Taxation

	Note	2019 S\$'000	2018 S\$'000
Current income tax expense			
Current year/period		39,470	5,200
Under provisions in respect of previous year		630	-
		<u>40,100</u>	<u>5,200</u>
Deferred tax expense			
Movements in temporary differences	27	3,944	7,892
		<u>3,944</u>	<u>7,892</u>
Total tax expense		<u>44,044</u>	<u>13,092</u>

10. Taxation (cont'd)

Reconciliation of tax expense

The following represents a numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate:

	2019 S\$'000	2018 S\$'000
Profit before taxation	261,873	32,008
Tax at statutory income tax rate of 17%	44,518	5,441
Adjustments:		
Tax exempt revenue	(26)	(26)
Tax incentives	(3,798)	-
Expenses not deductible for tax purposes	2,960	50
Permanent differences due to Section 24 election on fixed assets	-	7,585
Corporate tax rebates	-	52
Under provisions in respect of previous years	630	-
Others	(240)	(10)
	<u>44,044</u>	<u>13,092</u>

11. Cash and balances with central bank

Included in cash and balances with central bank is an amount of S\$1,080,500,000 (2018: S\$1,251,357,000) held for regulatory liquidity reserve purposes. The amount is unsecured and non-interest-bearing. Among the cash and balances with central bank, there is S\$1,116,234,000 (2018: S\$992,111,000) of restricted cash.

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12. Singapore government securities and treasury bills

	2019 S\$'000	2018 S\$'000
Fair value through other comprehensive income	4,581,588	3,059,118

All Singapore government securities and treasury bills are of investment grade and have an external credit rating of AAA.

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
<u>Singapore government securities and treasury bills</u>				
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	4,128,322	-	-	4,128,322
Changes in fair value	(154)	-	-	(154)
Amount derecognised or matured (excluding write offs)	(1,069,050)	-	-	(1,069,050)
At 31 December 2018	3,059,118	-	-	3,059,118

<u>Singapore government securities and treasury bills</u>				
At 1 January 2019	3,059,118	-	-	3,059,118
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	4,579,551	-	-	4,579,551
Changes in fair value	2,037	-	-	2,037
Amount derecognised or matured (excluding write offs)	(3,059,118)	-	-	(3,059,118)
At 31 December 2019	4,581,588	-	-	4,581,588

12. Singapore government securities and treasury bills (cont'd)

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
<u>ECL allowances</u>				
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	201	-	-	201
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Amount written off	-	-	-	-
Amount derecognised or matured (excluding write offs)	(53)	-	-	(53)
At 31 December 2018	148	-	-	148
<u>ECL allowances</u>				
At 1 January 2019	148	-	-	148
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	255	-	-	255
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Amount written off	-	-	-	-
Amount derecognised or matured (excluding write offs)	(148)	-	-	(148)
At 31 December 2019	255	-	-	255

13. Other government securities and treasury bills

	2019 S\$'000	2018 S\$'000
Fair value through other comprehensive income	-	125,587

All other government securities and treasury bills are of investment grade and have an external credit rating of AAA.

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
<u>Other government securities and treasury bills</u>				
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	125,589	-	-	125,589
Changes in fair value	(2)	-	-	(2)
Amount derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2018	125,587	-	-	125,587

<u>Other government securities and treasury bills</u>				
At 1 January 2019	125,587	-	-	125,587
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	-	-	-	-
Changes in fair value	-	-	-	-
Amount derecognised or matured (excluding write offs)	(125,587)	-	-	(125,587)
At 31 December 2019	-	-	-	-

13. Other government securities and treasury bills (cont'd)

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
<u>ECL allowances</u>				
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	6	-	-	6
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Amount written off	-	-	-	-
Amount derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2018	6	-	-	6
<u>ECL allowances</u>				
At 1 January 2019	6	-	-	6
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Amount written off	-	-	-	-
Amount derecognised or matured (excluding write offs)	(6)	-	-	(6)
At 31 December 2019	-	-	-	-

14. Debt securities

	2019 S\$'000	2018 S\$'000
Fair value through other comprehensive income	130,336	-

All debt securities are of investment grade and have an external credit rating of AAA.

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
<u>Debt securities</u>				
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	-	-	-	-
Changes in fair value	-	-	-	-
Amount derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2018	-	-	-	-
<u>Debt securities</u>				
At 1 January 2019	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	129,978	-	-	129,978
Changes in fair value	358	-	-	358
Amount derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2019	130,336	-	-	130,336

14. Debt securities (cont'd)

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
<u>ECL allowances</u>				
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Amount written off	-	-	-	-
Amount derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2018	-	-	-	-
<u>ECL allowances</u>				
At 1 January 2019	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
New assets purchased	7	-	-	7
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Amount written off	-	-	-	-
Amount derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2019	7	-	-	7

15. Repurchase and Resale agreements

During its normal course of business, the Bank sells securities under agreements to repurchase (repos) and purchases securities under agreements to resell (reverse repos).

At the end of the reporting period, assets purchased subject to repurchase (“repo”) are as follows:

	Fair value of assets sold under repurchase agreement		Carrying amount of corresponding payables	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Singapore government securities and treasury bills	99,593	-	99,600	-

Corresponding payables are classified under deposits and balances of banks (Note 24). All repurchase agreements are entered into with a related corporation of an investment grade and classified as Stage 1.

At the end of the reporting period, assets purchased subject to resale (“reverse repo”) are as follows:

	Fair value of assets purchased under resale agreement		Carrying amount of corresponding receivables	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Singapore government securities and treasury bills	4,341,582	1,434,113	4,367,792	1,436,650
Debt Securities	1,031,931	1,033,067	1,039,236	1,025,718

Corresponding receivables are classified under balances and placements with and loans to banks (Note 16). All resale agreements are entered into with a related corporation of an investment grade and classified as Stage 1.

16. Balances and placements with and loans to banks

	2019 S\$'000	2018 S\$'000
At amortised cost:		
A related corporation	5,405,658	2,461,825
Others	157,551	179,929
	5,563,209	2,641,754

Included in balances and placements with and loans to banks are nostro accounts, money market placements and deposits and cash paid under resale agreements. These amounts are unsecured, repayable on demand and fixed and floating rate interest bearing, ranging from 0% to 2.05% (2018: 0% to 2.44%) per annum.

All balances and placements with and loans to banks placed during the year are classified as Stage 1 and are entered into with counterparties of an investment grade. These financial assets are not credit-impaired as at origination and as of year-end and there is no modification of contractual cash flows on these financial assets that resulted in a derecognition during the year. There are no transfers in ECL staging during the year and the loss allowance of these financial assets is measured at an amount equal to a 12-month ECL.

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17. Bills receivable and loans and advances to non-bank customers

	2019 S\$'000	2018 S\$'000
Bills receivable	29,441	35,466
Loans and advances to non-bank customers	21,965,778	22,377,194
Total	21,995,219	22,412,660

An analysis of movements in bills receivable and loans and advances to non-bank customers and corresponding ECL allowances are as follows:

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
Gross Bills receivable and loans and advances to non-bank customers				
At 1 February 2018 (date of incorporation)				
	-	-	-	-
Transfers from a related corporation	19,790,468	2,414,474	191,451	22,396,393
Transfers to Stage 1	284,422	(283,983)	(439)	-
Transfers to Stage 2	(460,810)	463,516	(2,706)	-
Transfers to Stage 3	(5,004)	(24,719)	29,723	-
New assets originated as at period end	1,255,339	288,378	452	1,544,169
Amount written off	-	-	(12,853)	(12,853)
Amount derecognised or repaid (excluding write offs)	(1,003,166)	(333,333)	(11,342)	(1,347,841)
At 31 December 2018	19,861,249	2,524,333	194,286	22,579,868
Gross Bills receivable and loans and advances to non-bank customers				
At 1 January 2019				
	19,861,249	2,524,333	194,286	22,579,868
Transfers to Stage 1	979,413	(975,409)	(4,004)	-
Transfers to Stage 2	(755,101)	765,198	(10,097)	-
Transfers to Stage 3	(58,677)	(65,895)	124,572	-
New assets originated as at year end	5,090,394	429,923	24,807	5,545,124
Amount written off	-	-	(81,107)	(81,107)
Amount derecognised or repaid (excluding write offs)	(4,813,140)	(1,019,931)	(68,210)	(5,901,281)
At 31 December 2019	20,304,138	1,658,219	180,247	22,142,604

17. Bills receivable and loans and advances to non-bank customers (cont'd)

	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
ECL allowances of bills receivable and loans and advances to non-bank customers				
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers from a related corporation	28,531	46,515	86,521	161,567
Transfers to Stage 1	5,008	(4,748)	(260)	-
Transfers to Stage 2	(1,985)	3,682	(1,697)	-
Transfers to Stage 3	(30)	(1,279)	1,309	-
New assets originated as at period end	5,107	2,921	278	8,306
Impact on period end ECL of exposures transferred between stages during the period	(4,180)	6,092	14,111	16,023
Amount written off	-	-	(12,853)	(12,853)
Amount derecognised or repaid (excluding write offs)	(2,487)	(2,622)	(726)	(5,835)
At 31 December 2018	29,964	50,561	86,683	167,208
ECL allowances of bills receivable and loans and advances to non-bank customers				
At 1 January 2019	29,964	50,561	86,683	167,208
Transfers to Stage 1	22,211	(21,193)	(1,018)	-
Transfers to Stage 2	(2,669)	7,909	(5,240)	-
Transfers to Stage 3	(246)	(3,305)	3,551	-
New assets originated as at year end	15,274	13,525	12,234	41,033
Impact on year end ECL of exposures transferred between stages during the year	(13,818)	16,180	46,644	49,006
Amount written off	-	-	(81,107)	(81,107)
Amount derecognised or repaid (excluding write offs)	(11,926)	(11,400)	(5,429)	(28,755)
At 31 December 2019	38,790	52,277	56,318	147,385

ECL for undrawn loan commitments are included in the ECL allowances of bills receivable and loans and advances to non-bank customers, as part of the exposures at default for ECL computation purposes.

18. Non-performing credit facilities

	2019 S\$'000	2018 S\$'000
Gross non-performing loans and advances to customers	180,247	194,286
Non-performing guarantees	571	2,357
	180,818	196,643

Non-performing credit facilities represent all outstanding credit facilities, including direct credit substitutes and transaction related contingencies classified as sub-standard, doubtful and loss in accordance with the MAS's loan grading guidelines under MAS Notice to Bank No. 612 "Credit Files, Grading and Provisioning". All non-performing credit facilities are classified as "Stage 3", as disclosed in Note 17. All non-performing guarantees as at year/period end are not subject to ECL.

19. Amounts due from/due to related corporations

Amounts due from related corporations comprise placements and other balances with related corporations of the Bank. Included in amounts due from related corporation are placements of S\$3,731,866,000 (2018: S\$4,000,000,000) which are unsecured and bear interest at a fixed rate ranging from 0% to 2.35% (2018: 2.2% to 2.35%) per annum.

Amounts due to related corporations comprise of current accounts maintained by other related corporations of the Bank with the Bank. These amounts are unsecured and non-interest bearing.

20. Other assets

	Note	2019 S\$'000	2018 S\$'000
Interest receivable:			
- A related corporation		65,022	14,211
- Others		128,541	80,670
		193,563	94,881
Derivative financial instruments	32	32,549	19,169
Interest expense paid in advance		113,097	79,105
Sundry deposits		6,690	6,361
GST input tax		9,977	8,884
Sundry debtors		42,694	48,931
		398,570	257,331

21. Intangible assets

	Note	IT software S\$'000
Cost		
At 1 February 2018 (date of incorporation)		-
Transfer from a related corporation		82,299
Additions		8,473
Transfers		-
Disposals		-
		90,772
At 31 December 2018 and at 1 January 2019		32,242
Additions		-
Disposals		-
		123,014
		123,014
Accumulated amortisation		
At 1 February 2018 (date of incorporation)		-
Amortisation charge for the period	8	2,634
Disposals		-
		2,634
At 31 December 2018 and at 1 January 2019		19,400
Amortisation charge for the year	8	-
Disposals		-
		22,034
		22,034
Net book value		
At 31 December 2018		88,138
		88,138
At 31 December 2019		100,980
		100,980

Included in intangible assets are IT software work-in-progress of approximately S\$37,899,000 (2018: S\$57,616,000). No amortisation is made against this balance until the development work is complete and the software application goes live.

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22. Leases

The Bank has various operating lease agreements for office premises, data centre, ATM space and office equipment. Most leases contain renewable options. Lease terms do not contain restrictions on the Bank's activities concerning additional debt or further leasing.

The movement in right-of-use assets are as follows:

	Note	Premises S\$'000	Data centre S\$'000	ATM space S\$'000	Total S\$'000
Cost					
At 1 January 2019		-	-	-	-
- Effect of adopting FRS 116		44,906	13,287	745	58,938
At 1 January 2019, as restated		44,906	13,287	745	58,938
Additions		-	5,951	333	6,284
Modifications		44	-	-	44
Termination		(222)	-	-	(222)
At 31 December 2019		44,728	19,238	1,078	65,044
Accumulated depreciation					
At 1 January 2019		-	-	-	-
Depreciation charge for the year	8	8,787	4,071	419	13,277
Modifications		-	-	-	-
Termination		(56)	-	-	(56)
At 31 December 2019		8,731	4,071	419	13,221
Net book value					
At 31 December 2019		35,997	15,167	659	51,823

22. Leases (cont'd)

The movement in lease liabilities are as follows:

	Note	2019 S\$'000
At 1 January 2019		-
- Effect of adopting FRS 116		57,608
At 1 January 2019, as restated		57,608
Additions		6,312
Termination		(166)
Repayment		(13,904)
Finance cost	8	1,542
At 31 December 2019		51,392

The impact of the application of FRS 116 to the statement of comprehensive income for the financial year ended 31 December 2019 is shown as below:

	2019 S\$'000
Depreciation of right-of-use assets	13,277
Finance cost	1,542
Expense relating to leases of low-value assets	463
Total expense recognised in the income statement	15,282

The impact of the application of FRS 116 on the disclosure in the cash flow statement for the financial year ended 31 December 2019 is shown as below:

	2019 S\$'000
Total cash outflows for leases	
- Payment of principal portion of lease liabilities	12,362
- Finance cost paid	1,542

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23. Property and equipment

	Note	Renovation S\$'000	Office equipment, furniture and fittings S\$'000	Computer and electrical equipment S\$'000	Motor vehicles S\$'000	Construction- in-progress S\$'000	Total S\$'000
Cost							
At 1 January 2019		6,230	687	11,285	355	2,394	20,951
Additions		48	50	3,473	-	1,866	5,437
Disposals		-	(1)	-	-	-	(1)
Transfers		3,198	-	257	-	(3,501)	(46)
At 31 December 2019		9,476	736	15,015	355	759	26,341
Accumulated depreciation							
At 1 January 2019		424	52	810	19	-	1,305
Depreciation charge for the year	8	2,643	297	4,412	115	-	7,467
Disposals		-	(1)	-	-	-	(1)
At 31 December 2019		3,067	348	5,222	134	-	8,771
Net book value							
At 31 December 2019		6,409	388	9,793	221	759	17,570

23. Property and equipment (cont'd)

	Note	Renovation S\$'000	Office equipment, furniture and fittings S\$'000	Computer and electrical equipment S\$'000	Motor vehicles S\$'000	Construction- in-progress S\$'000	Total S\$'000
Cost							
At 1 February 2018 (date of incorporation)		-	-	-	-	-	-
Transfer from a related corporation		6,230	510	10,569	355	2,144	19,808
Additions		-	88	716	-	339	1,143
Disposals		-	-	-	-	-	-
Transfers		-	89	-	-	(89)	-
At 31 December 2018		6,230	687	11,285	355	2,394	20,951
Accumulated depreciation							
At 1 February 2018 (date of incorporation)		-	-	-	-	-	-
Depreciation charge for the period	8	424	52	810	19	-	1,305
Disposals		-	-	-	-	-	-
At 31 December 2018		424	52	810	19	-	1,305
Net book value							
At 31 December 2018		5,806	635	10,475	336	2,394	19,646

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24. Deposits and balances of banks

	2019 S\$'000	2018 S\$'000
A related corporation	99,600	-

Included in deposits and balances of banks are deposits and cash received under repurchase agreements (Note 15). These amounts are secured and bear interest at a fixed rate of 1.40% per annum.

25. Deposits of non-bank customers

	2019 S\$'000	2018 S\$'000
Financial liabilities at amortised cost	34,648,682	31,183,221

26. Other liabilities

	Note	2019 S\$'000	2018 S\$'000
Interest payable:			
- A related corporation		3	-
- Others		85,790	90,799
		85,793	90,799
Derivative financial instruments	32	34,581	19,497
Interest income received in advance		16,110	20,066
Sundry creditors		85,929	65,581
Accrued operating expenses		77,158	72,644
ECL for contingent liabilities	30	538	820
		300,109	269,407

27. Deferred tax assets/(liabilities)

Movements in deferred tax liabilities and assets during the financial period are as follows:

	At 1/1/2019 S\$'000	(Charged)/credited to Profit or loss S\$'000 (Note 10)	Fair value adjustment reserve S\$'000	At 31/12/2019 S\$'000
Deferred tax assets/(liabilities)				
Government and other debt securities	(23)	-	448	425
Property and equipment	(7,892)	(3,944)	-	(11,836)
Net deferred tax assets/ (liabilities)	(7,915)	(3,944)	448	(11,411)

	At 1/2/2018 S\$'000	(Charged)/credited to Profit or loss S\$'000 (Note 10)	Fair value adjustment reserve S\$'000	At 31/12/2018 S\$'000
Deferred tax assets/(liabilities)				
Government and other debt securities	-	-	(23)	(23)
Property and equipment	-	(7,892)	-	(7,892)
Net deferred tax assets/ (liabilities)	-	(7,892)	(23)	(7,915)

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28. Share capital

	2019		2018	
	No of shares '000	S\$'000	No of shares '000	S\$'000
At beginning of year/period	2,400,000	2,400,000	*	*
Issuance of share capital	-	-	2,400,000	2,400,000
At end of year/period	2,400,000	2,400,000	2,400,000	2,400,000

* On 1 February 2018, Maybank International Holdings Sdn Bhd. ("MIH") subscribed for 100 ordinary shares in the capital of the Bank at an issue price of S\$1 per share. On 8 August 2018, MIH transferred its entire holding of 100 ordinary shares to CMB. All ordinary shares carry one vote per share without restrictions.

On 5 November 2018, CMB, the immediate holding company, had injected additional capital of S\$2,400,000,000 to the Bank via subscription of ordinary shares. All ordinary shares carry one vote per share without restrictions.

29. Dividends

	2019 S\$'000	2018 S\$'000
Declared and paid during the financial year:		
<u>Dividends on ordinary shares</u>		
Interim dividend for 2019: S\$0.007875 per share	18,900	-
Interim dividend for 2019: S\$0.033750 per share	81,000	-
	99,900	-

30. Contingent liabilities

	2019 S\$'000	2018 S\$'000
Direct credit substitutes	77,989	130,000
Transaction-related contingencies	74,056	96,853
Trade-related contingencies	199,974	220,788
	352,019	447,641

Included in direct credit substitutes and trade-related contingencies are financial guarantees, shipping guarantees and letter of credit of S\$185,587,000 (2018: S\$182,469,000) subject to ECL in which the Bank has direct exposures. The Bank has assessed that the remaining contingent liabilities are scoped out for ECL purposes as the Bank is not exposed to any contractual credit commitments on these products.

An analysis of movements in the contingent liabilities that are subject to ECL and corresponding ECL allowances are as follows:

Gross carrying amount of contingent liabilities	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers from a related corporation	130,625	54,878	-	185,503
Transfers to Stage 1	18,163	(18,163)	-	-
Transfers to Stage 2	(10,786)	10,786	-	-
Transfers to Stage 3	-	-	-	-
New exposures originated as at period end	62,463	29,753	-	92,216
Amount written off	-	-	-	-
Exposures derecognised or matured (excluding write offs)	(75,176)	(20,074)	-	(95,250)
At 31 December 2018 and at 1 January 2019	125,289	57,180	-	182,469
Transfers to Stage 1	13,477	(13,477)	-	-
Transfers to Stage 2	(13,350)	13,350	-	-
Transfers to Stage 3	-	-	-	-
New exposures originated as at year end	129,442	35,154	-	164,596
Amount written off	-	-	-	-
Exposures derecognised or matured (excluding write offs)	(107,161)	(54,317)	-	(161,478)
At 31 December 2019	147,697	37,890	-	185,587

30. Contingent liabilities (cont'd)

ECL allowances of contingent liabilities	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
At 1 February 2018 (date of incorporation)	-	-	-	-
Transfers from a related corporation	502	216	-	718
Transfers to Stage 1	59	(59)	-	-
Transfers to Stage 2	(12)	12	-	-
Transfers to Stage 3	-	-	-	-
New exposures originated as at period end	437	43	-	480
Impact on period end ECL of exposures transferred between stages during the period	(174)	48	-	(126)
Amount written off	-	-	-	-
Exposures derecognised or matured (excluding write offs)	(231)	(21)	-	(252)
At 31 December 2018 and at 1 January 2019	581	239	-	820
Transfers to Stage 1	50	(50)	-	-
Transfers to Stage 2	(18)	18	-	-
Transfers to Stage 3	-	-	-	-
New exposures originated as at year end	168	242	-	410
Impact on period end ECL of exposures transferred between stages during the period	19	1	-	20
Amount written off	-	-	-	-
Exposures derecognised or matured (excluding write offs)	(516)	(196)	-	(712)
At 31 December 2019	284	254	-	538

31. Commitments

	2019 S\$'000	2018 S\$'000
Credit commitments:		
- Undrawn credit lines and other commitments to extend credit	7,782,953	7,603,367

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These balances are subject to ECL and are included in the ECL allowances of bills receivable and loans and advances to non-bank customers (Note 17), as part of the exposures at default for ECL computation purposes.

Operating lease commitments - as lessee:

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	2019 S\$'000	2018 S\$'000
Not later than one year	-	12,719
Later than one year but not later than five years	-	17,883
	-	30,602
	2019 S\$'000	2018 S\$'000
Forward asset purchases	150,000	250,000
Forward deposits placed	1,542	1,034,473
Forward deposits taken	258	358

32. Derivative financial instruments

The derivative financial instruments shown in the following tables are held-for-trading purposes. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at the end of the reporting period are analysed below.

Positive and negative fair values are the mark-to-market values of the derivative contracts. Notional principal amounts are the amounts of principal underlying the contract at the end of the reporting period.

2019	Notional amounts S\$'000	Assets (Note 20) S\$'000	Liabilities (Note 26) S\$'000
Foreign exchange derivatives			
Forward foreign exchange	829,840	916	2,853
Options	128,094	661	662
	957,934	1,577	3,515
Interest rate derivatives			
Swaps	3,677,099	19,944	19,949
Options	3,779,334	11,028	11,117
	7,456,433	30,972	31,066
Total	8,414,367	32,549	34,581
2018			
	Notional amounts S\$'000	Assets (Note 20) S\$'000	Liabilities (Note 26) S\$'000
Foreign exchange derivatives			
Forward foreign exchange	358,273	251	427
Options	99,004	450	451
	457,277	701	878
Interest rate derivatives			
Swaps	3,842,149	11,826	11,924
Options	4,519,745	6,642	6,695
	8,361,894	18,468	18,619
Total	8,819,171	19,169	19,497

Derivative assets and derivative 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.

32. Derivative financial instruments (cont'd)

Offsetting of financial assets and financial liabilities

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

	Gross amount of recognised financial assets/liabilities S\$'000	Gross amount offset in the statement of financial position S\$'000	Amount presented in the statement of financial position S\$'000	Amount not offset in the statement of financial position		Net amount S\$'000
				Financial instruments S\$'000	Financial collateral received/pledged S\$'000	
2019						
Financial assets						
Derivative assets	35,344	(2,795)	32,549	23,628	-	8,921
Financial liabilities						
Derivative liabilities	37,376	(2,795)	34,581	23,628	-	10,953
2018						
Financial assets						
Derivative assets	20,386	(1,217)	19,169	11,184	-	7,985
Financial liabilities						
Derivative liabilities	20,714	(1,217)	19,497	11,184	-	8,313

* Master netting arrangement and similar arrangements impacting the Bank are entered into by the ultimate holding company. The relevant financial collateral received/pledged are maintained by the ultimate holding company.

32. Derivative financial instruments (cont'd)

Offsetting of financial assets and financial liabilities (cont'd)

The table below sets out the maturity analysis of the notional principal amounts of derivative contracts:

	Notional amount (Maturity)			
	Within 6 months S\$'000	Between 6 to 12 months S\$'000	More than 1 year S\$'000	Total S\$'000
2019				
Foreign exchange derivatives				
Forward foreign exchange	824,294	5,546	-	829,840
Options	115,165	12,929	-	128,094
Interest rate derivatives				
Swaps	187,254	379,373	3,110,472	3,677,099
Options	187,254	379,373	3,212,707	3,779,334
Total	1,313,967	777,221	6,323,179	8,414,367
2018				
Foreign exchange derivatives				
Forward foreign exchange	356,635	1,638	-	358,273
Options	98,158	846	-	99,004
Interest rate derivatives				
Swaps	147,833	147,881	3,546,435	3,842,149
Options	-	295,762	4,223,983	4,519,745
Total	602,626	446,127	7,770,418	8,819,171

32. Derivative financial instruments (cont'd)

Offsetting of financial assets and financial liabilities (cont'd)

Notional amounts of derivative financial instruments entered into with the ultimate holding company, other branches and subsidiaries of the ultimate holding company are as follows:

	2019 S\$'000	2018 S\$'000
Foreign exchange derivatives		
Forward foreign exchange	720,550	288,994
Options	64,047	49,502
Interest rate derivatives		
Swaps	1,838,550	1,921,075
Options	1,889,667	2,259,873
Total	4,512,814	4,519,444

As at 31 December 2019, the net derivative receivable from related parties amounted to S\$4,402,000 (net derivative payable in 2018: S\$8,209,000).

33. Financial risk management objectives and policies

(a) *Introduction and overview*

The Bank is exposed to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note discusses the above-mentioned risks as well the Bank's policies and procedures for the early identification and proactive management of these risks.

Risk management framework

The Bank's risk management framework facilitates effective risk oversight through a sound and well-defined internal governance model, with a clear structure of risk ownership and accountability. The framework is supported by other risk policies and detailed procedures / guidelines to guide businesses in proactive risk management, whilst working towards achieving their business objectives. The risk management framework is reviewed regularly to keep it relevant to the Bank's business strategy and prevailing market conditions.

Under the Bank's risk governance structure, the Board of Directors has overall responsibility for risk management oversight, including financial risk management. The Board approves the Bank's risk management framework and risk appetite; and ensures that Senior Management takes the necessary steps to identify, measure, control and monitor the risks.

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

(a) *Introduction and overview (cont'd)*

Risk management framework (cont'd)

Board oversight is supported by a Board level Committee - the Risk Management and Compliance Committee ("RMCC"). In addition, the Board is supported by several Executive Level Risk Management Committees - the Singapore Management Committee ("SMC"), the Executive Risk Management Committee ("ERC"), the Credit Committee Singapore ("CCS") and the Asset & Liability Management Committee ("ALCO").

The RMCC, ERC, CCS, ALCO and SMC ensure that sound risk management policies and procedures are in place. Policies are established to manage/address the risks while limits and controls are set and constantly monitored to keep exposures within tolerance levels.

(b) *Credit risk*

Credit risk is the potential loss from any failure in the ability or the unwillingness of the borrowers to fulfil their financial and/or contractual obligations as and when they fall due.

(i) *Management of 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.

Non-retail (commercial) credit risks are assessed by business units and evaluated and approved by an independent party within the Bank, 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.

The Bank's credit risk management framework manages the credit quality of its loan portfolio. This framework covers credit approval process, credit policies and guidelines, credit risk rating systems, credit risk mitigation process, credit administration documentation and training and credit personnel.

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

(b) *Credit risk (cont'd)*

(i) *Management of credit risk (cont'd)*

The Bank adopts a risk-based credit approval process requiring loan approval at successively higher levels and/or committees (as delegated) according to the risk level of the application. Higher risk applications are approved at the CCS, the management group that is responsible for directing the risk appetite and underwriting activities of the Bank. Loans that exceed the authority limit of the CCS will be escalated to the Board of Directors for affirmation. Core credit risk policies, framework and guidelines are approved by the ERC.

The Bank practises risk diversification and has in place structures to control the appropriate limits and exposures. Limits are established and regularly monitored in the area of country exposures, industry groups, product groups, collateral types and single counterparty exposures.

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").

(ii) *Credit Risk Measurement*

This section should be read in conjunction with the impairment policies (Note 2.11) within the summary of significant accounting policies

Significant increase in credit risk ("SICR")

In order to determine whether an instrument is subject to 12mECL or LTECL, the Bank assesses whether there has been a SICR since initial recognition. SICR is recognised based on the change in the risk of default between initial recognition and reporting date.

For rated accounts, internal ratings are used in determining the rating deterioration. Rating deterioration will be tiered according to the current risk management practice which segregates the internal ratings according to four risk categories, i.e. very low, low, medium and high, as described in Note 33(b)(iv).

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

(b) *Credit risk (cont'd)*

(ii) *Credit Risk Measurement (cont'd)*

Significant increase in credit risk ("SICR") (cont'd)

For each risk category, the number of notches downgrade required to determine SICR will differ. The Table below summarises the applicable tiered rating deterioration:

Retail

Risk Category	Internal rating grade	No. of notches downgrades
Very Low	R1 - R2	4
Low	R3 - R5	3
Medium	R6 - R8	2
High	R9 - R11	1

Non-Retail

Risk Category	Internal rating grade	No. of notches downgrades
Very Low	R1 - R5	4
Low	R6 - R10	3
Medium	R11 - R15	2
High	R16 - R21	1

Other methods for triggering SICR include moving a borrower or facilities to watchlist or special mention category, time triggers e.g. accounts with above 30 days past due and missing origination rating.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

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

(b) *Credit risk (cont'd)*

(ii) *Credit Risk Measurement (cont'd)*

Definition of default and cure (cont'd)

As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- (i) Rescheduling and Restructuring due to increase in credit risk.
- (ii) The borrower has ceased operation or bankruptcy or winding up.
- (iii) Material fraud, criminal act or breach of trust committed by the borrower.
- (iv) Deterioration in internal or external credit rating of the borrower from original rating.
- (v) Deterioration of financial positions of the borrower.
- (vi) A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral.
- (vii) Loss of license and regulatory approval that affects business continuity measured by material impact of > 25% of the company's turnover.
- (viii) A covenant breach not waived by the Bank.

The Bank considers a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Grouping financial assets measured on a collective basis

The Bank'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 PD, EAD and 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. Currently, the Bank retail portfolios are segregated into 4 segments, namely Housing, Cards, Equity Term Loans and Hire Purchase. The estimates derived from the models are used as input for RWA calculations.

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

(b) *Credit risk (cont'd)*

(ii) *Credit Risk Measurement (cont'd)*

Grouping financial assets measured on a collective basis (cont'd)

For non-retail portfolios, the Bank uses internal credit models for evaluating the majority of its credit risk exposures. For Commercial Banking and Bank portfolios, the Bank has adopted the Foundation Internal Ratings-Based ("FIRB") Approach, which allows the Bank to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD. CRRS is developed to allow the Bank to identify, assess and measure commercial and small business borrowers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Bank's 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 Bank is aligned to those employed at its ultimate holding company and enables the calculation of expected loss using PD estimates (facilitated by the CRRS), LGD and EAD.

(iii) *Maximum exposure to credit risk*

The Bank'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 maximum exposure to credit risk equals their gross carrying amount at the end of the reporting period. For off-balance sheet items, the maximum exposure to credit risk is limited to the commitments to extend credit and other credit related commitments. The maximum credit exposure to client or counterparty as of 31 December 2019 was S\$37,366,005,000 and S\$8,134,972,000 (2018: S\$33,783,649,000 and S\$8,051,008,000) for on-balance sheet and off-balance sheet, respectively.

(iv) *Credit quality*

Credit classification for financial assets

The four (4) risks categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Bank's lending. These classifications encompass a range of more granular, internal gradings assigned to loans and advances whilst external gradings are applied to debt securities. 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.

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

(b) *Credit risk (cont'd)*

(iv) *Credit quality (cont'd)*

Credit classification for financial assets (cont'd)

Risk Category (Non-Retail)	Probability of default ("PD") grade	External credit ratings based on S&P's ratings
Very low	1 - 5	AAA to A-
Low	6 - 10	BBB+ to BB+
Medium	11 - 15	BB+ to B+
High	16 - 21	B+ to CCC

Risk Category (Retail)	Probability of default ("PD") grade	External credit ratings based on S&P's ratings
Very low	1 - 2	AAA to BBB-
Low	3 - 5	BB+ to BB-
Medium	6 - 8	B+ to CCC
High	9 - 11	CCC 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.

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

(b) *Credit risk (cont'd)*

(iv) *Credit quality (cont'd)*

Credit classification for financial assets (cont'd)

The following table provides a breakdown of the bills receivable and loans and advances to non-bank customers according to the Bank's credit risk category.

2019	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
Very Low	12,538,571	32,133	-	12,570,704
Low	3,666,578	209,217	-	3,875,795
Medium	1,635,191	1,008,899	-	2,644,090
High	128,881	376,492	-	505,373
Unrated	2,334,917	31,478	-	2,366,395
Impaired	-	-	180,247	180,247
Less: ECL	(38,790)	(52,277)	(56,318)	(147,385)
Total carrying amount	20,265,348	1,605,942	123,929	21,995,219
2018	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
Very Low	12,319,045	36,418	-	12,355,463
Low	4,237,515	414,264	-	4,651,779
Medium	1,161,972	1,662,868	-	2,824,840
High	116,631	372,171	-	488,802
Unrated	2,026,086	38,612	-	2,064,698
Impaired	-	-	194,286	194,286
Less: ECL	(29,964)	(50,561)	(86,683)	(167,208)
Total carrying amount	19,831,285	2,473,772	107,603	22,412,660

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

(b) *Credit risk (cont'd)*

(iv) *Credit quality (cont'd)*

Credit classification for financial assets (cont'd)

Derivative financial instruments are entered with various international financial institutions or companies. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. Derivative financial instruments include foreign exchange derivatives and interest rate derivatives. 90% of derivative exposure is entered into with counterparties of investment grade.

The Bank also classifies its credit portfolios according to the borrowers' ability to repay the credit facility from their normal source of income. There is an independent credit review process to ensure the appropriateness of loan grading and classification in accordance with MAS Notice 612. All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing or Impaired accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with Notice to Bank No. 612 "Credit Files, Grading and Provisioning" issued by the MAS. The five categories are described below:

Performing

- Pass represents credit facilities where timely repayment is not in doubt and which do not exhibit any potential weakness in repayment capability, business, cash flow or financial position of the borrower.
- Special mention represents credit facilities which require closer monitoring. These facilities exhibit potential weakness that, if not corrected in a timely manner, may adversely affect repayment at a future date.

Classified or Non-Performing

- Substandard represents credit facilities that require special attention. The facilities exhibit definable weakness, either in respect of the business, cash flow or financial position of the borrower, which may jeopardise repayment on existing terms.
- Doubtful represents credit facilities that demonstrate severe weaknesses, such that the prospects of full recovery of the amounts outstanding are questionable and prospects of a loss are high.
- Loss represents credit facilities that are not collectable and little or nothing can be done to recover the amounts outstanding from any collateral or from the borrower's assets generally.

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

(b) *Credit risk (cont'd)*

(iv) *Credit quality (cont'd)*

Classified or Non-Performing (cont'd)

The following table provides a breakdown of the gross bills receivable and loans and advances to non-bank customers' gross carrying amount according to the MAS Notice to Bank No. 612 "Credit Files, Grading and Provisioning":

2019	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
Performing				
Pass	20,303,022	1,516,486	-	21,819,508
Special Mention	1,116	141,733	-	142,849
Classified or non-performing				
Substandard	-	-	6,023	6,023
Doubtful	-	-	81,488	81,488
Loss	-	-	92,736	92,736
Total	20,304,138	1,658,219	180,247	22,142,604
<hr/>				
2018	Stage 1 S\$'000	Stage 2 S\$'000	Stage 3 S\$'000	Total S\$'000
Performing				
Pass	19,859,657	2,325,016	-	22,184,673
Special Mention	1,592	199,317	-	200,909
Classified or non-performing				
Substandard	-	-	61,863	61,863
Doubtful	-	-	54,762	54,762
Loss	-	-	77,661	77,661
Total	19,861,249	2,524,333	194,286	22,579,868

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

(b) *Credit risk (cont'd)*

(iv) *Credit quality (cont'd)*

Collaterals

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The Bank holds collaterals as follows:

- For loans and advances to non-bank customers and bill receivable in the form of mortgages or charges over properties, motor vehicles, listed securities, deposits, trade receivables, vessels and machinery.
- For reverse repurchase agreements in the form of Singapore and other government securities.

Estimates of the fair value are initially based on the value of collateral assessed at the time of borrowing and subsequently updated during the collateral valuation monitoring process (including credit reviews).

For financial assets that are credit impaired as at period end, the impairment loss considers the difference between the carrying value and the discounted cash flows. In determining discounted cash flows, the Bank would consider the repayment capacity of the borrower, including the realisation of collateral pledged with the Bank. As at 31 December 2019, the lower of fair value and carrying amount of collateral/other credit enhancements for financial assets that are credit impaired as at year end is S\$111,067,000 (2018: S\$80,635,000).

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

(b) *Credit risk (cont'd)*

(iv) *Credit quality (cont'd)*

Collaterals (cont'd)

The following table quantifies the extent to which collateral and other credit enhancements help to mitigate the credit risk of loans and advances to non-bank customers, bills receivable and balances and placements with and loans to banks:

	Lower of fair value of collateral/other credit enhancements and carrying amount			
	2019		2018	
	Loans and advances to non-bank customers, bills receivable S\$'000	Balances and placements with and loans to banks S\$'000	Loans and advances to non-bank customers, bills receivable S\$'000	Balances and placements with and loans to banks S\$'000
Singapore and other government securities	-	4,341,161	-	1,434,113
Debt Securities	-	1,030,841	-	1,025,718
Properties	15,320,404	-	15,680,943	-
Vessels and other motor vehicles	3,633,726	-	3,533,755	-
Others	163,909	-	159,363	-
Total collateral	19,118,039	5,372,002	19,374,061	2,459,831
Maximum exposure to credit risk	22,142,604	5,564,592	22,579,868	2,642,313
Net exposure	3,024,565	192,590	3,205,807	182,482

The Bank did not repossess any of the above collaterals for sale, with which the proceeds are used to reduce or repay the outstanding indebtedness. The Bank generally does not occupy the premises repossessed for its business use.

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

(b) *Credit risk (cont'd)*

(iv) *Credit quality (cont'd)*

Write-off policy

The Bank writes off a loan or debt security balance, and any related allowances for impairment losses, when the management determines that the loan or securities is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer settle the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product specific past due status.

(v) *Concentration risk*

Specifically in the area of country or industry exposure, concentration of credit risk exists when changes in geographic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Bank's total credit exposures. The tables on the following page summarise the geographic and industry sector risk concentrations in relation to balances with significant credit exposures. Derivative assets are mainly due from banks and financial institution counterparties.

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

(b) Credit risk (cont'd)

(v) Concentration risk by geographic sector

Country	Singapore government securities and treasury bills S\$'000	Other government securities and treasury bills S\$'000	Debt securities S\$'000	Balances and placements with and advances to banks S\$'000	Bills Receivable and Loans and advances to non-bank customers S\$'000	Undrawn loan commitments S\$'000	Contingent liabilities S\$'000	Total S\$'000	As % of total S\$'000
As at 31 December 2019									
Singapore	4,581,588	-	130,336	5,428,851	21,450,124	7,366,682	191,116	39,148,697	96.5
India	-	-	-	-	10,819	432	20,959	32,210	0.1
Malaysia	-	-	-	-	187,378	226,928	9,995	424,301	1.1
China	-	-	-	-	229,904	44,540	9,530	283,974	0.7
Hong Kong	-	-	-	-	51,945	8,305	20,321	80,571	0.2
Others	-	-	-	135,741	212,434	136,066	100,098	584,339	1.4
	4,581,588	-	130,336	5,564,592	22,142,604	7,782,953	352,019	40,554,092	100.0

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

(b) Credit risk (cont'd)

(v) Concentration by industry sector

As at 31 December 2019	Singapore government securities and treasury bills S\$'000	Other government securities and treasury bills S\$'000	Debt securities S\$'000	Balances and placements with and loans to banks S\$'000	Bills receivable and Loans and advances to non-bank customers S\$'000	Undrawn loan commitments S\$'000	Contingent liabilities S\$'000	Total S\$'000	As % of total S\$'000
Building and construction	-	-	-	-	1,359,160	443,611	49,724	1,852,495	4.6
Financial institutions	-	-	-	5,564,592	1,174,231	588,393	7,097	7,334,313	18.1
Manufacturing	-	-	-	-	670,995	266,083	32,820	969,898	2.4
Transport, storage and communication	-	-	-	-	500,966	125,493	25,036	651,495	1.6
Government and public sector	4,581,588	-	130,336	-	-	-	-	4,711,924	11.6
Housing and bridging loans	-	-	-	-	10,593,269	-	-	10,593,269	26.1
General commerce	-	-	-	-	1,608,482	1,109,287	206,477	2,924,246	7.2
Professional and private individuals	-	-	-	-	5,415,621	4,961,270	7,414	10,384,305	25.6
Others	-	-	-	-	819,880	288,816	23,451	1,132,147	2.8
	4,581,588	-	130,336	5,564,592	22,142,604	7,782,953	352,019	40,554,092	100.0

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

(b) Credit risk (cont'd)

(v) Concentration risk by geographic sector

Country	Singapore government securities and treasury bills S\$'000	Other government securities and treasury bills S\$'000	Debt securities S\$'000	Balances and placements with and to banks S\$'000	Receivable and advances to non-bank customers S\$'000	Undrawn loan commitments S\$'000	Contingent liabilities S\$'000	Total S\$'000	As % of total S\$'000
As at 31 December 2018									
Singapore	3,059,118	-	-	2,477,927	21,956,102	7,247,176	217,628	34,957,951	95.9
India	-	-	-	-	15,443	560	28,104	44,107	0.1
Malaysia	-	-	-	-	183,937	210,264	6,241	400,442	1.1
China	-	-	-	-	164,636	27,035	17,670	209,341	0.6
Hong Kong	-	-	-	-	47,571	7,082	17,298	71,951	0.2
Others	-	125,587	-	164,386	212,179	111,250	160,700	774,102	2.1
	3,059,118	125,587	-	2,642,313	22,579,868	7,603,367	447,641	36,457,894	100.0

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

(b) Credit risk (cont'd)

(v) Concentration by industry sector

As at 31 December 2018	Singapore government securities and treasury bills S\$'000	Other government securities and treasury bills S\$'000	Debt securities S\$'000	Balances and placements with and loans to banks S\$'000	Bills receivable and Loans and advances to non-bank customers S\$'000	Undrawn loan commitments S\$'000	Contingent liabilities S\$'000	Total S\$'000	As % of total S\$'000
Building and construction	-	-	-	-	800,782	418,985	76,881	1,296,648	3.6
Financial institutions	-	-	-	2,642,313	1,998,873	495,662	7,388	5,144,236	14.1
Manufacturing	-	-	-	-	804,648	323,319	28,926	1,156,893	3.2
Transport, storage and communication	-	-	-	-	591,909	99,071	20,302	711,282	1.9
Government and public sector	3,059,118	125,587	-	-	-	-	-	3,184,705	8.7
Housing and bridging loans	-	-	-	-	-	-	-	-	-
General commerce	-	-	-	-	1,788,227	1,137,066	273,545	3,198,838	8.8
Professional and private individuals	-	-	-	-	16,364,638	4,861,966	10,845	21,237,449	58.3
Others	-	-	-	-	230,791	267,298	29,754	527,843	1.4
	3,059,118	125,587	-	2,642,313	22,579,868	7,603,367	447,641	36,457,894	100.0

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

(c) *Liquidity risk*

Liquidity risk arises when the Bank is unable to make a payment on any of its financial obligations to customers or counterparties in any currency when they come due. This may be due to the Bank's inability to liquidate assets or to obtain funding to meet its liquidity needs in a timely manner.

Liquidity risk may be broadly classified into:

- Funding liquidity risk - Risk that the Bank will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the Bank;
- Market liquidity risk - Risk that the Bank cannot easily offset or eliminate the position at market price because of inadequate market depth or market disruption.

Liquidity risk can also arise as a consequence of other risk such as credit risk and reputation risk.

(i) *Management of liquidity risk*

The ALCO oversees the Bank's liquidity management initiatives. The Global Market department centrally manages day-to-day funding and regulatory reserve requirements. In addition, the Non Traded Risk Management department functions as an independent unit responsible for reviewing policies and limits and monitoring liquidity risk.

The Bank's liquidity management objective is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations when they are due. Liquidity risk is managed by a combination of cash flow monitoring, liquidity ratios and stress tests. Projected cash flow movements are closely monitored and cumulative cash outflow limits are set. Under the Bank's liquidity risk management framework, the Bank maintains liquid assets based on historical and future cash flow requirements and volatility. Liquidity ratios monitor and control the dependency on particular sources of funds and exposure to any particular group of depositors. Stress tests are conducted regularly to identify the Bank's vulnerability of cash flow and assess the Bank's capacity and resilience to withstand liquidity stress situations.

The Contingency Funding Plan ("CFP") addresses the possibility of prolonged liquidity disruption. The plan enables the Bank to respond swiftly and systematically to a liquidity crisis by covering critical areas such as the identification of crisis triggers, roles and responsibilities of different stakeholders, action plans for different scenarios, reporting requirements, and communication plans.

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

(c) *Liquidity risk (cont'd)*

(ii) *Exposure to liquidity risk*

The following tables show the undiscounted cash flows on the Bank's financial liabilities including issued financial guarantees and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments may vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of whether the overall contract is in a marked-to-market gain or loss position. The receive leg is not shown in this table and as a result the derivative amounts in this table are inflated by their exclusion.

The Bank anticipates and manages liquidity gaps using behavioural assumptions. These assumptions are regularly reviewed by the Non Traded Risk Management department and approved by ALCO.

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

(c) Liquidity risk (cont'd)

(iii) Residual contractual maturities of financial liabilities

As at 31 December 2019	Note	Carrying amount S\$'000	Gross nominal outflow S\$'000	Less than 1 month S\$'000	1 month to 3 months S\$'000	3 to 6 months S\$'000	6 months to 1 year S\$'000	1 year to 5 years S\$'000	After 5 years S\$'000
Non-derivative liabilities									
Deposits and balances of banks	24	99,600	99,627	99,627	-	-	-	-	-
Deposits of non-bank customers	25	34,648,682	35,012,340	13,973,001	3,557,482	6,316,860	7,827,883	3,318,256	18,858
Bills payable		59,573	59,573	59,573	-	-	-	-	-
Amounts due to related corporations		4,792	4,792	4,792	-	-	-	-	-
Lease liabilities	22	51,392	51,392	1	-	209	170	51,012	-
		34,864,039	35,227,724	14,136,994	3,557,482	6,317,069	7,828,053	3,369,268	18,858
Undrawn loan commitments	31	7,782,953	7,782,953	7,782,953	-	-	-	-	-
Contingent liabilities	30	352,019	352,019	123,434	97,893	39,228	46,825	42,765	1,874
		8,134,972	8,134,972	7,906,387	97,893	39,228	46,825	42,765	1,874

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

(c) Liquidity risk (cont'd)

(iii) Residual contractual maturities of financial liabilities (cont'd)

As at 31 December 2019	Gross nominal inflow/ (outflow) S\$'000	Less than 1 month S\$'000	1 month to 3 months S\$'000	3 months to 6 months S\$'000	6 months to 1 year S\$'000	1 year to 5 years S\$'000	After 5 years S\$'000	Total S\$'000
Derivatives								
Net settled derivatives:								
Interest rate derivatives*	-	-	-	-	-	-	-	-
Foreign rate derivatives*	-	-	-	-	-	-	-	-
Net inflow/ (outflow)	-	-	-	-	-	-	-	-
Gross settled derivatives:								
Interest rate derivatives:								
- Inflow	-	-	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-	-	-
Foreign exchange derivatives:								
- Inflow	828,152	564,307	125,432	132,863	5,550	-	-	828,152
- Outflow	(829,840)	(565,823)	(125,562)	(132,909)	(5,546)	-	-	(829,840)
Net inflow/ (outflow)	(1,688)	(1,516)	(130)	(46)	4	-	-	(1,688)

* Nil amount due to back to back derivative transactions with a related corporation.

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

(c) Liquidity risk (cont'd)

(iii) Residual contractual maturities of financial liabilities (cont'd)

As at 31 December 2018	Note	Carrying amount S\$'000	Gross nominal outflow S\$'000	Less than 1 month S\$'000	1 month to 3 months S\$'000	3 to 6 months S\$'000	6 months to 1 year S\$'000	1 year to 5 years S\$'000	After 5 years S\$'000
Non-derivative liabilities									
Deposits of non-bank customers	25	31,183,221	31,559,161	12,598,167	3,056,757	5,415,724	7,329,250	3,140,405	18,858
Bills payable		72,996	72,996	72,996	-	-	-	-	-
Amounts due to a related corporation		4,062	4,062	4,062	-	-	-	-	-
		31,260,279	31,636,219	12,675,225	3,056,757	5,415,724	7,329,250	3,140,405	18,858
Undrawn loan commitments	31	7,603,367	7,603,367	7,603,367	-	-	-	-	-
Contingent liabilities	30	447,641	447,641	174,142	94,916	59,827	61,743	56,555	458
		8,051,008	8,051,008	7,777,509	94,916	59,827	61,743	56,555	458

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

(c) Liquidity risk (cont'd)

(iii) Residual contractual maturities of financial liabilities (cont'd)

As at 31 December 2018	Gross nominal inflow/ (outflow) S\$'000	Less than 1 month S\$'000	1 month to 3 months S\$'000	3 months to 6 months S\$'000	6 months to 1 year S\$'000	1 year to 5 years S\$'000	After 5 years S\$'000	Total S\$'000
<i>Derivatives</i>								
Net settled derivatives:								
Interest rate derivatives*	-	-	-	-	-	-	-	-
Foreign rate derivatives*	-	-	-	-	-	-	-	-
Net inflow/(outflow)	-	-	-	-	-	-	-	-
Gross settled derivatives:								
Interest rate derivatives:								
- Inflow	-	-	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-	-	-
Foreign exchange derivatives:								
- Inflow	358,194	138,639	126,415	91,498	1,642	-	-	358,194
- Outflow	(358,273)	(138,574)	(126,627)	(91,434)	(1,638)	-	-	(358,273)
Net inflow/(outflow)	(79)	65	(212)	64	4	-	-	(79)

* Nil amount due to back to back derivative transactions with a related corporation.

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

(c) Liquidity risk (cont'd)

(iv) Maturity analysis of non-derivative financial assets and liabilities

As at 31 December 2019	Note	Up to 7 days S\$'000	Over 7 days to 1 month S\$'000	Over 1 to 3 months S\$'000	Over 3 to 12 months S\$'000	Over 1 to 3 year S\$'000	Over 3 years S\$'000	No specific maturity S\$'000	Total S\$'000
Assets									
Cash and balance with a central bank		1,144,435	-	-	-	-	-	-	1,144,435
Singapore government securities and treasury bills	12	99,995	1,068,082	1,695,264	1,357,917	104,496	255,834	-	4,581,588
Debt Securities	14	-	-	-	-	-	130,336	-	130,336
Other government treasury bills and securities	13	-	-	-	-	-	-	-	-
Balances and placements with and loans to banks		2,315,702	2,728,295	520,595	-	-	-	-	5,564,592
Amounts due from related corporations		49,012	516,757	6,244	3,200,000	-	-	-	3,772,013
Bills receivable	17	10,938	6,283	8,026	4,194	-	-	-	29,441
Loans and advances to non-bank customers	17	1,131,711	628,766	424,526	590,045	1,253,469	18,084,646	-	22,113,163
		4,751,793	4,948,183	2,654,655	5,152,156	1,357,965	18,470,816	-	37,335,568
Liabilities									
Deposits and balances of banks	24	99,600	-	-	-	-	-	-	99,600
Deposits of non-bank customers	25	12,228,401	1,732,804	3,529,180	14,038,260	2,350,234	769,803	-	34,648,682
Amounts due to related corporations		4,792	-	-	-	-	-	-	4,792
Bills payable		59,573	-	-	-	-	-	-	59,573
Lease liabilities	22	-	1	-	379	4,336	46,676	-	51,392
		12,392,366	1,732,805	3,529,180	14,038,639	2,354,570	816,479	-	34,864,039

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

(c) Liquidity risk (cont'd)

(iv) Maturity analysis of non-derivative financial assets and liabilities (cont'd)

As at 31 December 2018	Note	Up to 7 days S\$'000	Over 7 days to 1 month S\$'000	Over 1 to 3 months S\$'000	Over 3 to 12 months S\$'000	Over 1 to 3 year S\$'000	Over 3 years S\$'000	No specific maturity S\$'000	Total S\$'000
Assets									
Cash and balance with a central bank		1,316,742	-	-	-	-	-	-	1,316,742
Singapore government securities and treasury bills	12	299,995	998,938	1,611,253	148,932	-	-	-	3,059,118
Other government treasury bills and securities	13	22	82,335	43,230	-	-	-	-	125,587
Balances and placements with and loans to banks		1,932,124	710,189	-	-	-	-	-	2,642,313
Amounts due from related corporations		40,853	-	-	2,000,000	2,000,000	-	-	4,040,853
Bills receivable	17	6,349	6,481	10,829	11,807	-	-	-	35,466
Loans and advances to non-bank customers	17	1,071,928	659,515	418,462	754,559	1,337,320	18,302,618	-	22,544,402
		4,668,013	2,457,458	2,083,774	2,915,298	3,337,320	18,302,618	-	33,764,481
Liabilities									
Deposits of non-bank customers	25	11,120,203	1,465,323	3,030,706	12,636,140	1,695,287	1,235,562	-	31,183,221
Amounts due to related corporations		4,062	-	-	-	-	-	-	4,062
Bills payable		72,996	-	-	-	-	-	-	72,996
		11,197,261	1,465,323	3,030,706	12,636,140	1,695,287	1,235,562	-	31,260,279

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

(d) *Market risk*

Market risk stems from changes in market prices, such as interest rates, equity prices, and currency exchanges rates that adversely affect income or position value. The Bank is primarily exposed to interest rate and currency risk based on the nature of its trading and banking operations.

(i) *Management of market risk*

The ALCO performs market risk oversight for the Bank. The Traded Risk Management department proposes and reviews policies and limits; and is also responsible for day-to-day monitoring of the Bank's market risk exposures from the Trading book. The Non Traded Risk Management department performs similar role for the Banking Book. Being the primary market risk-taking unit, the Global Market department manages the exposures and ensures that they are kept within limits.

The objective of market risk management is to keep market risk exposures under acceptable parameters while optimising returns. In order to achieve the control objective, risk measures are computed every business day and check against their respective limits defined based on the Bank's risk tolerance. Limit exceptions are escalated according to policy stipulations. These limits, along with the related policies and procedures, are regularly reviewed and approved at appropriate authority level.

The Traded Risk Management department also performs regular market risk stress tests and monitors stop loss limits to identify, understand and control potential trading losses. Consistent with the ultimate holding company's policies, Bank-wide (trading and banking book) interest rate risk is measured and controlled via earnings and economic value perspectives.

(ii) *Exposure to interest rate risk*

Interest rate risk is the exposure to movements in interest rates arising from differences between the timing of rate changes and cash flows of the Bank's positions. Interest rate risk can also stem from imperfect correlation of rate earned and paid on different instruments with similar re-pricing characteristics, changes in slope and shape of the yield curve, and embedded options in banking products. The main sources of interest rate risk are the Bank's loan and deposit portfolios. The Bank uses interest rate swaps as appropriate to ensure that exposures are within tolerable levels

Earnings-at-Risk ("EaR") measures the sensitivity of earnings, i.e., net interest income ("NII") to market interest rate movements. The interest rate shift is applied to the projected re-pricing mismatch of the Bank's interest sensitive assets, liabilities and off-balance sheet items over the next 12 months. This method is considered short-term as it only captures risk within one year horizon.

Exposures to interest rate risk are monitored by the Non-Traded Risk Management department (for banking book exposures) and Traded Risk Management department (for trading book exposures) and reported to ALCO on a monthly basis.

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

(d) *Market risk (cont'd)*

(ii) *Exposure to interest rate risk (cont'd)*

At 31 December 2019, an upward 150 basis point parallel shift in yield curve for significant currencies the Bank transacts would result in an increase of S\$94,510,000 on EaR. A downward parallel shift would have a decrease of S\$191,610,000 on EaR.

These sensitivity measures are based on statement of financial position and cover banking exposures. The calculation methodology for EaR assumes that rates for all tenors move in the same direction. In addition, rates for all products and currencies also move by the same amount. The net interest rate gap based on the earlier of contractual re-pricing or maturity dates of interest bearing on and off-balance sheet position within one year from the financial period end amounts to a net-positive gap of S\$5,116,158,000 (2018: S\$3,160,731,000).

(iii) *Exposure to foreign currency risk*

Foreign currency risk arises from the movements in exchange rates that adversely affect the revaluation of Bank's foreign currency positions. The Bank's foreign exchange exposure is managed centrally by the Global Markets department, who deploys standard Foreign Exchange instruments like Forward Contracts and Cross-Currency Swaps to manage the Bank's foreign exchange risk.

The Bank monitors the foreign exchange exposures against approved trading and stop loss limits for every business day. Limit exceptions are escalated according to policy stipulated.

The following summarises the Bank's sensitivity to a 10% change in currency rates against S\$:

2019	Change in currency rate %	Impact to current period profit before tax S\$'000
USD	+/- 10	+/-358
GBP	+/- 10	+/-21
AUD	+/- 10	+/-60
HKD	+/- 10	+/-11
EUR	+/- 10	+/-12
CNY	+/- 10	+/-1
Others	+/- 10	+/-16

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

(d) *Market risk (cont'd)*

(iii) *Exposure to foreign currency risk (cont'd)*

2018	Change in currency rate %	Impact to current period profit before tax S\$'000
USD	+/- 10	+/- 119
GBP	+/- 10	+/- 11
AUD	+/- 10	+/- 10
HKD	+/- 10	+/- 10
EUR	+/- 10	+/- 8
CNY	+/- 10	-/+ 1
Others	+/- 10	-/+ 11

Sensitivity is calculated using the net position in each currency, including off-balance sheet. This methodology does not consider option pay-offs as the Bank has a nominal open position in foreign exchange options. The largest net open position of the Bank as at 31 December 2019 is denominated in USD, with S\$ equivalent, S\$3,576,000 (2018: S\$1,192,000).

(e) *Operational risks*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.

Management of operational risk

The day-to-day operational risk management lies with the business and support units. The Operational Risk Management department is responsible for implementing the Operational Risk Management Framework (the "Framework") in partnership with the business and support units. The SMC endorses the operational risk profile, approves operational risk policies and reviews related reports.

The Framework is implemented to ensure that operational risks are properly identified, monitored, managed and reported in a structured, systematic and consistent manner. To manage and control operational risk, the Framework is supplemented with various tools including, control self-assessment, incident data collection, key risk indicator monitoring and Opvantage System. Business Continuity Management and insurance are also key operational risk mitigation measures.

34. Fair value of assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet derivative instruments. The fair value of a financial instrument is the amount for which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

Although management has employed its best judgement in the estimation of fair values, there is inevitably a significant element of subjectivity involved in the calculations. Therefore, the fair value estimates are not necessarily indicative of the amounts that the Bank could have realised in a sales transaction as at the end of the reporting period.

(a) *Fair value methodologies*

The following methods and assumptions are used to estimate the fair value of each class of financial instrument and depend on the terms and risk characteristics of the various instruments:

(i) *Financial instruments for which carrying value approximate fair value*

The carrying values of certain financial instruments on the statement of financial position, approximate fair values. These include cash and balances with central banks, bills receivable/payable, balances and placements with and loans to banks and other assets and liabilities. These financial instruments are either short-term in nature or are receivable/payable on demand or carried at market value.

(ii) *Government securities, treasury bills and debt securities*

Fair values of government securities, treasury bills and debt securities that are traded in active markets are based on the quoted market price or dealer price quotation at the end of the reporting period.

(iii) *Loans and advances to non-bank customers*

Fair values for loans that are subject to variable interest rates which re-price within one year have not been recalculated. Their carrying amounts are considered to be not materially different from their fair values.

For fixed interest rate loans, the Bank has estimated the fair values by taking into account the relevant market interest rates and credit spread and noted that the fair value is not materially different from the carrying amount at period end.

(iv) *Due from related corporations*

The fair value of amounts due from related corporations that mature or re-price within one year is assumed to approximate the carrying value.

For balances which mature or re-price after one year, fair value is principally estimated by discounting contractual cash flows based on market rates.

34. Fair value of assets and liabilities (cont'd)

(a) *Fair value methodologies (cont'd)*

(v) *Due to related corporations and deposits of non-bank customers*

The fair values of non-interest bearing, call and variable rate deposits and fixed rate deposits maturing or re-pricing within one year is assumed to approximate the carrying value.

For deposits of related corporations which mature or re-price after one year, fair value is estimated using discounted cash flow models, whereby contractual cash flows are discounted based on market rates.

For deposits of non-bank customers which mature or re-price after one year, fair value is estimated using discounted cash flow models, whereby contractual cash flows are discounted using current market fixed deposit rates.

(vi) *Contingent liabilities and commitments*

These financial instruments are generally not sold nor traded and estimated fair values are not readily ascertainable. Fair values of these items were not calculated for the following reasons. Firstly, very few of the commitments extending beyond six months would commit the Bank to a predetermined rate of interest. Secondly, the fees attached to these commitments are the same as those currently charged to enter into similar arrangements. Finally, the quantum of fees collected under these arrangements, upon which a fair value would be based, is not material.

(vii) *Derivatives financial instruments (notional)*

The fair values of foreign exchange contracts, interest rate swaps and options are obtained from quoted market prices, pricing model or discounted cash flow models as appropriate. The fair values of these instruments are disclosed in Note 32.

(b) *Summary*

The Bank has estimated the fair values of these financial instruments using the methodologies above and noted that the fair values are not materially different from their carrying values.

Valuation adjustment is also an integral part of the valuation process. The Bank makes valuation adjustments such as bid-ask spread adjustment and credit valuation adjustment to adjust mid-market valuations to the appropriate bid or offer valuation and to reflect the risk of counterparty default.

34. Fair value of assets and liabilities (cont'd)

(c) *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

There has been no transfer between Level 1 and Level 2 fair value measurement during the financial year ended 31 December 2019.

2019	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Financial assets measured at fair value on a recurring basis				
Singapore government securities and treasury bills	4,581,588	-	-	4,581,588
Other government securities and treasury bills	-	-	-	-
Debts securities	130,336	-	-	130,336
Derivative financial instruments	-	32,549	-	32,549
	<u>4,711,924</u>	<u>32,549</u>	<u>-</u>	<u>4,744,473</u>
Financial liabilities measured at fair value on a recurring basis				
Derivative financial instruments	-	34,581	-	34,581
	<u>-</u>	<u>34,581</u>	<u>-</u>	<u>34,581</u>

34. Fair value of assets and liabilities (cont'd)

(c) Fair value hierarchy (cont'd)

2018	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Financial assets measured at fair value on a recurring basis				
Singapore government securities and treasury bills	3,059,118	-	-	3,059,118
Other government securities and treasury bills	125,587	-	-	125,587
Debts securities	-	-	-	-
Derivative financial instruments	-	19,169	-	19,169
	3,184,705	19,169	-	3,203,874
Financial liabilities measured at fair value on a recurring basis				
Derivative financial instruments	-	19,497	-	19,497
	-	19,497	-	19,497

34. Fair value of assets and liabilities (cont'd)

(d) *Financial instruments classification*

The Bank's classification of its principal financial assets and liabilities is summarised in the table below:

2019	Financial assets at fair value			Financial assets at amortised cost S\$'000	Carrying amount S\$'000
	Held-for-trading S\$'000	Designated at fair value through profit or loss S\$'000	Other comprehensive Income ("FVOCI") S\$'000		
Financial assets					
Cash and balances with central bank	-	-	-	1,144,435	1,144,435
Singapore government securities and treasury bills	-	-	4,581,588	-	4,581,588
Other government securities and treasury bills	-	-	-	-	-
Debts securities	-	-	130,336	-	130,336
Balances and placements with and loans to banks	-	-	-	5,563,209	5,563,209
Bills receivable	-	-	-	29,441	29,441
Loans and advances to non-bank customers	-	-	-	21,965,778	21,965,778
Amounts due from related corporations	-	-	-	3,772,013	3,772,013
Other assets	32,549	-	-	193,563	226,112
Total as at 31 December 2019	32,549	-	4,711,924	32,668,439	37,412,912

2019	Financial liabilities at fair value			Financial liabilities at amortised cost S\$'000	Carrying amount S\$'000
	Held-for-trading S\$'000	Designated at fair value through profit or loss S\$'000			
Financial liabilities					
Deposits of and balances of banks	-	-	-	99,600	99,600
Deposits of non-bank customers	-	-	-	34,648,682	34,648,682
Bills payable	-	-	-	59,573	59,573
Amounts due to related corporations	-	-	-	4,792	4,792
Other liabilities	34,581	-	-	85,793	120,374
Lease liabilities	-	-	-	51,392	51,392
Total as at 31 December 2019	34,581	-	-	34,949,832	34,984,413

34. Fair value of assets and liabilities (cont'd)

(d) *Financial instruments classification (cont'd)*

2018	Financial assets at fair value			Financial assets at amortised cost S\$'000	Carrying amount S\$'000
	Held-for-trading S\$'000	Designated at fair value through profit or loss S\$'000	Other comprehensive income ("FVOCI") S\$'000		
Financial assets					
Cash and balances with central bank	-	-	-	1,316,742	1,316,742
Singapore government securities and treasury bills	-	-	3,059,118	-	3,059,118
Other government securities and treasury bills	-	-	125,587	-	125,587
Debts securities	-	-	-	-	-
Balances and placements with and loans to banks	-	-	-	2,641,754	2,641,754
Bills receivable	-	-	-	35,466	35,466
Loans and advances to non-bank customers	-	-	-	22,377,194	22,377,194
Amounts due from related corporations	-	-	-	4,040,853	4,040,853
Other assets	19,169	-	-	94,881	114,050
Total as at 31 December 2018	19,169	-	3,184,705	30,506,890	33,710,764
Financial liabilities at fair value					
2018	Held-for-trading S\$'000	Designated at fair value through profit or loss S\$'000	Financial liabilities at amortised cost S\$'000	Carrying amount S\$'000	
Financial liabilities					
Deposits of and balances of banks	-	-	-	-	
Deposits of non-bank customers	-	-	31,183,221	31,183,221	
Bills payable	-	-	72,996	72,996	
Amounts due to related corporations	-	-	4,062	4,062	
Other liabilities	19,497	-	90,799	110,296	
Total as at 31 December 2018	19,497	-	31,351,078	31,370,575	

Maybank Singapore Limited

Notes to the financial statements
For the financial year ended 31 December 2019

35. Non-current assets and liabilities

Non-current assets and liabilities of the Bank are set out below. Assets and liabilities other than those disclosed below are current:

	2019 S\$'000	2018 S\$'000
Liabilities		
Deposits of non-bank customers	3,120,037	2,930,849
Deferred tax liabilities	11,411	7,915
Lease liabilities	51,012	-
	<u>3,182,460</u>	<u>2,938,764</u>
Assets		
Singapore Government treasury bills and securities	360,330	-
Debt securities	130,336	-
Loans and advances to non-bank customers	19,209,225	19,494,272
Amount due from related corporations	-	2,000,000
Intangible assets	100,980	88,138
Right-of-use assets	51,573	-
Property, plant and equipment	17,570	19,646
	<u>19,870,014</u>	<u>21,602,056</u>

36. Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents are short-term liquid assets which are readily convertible into cash. Cash and cash equivalents comprise the following:

	2019 S\$'000	2018 S\$'000
Cash and non-restricted balances with central bank	28,201	324,631
Balances and placements with and loans to banks maturing within 3 months	5,564,592	2,642,313
Money market balances with related corporations maturing within 3 months	572,013	40,853
Total cash and cash equivalents	<u>6,164,806</u>	<u>3,007,797</u>
Expected credit loss on cash and cash equivalents	(1,383)	(559)
	<u>6,163,423</u>	<u>3,007,238</u>

37. Capital management

The Bank's capital management strategy is based on guidelines set out in the Capital Management Framework, Capital Contingency Plan and Annual Capital Plan, all of which are formally approved by the Board. The capital requirements are mapped out on an annual basis via the Annual Capital Plan with the key objective to optimise and to maintain a strong capital position to meet the expectation of various stakeholders.

	2019 S\$'000	2018 S\$'000
Share capital	2,400,000	2,400,000
Retained profits	136,845	18,916
	2,536,845	2,418,916

The Board maintains oversight of the regulatory capital of the Bank in line with regulatory requirements under the Monetary Authority of Singapore Notice to Banks No. 637 "*Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore*" and expectations of various stakeholders such as regulators. In accordance with 637, the Bank is required to comply with leverage ratio requirements based on its standalone capital strength. This would include minimum Common Equity Tier 1 Capital Adequacy Ratio ("CAR") of 6.5%, minimum Tier 1 CAR of 8% and total CAR of 10%.

The Bank has complied with all externally-imposed regulatory capital requirements throughout the financial year.

38. Related party transactions

In the normal course of banking business, the Bank has carried out transactions with its related corporations on terms as agreed between the parties.

In addition to the related parties transactions disclosed elsewhere in the financial statements, the Bank had the following significant related party transactions, on terms agreed and determined by the parties:

Key management remuneration

The remuneration of key management personnel comprises short-term employee benefits of S\$7,920,000 (2018: S\$738,000) and post-employment benefits of S\$159,000 (2018: S\$17,000).

There is S\$1,071,000 (2018: S\$174,000) of credit facilities provided to key management personnel as of 31 December 2019. These credit facilities are also made available to other employees of the Bank.

39. Events occurring after the reporting period

The Bank declared a first interim tax exempt (single-tier) dividend in respect of the financial year ending 31 December 2019 amounting to S\$136,800,000 at S\$0.057 per ordinary share. The dividend declaration was approved by the Board of Directors on 21 February 2020 and is expected to be paid in March 2020.

40. Authorisation of financial statements

The financial statements were authorised for issue by the Board of Directors on 21 February 2020.

Company Registration No. 201804195C

Maybank Singapore Limited

The following supplementary information does not form part of the financial statement of the Bank

31 December 2019

Maybank Singapore Limited

**Supplementary information
For the financial period ended 31 December 2019**

Capital adequacy ratios

The capital adequacy ratio and capital components of the Bank are:

There are three categories of regulatory capital:

- CET 1 Capital comprises paid-up ordinary share capital.
- Additional Tier 1 Capital - Nil in FY2019.
- Tier 2 Capital comprises accounting provisions in excess of MAS Notice 637 expected loss.

	2019
	%
CET1 capital ratio	18.195
Tier 1 capital ratio	18.195
Total capital ratio	18.497
	<hr/>
	2019
	S\$'000
Share capital	2,400,000
Disclosed reserve	139,644
Regulatory adjustments	(22,149)
Common Equity Tier 1 capital ("CET1")	2,517,495
Tier 1 capital	2,517,495
Tier 2 capital	
Provisions	41,715
Eligible total capital	2,559,210
	<hr/>
	2019
	S\$'000
Total RWA after floor adjustments	13,836,000
	<hr/>