

MAYBANK ISLAMIC BERHAD
(Co. Reg. No.: 200701029411)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Unaudited		Audited	
		31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	Cumulative 12 Months Ended 31 December 2018 RM'000
Income derived from investment of depositors' funds	A26	2,474,302	2,254,666	9,538,085	8,831,807
Income derived from investment of investment account funds	A27	248,938	278,621	1,051,729	1,099,068
Income derived from investment of shareholder's funds	A28	120,556	141,001	426,290	430,134
Writeback of/(allowances for) impairment losses on financing and advances, net	A29	254,437	32,940	282,866	(375,246)
Writeback of/(allowances for) impairment losses on financial investments, net	A30	1,006	764	(3,954)	7,537
(Allowances for)/writeback of impairment losses on other financial assets, net	A31	(1)	-	-	167
Total distributable income		3,099,238	2,707,992	11,295,016	9,993,467
Profit distributed to depositors	A32	(1,387,382)	(1,277,702)	(5,557,966)	(5,029,737)
Profit distributed to investment account holders		(126,758)	(140,205)	(566,816)	(597,724)
Total net income		1,585,098	1,290,085	5,170,234	4,366,006
Overhead expenses	A33	(340,886)	(378,498)	(1,453,793)	(1,417,570)
Finance cost	A34	(121,361)	(83,377)	(416,622)	(343,485)
Profit before taxation and zakat		1,122,851	828,210	3,299,819	2,604,951
Taxation	A35	(277,847)	(189,915)	(750,239)	(605,683)
Zakat	A35	(24,580)	(11,339)	(30,351)	(23,658)
Profit for the period/year		820,424	626,956	2,519,229	1,975,610
Profit attributable to:					
Equity holders of the parent		820,424	626,956	2,519,229	1,975,610
Earnings per share attributable to equity holder of the Bank					
- basic/diluted (sen)		242.08	197.95	743.33	655.36

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK ISLAMIC BERHAD
(Co. Reg. No.: 200701029411)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Profit for the period/year	820,424	626,956	2,519,229	1,975,610
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net gain on foreign exchange translation	139	-	82	-
Net (loss)/gain on financial investments at fair value through other comprehensive income	(62,969)	(1,507)	344,186	25,103
- Net (loss)/gain from change in fair value	(81,882)	(3,489)	454,140	27,873
- Changes in expected credit losses	(737)	1,145	(960)	3,920
- Income tax effect	19,650	837	(108,994)	(6,690)
Other comprehensive (loss)/income for the period/year, net of tax	(62,830)	(1,507)	344,268	25,103
Total comprehensive income for the period/year, net of tax	757,594	625,449	2,863,497	2,000,713
Total comprehensive income attributable to:				
Equity holders of the Bank	757,594	625,449	2,863,497	2,000,713

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds		21,703,239	21,922,103
Deposits and placements with banks and other financial institutions	A11	-	251,328
Financial investments at fair value through profit or loss	A12(i)	383,194	995,072
Financial investments at fair value through other comprehensive income	A12(ii)	15,292,520	12,447,389
Financial investments at amortised cost	A12(iii)	9,671,676	6,454,985
Financing and advances	A13	189,762,974	174,268,203
Derivative assets	A14	200,414	403,993
Other assets	A15	3,960,197	4,242,911
Statutory deposits with Bank Negara Malaysia		4,242,037	4,205,000
Property, plant and equipment	A16	1,458	-
Right-of-use assets		12,966	-
Deferred tax assets		-	24,077
TOTAL ASSETS		245,230,675	225,215,061
LIABILITIES			
Customers' funding:			
- Deposits from customers	A17	161,039,140	147,781,749
- Investment accounts of customers ¹	A18	20,737,670	23,565,061
Deposits and placements of banks and other financial institutions	A19	38,827,556	32,174,135
Bills and acceptances payable		137,893	11,050
Financial liabilities at fair value through profit or loss	A20	-	385,687
Derivative liabilities	A14	221,674	391,949
Other liabilities	A21	170,965	2,129,694
Provision for zakat		30,304	23,450
Term funding	A23	9,891,993	4,738,180
Subordinated sukuk	A24	2,028,311	2,534,301
Capital securities	A25	1,002,170	1,002,441
Deferred tax liabilities		83,002	-
TOTAL LIABILITIES		234,170,678	214,737,697

¹ Investment accounts of customers are used to fund financing and advances as disclosed in Note A13.

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 RM'000	31 December 2018 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Share capital		7,197,398	7,197,398
Retained profits		2,676,002	2,970,618
Other reserves		1,186,597	309,348
TOTAL SHAREHOLDER'S EQUITY		11,059,997	10,477,364
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		245,230,675	225,215,061
COMMITMENTS AND CONTINGENCIES	A37	63,976,328	59,033,318
<u>CAPITAL ADEQUACY</u>	A38		
The capital adequacy ratios of the Bank are as follows:			
CET1 capital ratio		14.101%	16.368%
Tier 1 capital ratio		15.508%	17.984%
Total capital ratio		18.845%	22.545%

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	<=====Non Distributable=====>					Distributable	
	Share capital RM'000	Equity contribution from the holding company RM'000	Fair Value Through Other Comprehensive Income reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2019	7,197,398	1,697	(5,865)	313,516	-	2,970,618	10,477,364
Profit for the year	-	-	-	-	-	2,519,229	2,519,229
Other comprehensive income	-	-	344,186	-	82	-	344,268
Total comprehensive income for the year	-	-	344,186	-	82	2,519,229	2,863,497
Transfer to regulatory reserve	-	-	-	532,981	-	(532,981)	-
Dividend on ordinary shares (Note A9(a)&(b))	-	-	-	-	-	(2,280,864)	(2,280,864)
Total transactions with shareholder/ other equity movements	-	-	-	532,981	-	(2,813,845)	(2,280,864)
At 31 December 2019	7,197,398	1,697	338,321	846,497	82	2,676,002	11,059,997

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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	<=====Non Distributable=====>			Distributable		Total equity RM'000
	Share capital RM'000	Equity contribution from the holding company RM'000	Fair Value Through Other Comprehensive Income reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
At 1 January 2018						
- as previously stated	5,481,783	1,697	(32,318)	508,700	3,351,547	9,311,409
- effect of adopting MFRS 9	-	-	1,350	(493,501)	(342,607)	(834,758)
At 1 January 2018, as restated	5,481,783	1,697	(30,968)	15,199	3,008,940	8,476,651
Profit for the year	-	-	-	-	1,975,610	1,975,610
Other comprehensive income	-	-	25,103	-	-	25,103
Total comprehensive income for the year	-	-	25,103	-	1,975,610	2,000,713
Transfer to regulatory reserve	-	-	-	298,317	(298,317)	-
Issue of ordinary shares	1,715,615	-	-	-	-	1,715,615
Dividend on ordinary shares	-	-	-	-	(1,715,615)	(1,715,615)
Total transactions with shareholder/ other equity movements	1,715,615	-	-	298,317	(2,013,932)	-
At 31 December 2018	7,197,398	1,697	(5,865)	313,516	2,970,618	10,477,364

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	31 December 2019 RM'000	31 December 2018 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	3,299,819	2,604,951
Adjustments for non-operating and non-cash items:		
Accretion of discount less amortisation of premium	(24,622)	(49,197)
(Writeback of)/allowances for impairment losses on financing and advances	(186,705)	418,692
Allowances for/(writeback of) impairment losses on financial investments	3,954	(7,537)
Writeback of impairment losses on other financial assets	-	(167)
Depreciation of property, plant and equipment	164	-
Depreciation of right-of-use assets	2,145	-
Finance cost on lease liabilities	240	-
Unrealised gains on revaluation of derivatives	(603)	(26,892)
Unrealised (gains)/losses on revaluation of financial investments at fair value through profit or loss	(909)	207
Unrealised (gains)/losses on revaluation of financial liabilities at fair value through profit or loss	(701)	6,187
Gains on disposal of financial investments at fair value through other comprehensive income	(74,112)	(5,870)
(Gains)/losses on disposal of financial investment at fair value through profit or loss	(7,523)	2,242
Gains on foreign exchange translations	(69,016)	(134,656)
ESGP expenses	1,239	-
Finance cost	416,622	343,485
Operating profit before working capital changes	<u>3,359,992</u>	<u>3,151,445</u>
Change in deposits and placements with banks and other financial institutions	251,328	(251,328)
Change in cash and short-term funds with original maturity of more than three months	50,452	(50,452)
Change in financial investments portfolio	(4,894,493)	(6,975,086)
Change in financing and advances	(15,307,126)	(13,664,593)
Change in derivative assets and liabilities	33,908	(147,483)
Change in other assets	274,394	2,482,449
Change in statutory deposits with Bank Negara Malaysia	(37,037)	(963,000)
Change in deposits from customers	13,257,391	17,884,309
Change in deposits and placements of banks and other financial institutions	6,722,421	4,070,651
Change in investment accounts of customers	(2,827,391)	(990,384)
Change in financial liabilities at fair value through profit or loss	(384,986)	(513,195)
Change in bills and acceptances payable	126,843	2,196
Change in other liabilities	(1,964,647)	1,794,642
Cash (used in)/generated from operating activities	<u>(1,338,951)</u>	<u>5,830,171</u>
Taxes and zakat paid	(775,651)	(542,331)
Net cash (used in)/generated from in operating activities	<u>(2,114,602)</u>	<u>5,287,840</u>

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CONDENSED FINANCIAL STATEMENTS
AUDITED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	31 December 2019 RM'000	31 December 2018 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,620)	-
Net cash used in investing activities	<u>(1,620)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issuance of shares	-	1,715,615
Dividend paid on ordinary shares	(2,280,864)	(1,715,615)
Dividend paid for capital securities	(49,771)	(49,500)
Redemption of subordinated sukuk	(500,000)	-
Dividend paid for subordinated sukuk	(104,250)	(117,750)
Drawdown/(redemption) of term funding	5,250,000	(207,063)
Dividend paid for term funding	(365,048)	(176,235)
Repayment of lease liabilities	(2,257)	-
Net cash generated from/(used in) investing activities	<u>1,947,810</u>	<u>(550,548)</u>
Net (decrease)/increase in cash and cash equivalents	(168,412)	4,737,292
Cash and cash equivalents at beginning of year	<u>21,871,651</u>	<u>17,134,359</u>
Cash and cash equivalents at end of year	<u>21,703,239</u>	<u>21,871,651</u>

Cash and cash equivalents included in the cash flow statements comprise the following amounts in Statements of Financial Position:

	31 December 2019 RM'000	31 December 2018 RM'000
Cash and cash equivalents comprise:		
Cash and short term funds	21,703,239	21,922,103
Deposits and placements with banks and other financial institutions	-	251,328
	<u>21,703,239</u>	<u>22,173,431</u>
Less:		
Cash and short-term funds and deposits and placements, with original maturity of more than three months	-	(301,780)
	<u>21,703,239</u>	<u>21,871,651</u>

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements)

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Part A: Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

A1. Basis of preparation

The unaudited condensed interim financial statements for Maybank Islamic Berhad (“MIB” or “the Bank”) have been prepared under the historical cost convention except for the following assets and liabilities that are stated at fair values: financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss, and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”), and the principles of Shariah.

The unaudited condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2018.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2018 except for adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), amendments to MFRSs, annual improvements to MFRSs and IC Interpretations which are effective for annual periods beginning on or after 1 January 2019:

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

The adoption of the above new MFRSs, amendments to MFRSs, annual improvements to MFRSs and IC Interpretations do not have any significant financial impact to the Bank's financial statements, except for as disclosed below:

MFRS 16 Leases

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

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A1. Basis of preparation (cont'd.)

MFRS 16 Leases (cont'd.)

MFRS 16 is effective for annual period beginning on or after 1 January 2019, with early application is permitted. MFRS 16 supersedes MFRS 117, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Bank is the lessor.

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

Leases previously classified as operating leases - The Bank as lessee

On 1 January 2019, the Bank has applied MFRS 16 for the first time using the modified retrospective approach. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank has recognised the right-of-use assets based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. The adoption of MFRS 16 have no impact to the Bank's retained earnings.

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

- (1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;
- (3) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and
- (4) The Bank used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The detailed financial impact of the adoption of MFRS 16 on the financial statements of the Bank is disclosed in Note A40.

A1. Basis of preparation (cont'd.)

MFRS 16 Leases (cont'd.)

Summary of new accounting policies

Right-of-Use ("ROU") Assets

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

The Bank recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the 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 ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment assessment.

Lease Liabilities

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

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

In calculating the PV of lease payment, the Bank uses its incremental funding rate at the commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is modification, a change in the lease term, a change in the fixed lease payment or a change in the assessment of an option to purchase the underlying asset.

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A1. Basis of preparation (cont'd.)

MFRS 16 Leases (cont'd.)

Summary of new accounting policies (cont'd.)

Short-Term Leases and Leases of Low-Value Assets

The Bank applies the short term lease recognition for lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Bank also applies the lease of office equipment that are considered to be low value. Lease payment on short term lease and lease on low value assets are recognised as expenses on a straight line basis over the lease term.

Significant Judgement in Determining the 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 three 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 reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Bank included the renewal period as part of the lease term for leases of premises and IT equipments due to the significance of these assets to its operations.

Revised Financial Reporting for Islamic Banking Institutions and Credit Risk policy document issued by Bank Negara Malaysia ("BNM")

On 27 September 2019, BNM issued a revised Financial Reporting for Islamic Banking Institutions and Credit Risk policy document which came into effect on 1 October 2019 and shall be applied prospectively. The revised policy document applies to financial institutions in Malaysia which covers licensed Islamic banks, licensed investment banks, licensed banks, and financial holding companies. The revised policy document superseded policy document issued by BNM previously, namely *Credit Risk and Financial Reporting for Islamic Banking Institutions* dated 22 January 2018 and 2 February 2018 respectively.

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

The application of the revised policy documents do not have any impact to the financial statements of the Bank.

A2. Significant Accounting Policies

The audited annual financial statements of the Bank for the financial year ended 31 December 2018 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 December 2018 except for the adoption of the new MFRSs, amendments to MFRSs, annual improvements to MFRSs and IC Interpretations which are effective for annual periods beginning on or after 1 January 2019 as disclosed in Note A1.

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A3. Significant Accounting Estimates and Judgements

The preparation of unaudited condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2018 except for the measurement of ROU assets and lease liabilities under MFRS 16 which involves increased complexity and judgement as disclosed in Note A1.

A4. Auditors' Report on Preceding Audited Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2018 was not qualified.

A5. Seasonal or Cyclical Factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors during the financial year ended 31 December 2019.

A6. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial year ended 31 December 2019.

A7. Changes in Estimates

There were no material changes in estimates during the financial year ended 31 December 2019.

A8. Changes in Debt and Equity Securities

(i) Save as disclosed below, there were no new shares issuance by the Bank during the financial year ended 31 December 2019.

(a) **Term funding**

Issuance of commercial papers by Maybank Islamic Berhad

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

Currency	Description	Aggregate Nominal Value (in Million)
RM	Zero Coupon Notes	8,000.0

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A8. Changes in Debt and Equity Securities (cont'd.)

- (ii) The following are the changes in debt securities for the Bank subsequent to the financial period ended 31 December 2019.

(a) **Subordinated Sukuk**

Issuance of Subordinated Sukuk Murabahah pursuant to the RM10.0 billion Subordinated Sukuk Programme by Maybank Islamic Berhad

Issuance	Issue Date	Maturity Date	Nominal Value	Description	Tenor
Issuance	5 April 2019	5 April 2029	RM1.0 billion	Tier 2 Subordinated Sukuk Murabahah (10 non-call 5)	10 years

Redemption of Subordinated Sukuk Murabahah pursuant to the RM10.0 billion Subordinated Sukuk Programme by Maybank Islamic Berhad

Redemption	First Call Date	Maturity Date	Nominal Value	Description	Tenor
Redemption	5 April 2019	5 April 2024	RM1.5 billion	Tier 2 Subordinated Sukuk Murabahah (10 non-call 5) ¹	10 years

¹ These subordinated sukuk were fully redeemed on the respective first call dates.

A9. Dividends Paid/Declared

- (a) During the Annual General Meeting held on 8 April 2019, a final single-tier dividend of RM3.64 per share on 338,910,000 ordinary shares, amounting to a dividend payable of RM1,233,632,400 was approved by shareholders. The payment of dividend was completed on 18 April 2019.
- (b) On 27 August 2019, the Board of Directors have declared an interim single-tier dividend in respect of the financial year ending 31 December 2019 of RM3.09 per share on 338,910,000 ordinary shares, amounting to RM1,047,231,900. The payment of dividend was completed on 29 August 2019.
- (c) At the forthcoming Annual General Meeting, a final tax-exempt (single tier) dividend in respect of the current financial year ended 31 December 2019 of RM4.32 per share on 338,910,000 ordinary shares, amounting to a dividend payable of RM1,464,091,200 will be proposed for the shareholder's approval.

A10. Related party transactions

All related party transactions within the Maybank Group had been entered into in the normal course of business and were carried out on normal commercial terms.

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A11. Deposits and placements with banks and other financial institutions

	31 December 2019 RM'000	31 December 2018 RM'000
Licensed Islamic banks	-	150,781
Other financial institutions	-	100,547
	<u>-</u>	<u>251,328</u>

A12. Financial investments portfolio

	Note	31 December 2019 RM'000	31 December 2018 RM'000
Financial investments at fair value through profit or loss	(i)	383,194	995,072
Financial investments at fair value through other comprehensive income	(ii)	15,292,520	12,447,389
Financial investments at amortised cost	(iii)	9,671,676	6,454,985
		<u>25,347,390</u>	<u>19,897,446</u>

(i) Financial investments at fair value through profit or loss ("FVTPL")

	31 December 2019 RM'000	31 December 2018 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	<u>383,194</u>	<u>745,765</u>
Unquoted securities:		
Outside Malaysia:		
Islamic Corporate Sukuk	<u>-</u>	<u>249,307</u>
Total financial investments at FVTPL	<u>383,194</u>	<u>995,072</u>

(ii) Financial investments at fair value through other comprehensive income ("FVOCI")

	31 December 2019 RM'000	31 December 2018 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	11,743,868	9,466,355
Negotiable Islamic Instruments of Deposits	1,198,172	-
Khazanah Sukuk	-	153,244
	<u>12,942,040</u>	<u>9,619,599</u>

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A12. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

	31 December 2019 RM'000	31 December 2018 RM'000
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	2,289,237	2,766,366
Government Sukuk	43,374	43,767
Equity	1,250	1,250
	2,333,861	2,811,383
Outside Malaysia:		
Islamic Corporate Sukuk	16,619	16,407
	2,350,480	2,827,790
Total financial investments at FVOCI	15,292,520	12,447,389

(a) Movements in the allowances for impairment losses on financial investments at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
As at 31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	484	44	-	528
Transferred to Stage 1	44	(44)	-	-
Net remeasurement of allowances	119	-	-	119
New financial assets originated or purchased	1,503	-	-	1,503
Financial assets derecognised	(197)	-	-	(197)
Changes in models/ risk parameters	(87)	-	-	(87)
At 31 December 2019	1,866	-	-	1,866

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A12. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

(a) Movements in the allowances for impairment losses on financial investments at FVOCI are as follows (cont'd.):

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
As at 31 December 2018	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				
- effect of adopting MFRS 9	1,131	155	-	1,286
At 1 January 2018, as restated	1,131	155	-	1,286
Transferred to Stage 2	(14)	14	-	-
Net remeasurement of allowances	229	30	-	259
New financial assets originated or purchased	57	-	-	57
Financial assets derecognised	(920)	(155)	-	(1,075)
Exchange differences	1	-	-	1
At 31 December 2018	<u>484</u>	<u>44</u>	<u>-</u>	<u>528</u>

(iii) Financial investments at amortised cost

	31 December 2019 RM'000	31 December 2018 RM'000
Money market instruments:		
Malaysian Government Investment Issues	<u>1,843,057</u>	<u>1,540,977</u>
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	<u>7,846,614</u>	<u>4,929,387</u>
Accumulated impairment losses	<u>(17,995)</u>	<u>(15,379)</u>
Total financial investments at amortised cost	<u>9,671,676</u>	<u>6,454,985</u>

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A12. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost (cont'd.)

(a) Movements in the allowances for impairment losses on financial investments at amortised cost are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
As at 31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	6,025	9,354	-	15,379
Transferred to Stage 1	9,354	(9,354)	-	-
Net remeasurement of allowances	(12,129)	-	-	(12,129)
New financial assets originated or purchased	15,500	-	-	15,500
Financial assets derecognised	(290)	-	-	(290)
Changes in models/ risk parameters	(465)	-	-	(465)
At 31 December 2019	<u>17,995</u>	<u>-</u>	<u>-</u>	<u>17,995</u>

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
As at 31 December 2018	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				22,157
- effect of adopting MFRS 9				22,157
At 1 January 2018, as restated	8,493	13,664	-	22,157
Net remeasurement of allowances	(6,253)	(4,310)	-	(10,563)
New financial assets originated or purchased	5,194	-	-	5,194
Financial assets derecognised	(1,409)	-	-	(1,409)
At 31 December 2018	<u>6,025</u>	<u>9,354</u>	<u>-</u>	<u>15,379</u>

A13. Financing and advances

	31 December 2019 RM'000	31 December 2018 RM'000
Financing and advances:		
(A) Financing and advances at FVOCI	440,383	471,122
(B) Financing and advances at amortised cost	<u>280,650,934</u>	<u>271,226,088</u>
	<u>281,091,317</u>	<u>271,697,210</u>
Unearned income	<u>(89,087,920)</u>	<u>(94,879,201)</u>
Gross financing and advances	<u>192,003,397</u>	<u>176,818,009</u>
Allowances for ECL and impairment losses:		
- Stage 1 - 12-month ECL	(371,029)	(510,284)
- Stage 2 - Lifetime ECL not credit impaired	(616,576)	(983,711)
- Stage 3 - Lifetime ECL credit impaired	<u>(1,252,818)</u>	<u>(1,055,811)</u>
Net financing and advances	<u>189,762,974</u>	<u>174,268,203</u>

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A13. Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah concepts are as follows:

As at 31 December 2019	Bai'¹ RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al- Bai' ("AITAB")² RM'000	Ijarah³ RM'000	Istisna' RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	6,780,832	-	-	-	-	-	6,780,832
Term financing								
- House financing	14,680,463	70,986,581	1,975,592	-	-	-	616	87,643,252
- Syndicated financing	-	7,000,329	-	-	-	-	-	7,000,329
- Hire purchase receivables	-	4,195,944	-	36,895,190	-	-	-	41,091,134
- Lease receivables	-	-	-	-	195,334	-	-	195,334
- Other term financing	13,743,113	99,727,445	692,965	-	-	115,407	17,846	114,296,776
Trust receipts	-	140,437	-	-	-	-	-	140,437
Claims on customers under acceptance credits	-	5,275,548	-	-	-	-	-	5,275,548
Staff financing	445,245	1,889,985	8,753	175,080	636	-	42,796	2,562,495
Credit card receivables	-	-	-	-	-	-	1,269,625	1,269,625
Revolving credit	-	14,808,884	-	-	-	-	-	14,808,884
Share Margin Financing	-	19,594	-	-	-	-	-	19,594
Financing to:								
- Directors of the Bank	-	6,160	-	299	-	-	138	6,597
- Directors of related companies	-	480	-	-	-	-	-	480
	28,868,821	210,832,219	2,677,310	37,070,569	195,970	115,407	1,331,021	281,091,317
Unearned income								(89,087,920)
Gross financing and advances ⁴								192,003,397
Allowances for ECL and impairment losses:								
- Stage 1 - 12-month ECL								(371,029)
- Stage 2 - Lifetime ECL not credit impaired								(616,576)
- Stage 3 - Lifetime ECL credit impaired								(1,252,818)
Net financing and advances								189,762,974

¹ Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.

² The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.

³ The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.

⁴ Included in financing and advances are the underlying assets under the RPSIA and Investment Accounts of Customers ("IA").

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A13. Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah concepts are as follows (cont'd.):

As at 31 December 2018	Bai'¹	Murabahah	Musharakah	Al-Ijarah Thumma Al- Bai' ("AITAB")²	Ijarah³	Istisna'	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	6,113,117	-	-	-	126	-	6,113,243
Term financing								
- House financing	15,968,002	65,870,117	2,140,367	-	-	-	627	83,979,113
- Syndicated financing	-	1,432,287	-	-	-	-	-	1,432,287
- Hire purchase receivables	-	224,525	-	37,895,766	-	-	-	38,120,291
- Lease receivables	-	-	-	-	9,450	-	-	9,450
- Other term financing	17,456,478	99,485,956	563,979	-	102,001	127,395	17,280	117,753,089
Bills receivable	-	163	-	-	-	-	799	962
Trust receipts	-	145,613	-	-	-	-	-	145,613
Claims on customers under acceptance credits	-	4,921,799	-	-	-	-	-	4,921,799
Staff financing	517,202	1,670,905	8,965	156,713	2,539	-	50,956	2,407,280
Credit card receivables	-	-	-	-	-	-	1,104,219	1,104,219
Revolving credit	-	15,681,860	-	-	-	-	-	15,681,860
Share Margin Financing	-	22,322	-	-	-	-	-	22,322
Financing to:								
- Directors of the Bank	-	2,503	-	465	-	-	8	2,976
- Directors of related companies	-	2,030	-	676	-	-	-	2,706
	<u>33,941,682</u>	<u>195,573,197</u>	<u>2,713,311</u>	<u>38,053,620</u>	<u>113,990</u>	<u>127,521</u>	<u>1,173,889</u>	<u>271,697,210</u>
Unearned income								<u>(94,879,201)</u>
Gross financing and advances ⁴								176,818,009
Allowances for ECL and impairment losses:								
- Stage 1 - 12-month ECL								(510,284)
- Stage 2 - Lifetime ECL not credit impaired								(983,711)
- Stage 3 - Lifetime ECL credit impaired								<u>(1,055,811)</u>
Net financing and advances								<u>174,268,203</u>

¹ Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.

² The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.

³ The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.

⁴ Included in financing and advances are the underlying assets under the RPSIA and Investment Accounts of Customers ("IA").

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A13. Financing and advances (cont'd.)

(ii) Financing and advances analysed by type of customers are as follows:

	31 December 2019 RM'000	31 December 2018 RM'000
Domestic non-banking financial institutions	4,193,842	4,616,580
Domestic business enterprises:		
- Small and medium enterprises	22,997,908	34,744,124
- Others	32,936,985	17,178,166
Government and statutory bodies	14,253,189	13,517,323
Individuals	116,114,222	105,109,091
Other domestic entities	25,025	26,714
Foreign entities in Malaysia	1,482,226	1,626,011
Gross financing and advances	192,003,397	176,818,009

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	31 December 2019 RM'000	31 December 2018 RM'000
Fixed rate:		
- House financing	1,279,574	1,240,669
- Hire purchase receivables	36,490,909	33,187,018
- Other financing	23,203,040	25,597,990
Floating rate:		
- House financing	46,955,607	40,537,477
- Other financing	84,074,267	76,254,855
Gross financing and advances	192,003,397	176,818,009

(iv) Financing and advances analysed by their economic purposes are as follows:

	31 December 2019 RM'000	31 December 2018 RM'000
Purchase of securities	24,573,547	23,163,495
Purchase of transport vehicles	36,351,827	33,118,017
Purchase of landed properties:		
- Residential	47,209,422	40,756,304
- Non-residential	13,313,594	11,874,200
Purchase of fixed assets (excluding landed properties)	101,103	54,876
Personal use	3,995,649	3,853,527
Purchase of consumer durables	226	302
Constructions	3,005,311	2,576,566
Working capital	62,136,061	60,261,860
Credit/charge card	1,316,657	1,158,862
Gross financing and advances	192,003,397	176,818,009

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A13. Financing and advances (cont'd.)

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

	31 December 2019 RM'000	31 December 2018 RM'000
Within one year	33,800,893	33,069,988
One year to three years	7,675,303	6,912,461
Three years to five years	15,454,866	14,374,816
After five years	135,072,335	122,460,744
Gross financing and advances	<u>192,003,397</u>	<u>176,818,009</u>

(vi) Movements in the impaired financing and advances are as follows:

	31 December 2019 RM'000	31 December 2018 RM'000
At 1 January		
- as previously stated	2,094,107	1,710,533
- effect of adopting MFRS 9	-	121,439
Gross impaired financing and advances at 1 January, as restated	<u>2,094,107</u>	<u>1,831,972</u>
Impaired during the financial year	996,099	1,367,882
Reclassified as non-impaired	(118,390)	(228,568)
Amount recovered	(92,496)	(444,519)
Amount written-off	<u>(359,705)</u>	<u>(432,660)</u>
Gross impaired financing and advances at 31 December	2,519,615	2,094,107
Less: Stage 3 - Lifetime ECL credit impaired	<u>(1,252,818)</u>	<u>(1,055,811)</u>
Net impaired financing and advances at 31 December	<u>1,266,797</u>	<u>1,038,296</u>

Calculation of ratio of net impaired financing and advances
(excluding financing funded by RPSIA and IA):

Gross impaired financing and advances	2,395,279	2,030,688
Less: Stage 3 - Lifetime ECL credit impaired	<u>(1,252,818)</u>	<u>(1,055,811)</u>
Net impaired financing and advances	<u>1,142,461</u>	<u>974,877</u>
Gross financing and advances	153,974,211	137,310,796
Less: Allowances for impaired financing and advances at amortised cost and at fair value through other comprehensive income	<u>(2,243,324)</u>	<u>(2,555,005)</u>
Net financing and advances	<u>151,730,887</u>	<u>134,755,791</u>
Ratio of net impaired financing and advances	<u>0.75%</u>	<u>0.72%</u>

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A13. Financing and advances (cont'd.)

(vii) Impaired financing and advances analysed by their economic purpose are as follows:

	31 December 2019 RM'000	31 December 2018 RM'000
Purchase of securities	3,230	5,666
Purchase of transport vehicles	185,196	189,958
Purchase of landed properties:		
- Residential	307,530	278,783
- Non-residential	191,711	142,442
Purchase of fixed assets (exclude landed properties)	995	527
Personal use	53,901	37,998
Credit/charge cards	8,450	8,372
Purchase of consumer durables	3	8
Constructions	256,497	244,765
Working capital	1,512,102	1,185,588
Gross impaired financing and advances	2,519,615	2,094,107

(viii) Movement in the allowance for impairment losses on financing and advances are as follows:

At fair value through other comprehensive income

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
As at 31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	1,399	3,800	-	5,199
Changes in models/risk parameters	(876)	(1,422)	-	(2,298)
At 31 December 2019	523	2,378	-	2,901

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A13. Financing and advances (cont'd.)

(viii) Movement in the allowance for impairment losses on financing and advances are as follows (cont'd.):

At fair value through other comprehensive income (cont'd.)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
As at 31 December 2018	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				
- effect of adopting MFRS 9	522	-	-	522
At 1 January 2018, as restated	522	-	-	522
Net remeasurement of allowances	45	-	-	45
New financial assets originated or purchased	1,354	3,800	-	5,154
Financial assets derecognised	(522)	-	-	(522)
At 31 December 2018	<u>1,399</u>	<u>3,800</u>	<u>-</u>	<u>5,199</u>

At amortised cost

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
As at 31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	510,284	983,711	1,055,811	2,549,806
Transferred to Stage 1	210,983	(201,830)	(9,153)	-
Transferred to Stage 2	(26,947)	94,232	(67,285)	-
Transferred to Stage 3	(1,866)	(86,803)	88,669	-
Net remeasurement of allowances	(210,195)	34,631	517,854	342,290
New financial assets originated or purchased	128,082	119,126	-	247,208
Financial assets derecognised	(59,128)	(167,654)	(205,786)	(432,568)
Changes in models/risk parameters	(197,209)	(163,389)	1,683	(358,915)
Amount related to Restricted Investment Accounts*	17,221	5,530	238,801	261,552
Amount written-off	-	-	(359,705)	(359,705)
Exchange differences	(196)	(978)	(8,071)	(9,245)
At 31 December 2019	<u>371,029</u>	<u>616,576</u>	<u>1,252,818</u>	<u>2,240,423</u>

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A13. Financing and advances (cont'd.)

(viii) Movement in the allowance for impairment losses on financing and advances are as follows (cont'd.):

At amortised cost (cont'd.)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
As at 31 December 2018	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				
- as previously stated - MFRS 139				1,482,363
- effect of adopting MFRS 9				1,051,345
At 1 January 2018, as restated	409,260	1,058,009	1,066,439	2,533,708
Transferred to Stage 1	410,336	(263,234)	(147,102)	-
Transferred to Stage 2	(32,812)	69,092	(36,280)	-
Transferred to Stage 3	(2,942)	(96,473)	99,415	-
Net remeasurement of allowances*	(329,067)	180,529	723,244	574,706
New financial assets originated or purchased	194,840	128,773	-	323,613
Financial assets derecognised	(69,870)	(87,251)	(267,462)	(424,583)
Changes in models/risk parameters	(69,473)	(6,305)	(1,683)	(77,461)
Amount related to Restricted Investment Accounts	-	-	50,553	50,553
Amount written-off	-	-	(432,659)	(432,659)
Exchange differences	12	571	1,346	1,929
At 31 December 2018	<u>510,284</u>	<u>983,711</u>	<u>1,055,811</u>	<u>2,549,806</u>

* As at 31 December 2019, the gross exposure of the financing funded by RPSIA was RM17,291.5 million (31 December 2018: RM15,942.2 million). The expected credit loss relating to these financing amounting to RM263.7 million (31 December 2018: RM274.5 million) is accounted for by the holding company.

The gross exposure of the financing funded by IA as at 31 December 2019 was RM20,737.7million (31 December 2018: RM23,565.1 million).

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A14. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the financial year ended and are indicative of neither the market risks nor the credit risk.

The Bank enters into derivative financial instruments at the request and on behalf of its customers as well as to hedge the Bank's own exposures and not for speculative purpose.

	31 December 2019			31 December 2018		
	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
<u>Trading derivatives</u>						
<u>Foreign exchange related contracts</u>						
Currency forwards:						
- Less than one year	5,676,819	14,924	(92,608)	5,493,987	114,998	(24,049)
- One year to three years	806,712	3,254	(3,254)	870,321	4,883	(4,913)
- More than three years	2,195,804	5,786	(5,786)	60,842	49	(49)
	<u>8,679,335</u>	<u>23,964</u>	<u>(101,648)</u>	<u>6,425,150</u>	<u>119,930</u>	<u>(29,011)</u>
Currency swaps:						
- Less than one year	9,668,773	72,024	(26,213)	5,893,262	50,859	(135,612)
- One year to three years	-	-	-	27,111	44	(14)
	<u>9,668,773</u>	<u>72,024</u>	<u>(26,213)</u>	<u>5,920,373</u>	<u>50,903</u>	<u>(135,626)</u>
Currency spot:						
- Less than one year	199,992	78	(329)	191,924	69	(66)
Currency options:						
- Less than one year	730	1	(1)	-	-	-

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A14. Derivative financial instruments (cont'd.)

	31 December 2019			31 December 2018		
	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Trading derivatives (cont'd.)						
<u>Foreign exchange related contracts (cont'd.)</u>						
Cross currency profit rate swaps:						
- Less than one year	636,033	35,350	(35,180)	-	-	-
- One year to three years	2,094,722	7,652	(7,652)	639,685	36,618	(36,110)
- More than three years	48,050	139	(139)	2,065,349	59,109	(59,109)
	<u>2,778,805</u>	<u>43,141</u>	<u>(42,971)</u>	<u>2,705,034</u>	<u>95,727</u>	<u>(95,219)</u>
<u>Profit rate related contracts</u>						
Profit rate options:						
- One year to three years	-	-	-	680,000	1,316	(2,734)
- More than three years	-	-	-	100,000	352	(352)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,000</u>	<u>1,668</u>	<u>(3,086)</u>
Profit rate swaps:						
- Less than one year	100,000	77	(77)	750,000	795	(765)
- One year to three years	571,880	4,394	(4,386)	182,770	1,572	(1,560)
- More than three years	3,351,901	56,735	(46,049)	3,885,554	19,186	(12,552)
	<u>4,023,781</u>	<u>61,206</u>	<u>(50,512)</u>	<u>4,818,324</u>	<u>21,553</u>	<u>(14,877)</u>
	<u>25,351,416</u>	<u>200,414</u>	<u>(221,674)</u>	<u>20,840,805</u>	<u>289,850</u>	<u>(277,885)</u>

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A14. Derivative financial instruments (cont'd.)

	31 December 2019			31 December 2018		
	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
<u>Hedging derivatives</u>						
<u>Foreign exchange related contracts</u>						
Cross currency profit rate swaps:						
- Less than one year	-	-	-	1,515,787	112,648	(112,648)
<u>Profit rate related contracts</u>						
Profit rate swaps:						
- Less than one year	-	-	-	620,776	1,495	(1,416)
	-	-	-	2,136,563	114,143	(114,064)
Total	25,351,416	200,414	(221,674)	22,977,368	403,993	(391,949)

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A15. Other assets

	31 December 2019 RM'000	31 December 2018 RM'000
Amount due from holding company	3,096,001	3,569,497
Handling fees	187,327	170,830
Prepayments and deposits	279,790	276,695
Tax recoverable	128,133	176,213
Others debtors	268,946	49,676
	<u>3,960,197</u>	<u>4,242,911</u>

A16. Property, plant and equipment

As at 31 December 2019	Office furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2019	-	-	-	-
Additions	1,083	139	398	1,620
At 31 December 2019	<u>1,083</u>	<u>139</u>	<u>398</u>	<u>1,620</u>
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Depreciation charge for the financial year	123	7	34	164
Exchange differences	(1)	-	(1)	(2)
At 31 December 2019	<u>122</u>	<u>7</u>	<u>33</u>	<u>162</u>
Net carrying amount	<u>961</u>	<u>132</u>	<u>365</u>	<u>1,458</u>

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A17. Deposits from customers

(i) By type of deposits

	31 December 2019 RM'000	31 December 2018 RM'000
Savings deposits		
Qard	17,504,325	16,081,568
Demand deposits		
Qard	19,704,598	18,403,932
Term deposits		
Murabahah	123,236,922	111,692,152
Qard	593,295	1,604,097
	123,830,217	113,296,249
	161,039,140	147,781,749

(ii) By type of customers

	31 December 2019 RM'000	31 December 2018 RM'000
Business enterprises	58,847,094	51,815,432
Individuals	39,051,336	39,445,354
Government and statutory bodies	30,521,401	26,423,140
Others	32,619,309	30,097,823
	161,039,140	147,781,749

A18. Investment accounts of customers

	31 December 2019 RM'000	31 December 2018 RM'000
Mudharabah		
Unrestricted Investment accounts	20,616,075	23,445,562
Restricted Investment accounts*	121,595	119,499
	20,737,670	23,565,061

* Net of expected credit losses associated with the financing assets funded by the Restricted Investment Accounts.

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A18. Investment accounts of customers (cont'd.)

(i) Investment accounts are sourced from the following type of customers:

	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
As at 31 December 2019			
Business enterprises	10,538,830	121,595	10,660,425
Individuals	8,922,749	-	8,922,749
Government and statutory bodies	95,817	-	95,817
Others	1,058,679	-	1,058,679
	<u>20,616,075</u>	<u>121,595</u>	<u>20,737,670</u>
As at 31 December 2018			
Business enterprises	11,814,357	119,499	11,933,856
Individuals	10,475,578	-	10,475,578
Government and statutory bodies	128,414	-	128,414
Others	1,027,213	-	1,027,213
	<u>23,445,562</u>	<u>119,499</u>	<u>23,565,061</u>

(ii) Maturity structure of investment accounts are as follows:

	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
As at 31 December 2019			
- without maturity	13,387,845	-	13,387,845
- with maturity			
Within six months	5,577,342	121,595	5,698,937
Six months to one year	1,633,073	-	1,633,073
One year to three years	15,045	-	15,045
Three years to five years	2,770	-	2,770
	<u>7,228,230</u>	<u>121,595</u>	<u>7,349,825</u>
	<u>20,616,075</u>	<u>121,595</u>	<u>20,737,670</u>

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A18. Investment accounts of customers (cont'd.)

(ii) Maturity structure of investment accounts are as follows (cont'd.):

As at 31 December 2018	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
- without maturity	13,067,406	-	13,067,406
- with maturity			
Within six months	8,233,509	119,499	8,353,008
Six months to one year	2,125,559	-	2,125,559
One year to three years	5,176	-	5,176
Three years to five years	13,912	-	13,912
	<u>10,378,156</u>	<u>119,499</u>	<u>10,497,655</u>
	<u>23,445,562</u>	<u>119,499</u>	<u>23,565,061</u>

(iii) The allocation of investment asset are as follows:

As at 31 December 2019	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
Retail financing	18,855,165	-	18,855,165
Non-retail financing	1,760,910	121,595	1,882,505
	<u>20,616,075</u>	<u>121,595</u>	<u>20,737,670</u>
 As at 31 December 2018			
Retail financing	21,644,759	-	21,644,759
Non-retail financing	1,800,803	119,499	1,920,302
	<u>23,445,562</u>	<u>119,499</u>	<u>23,565,061</u>

(iv) Profit sharing ratio and rate of return are as follows:

	Investment account holder ("IAH")	
	Average profit sharing ratio (%)	Average rate of return (%)
As at 31 December 2019		
Unrestricted investment accounts	51.62	2.61
Restricted investment accounts	99.95	4.19
 As at 31 December 2018		
Unrestricted investment accounts	55.00	2.82
Restricted investment accounts	99.95	4.31

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A19. Deposits and placements of banks and other financial institutions

	31 December 2019 RM'000	31 December 2018 RM'000
<u>Mudharabah Fund</u>		
Licensed banks*	19,307,946	17,223,165
<u>Non-Mudharabah Fund</u>		
Licensed banks	16,381,929	11,767,354
Licensed Islamic banks	1,125,849	497,383
Licensed investment banks	199,691	-
Other financial institutions	1,812,141	2,686,233
	19,519,610	14,950,970
	38,827,556	32,174,135

* Mudharabah deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the holding company amounting to RM19,307.9 million (31 December 2018: RM17,223.2 million). These placements are used to fund certain specific financing and advances. The amount was net of expected credit losses associated with the financing assets funded by RPSIA.

A20. Financial liabilities at fair value through profit or loss

	31 December 2019 RM'000	31 December 2018 RM'000
Structured deposits	-	385,687

The carrying amount of structured deposits designated at fair value through profit or loss of the Bank as at 31 December 2018 was RM384,986,000. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

A21. Other liabilities

	Note	31 December 2019 RM'000	31 December 2018 RM'000
Sundry creditors		67,616	1,979,769
Deposit on trade financing		35,092	25,407
Provisions and accruals		27,610	25,360
Margin account with holding company		-	27,450
Allowances for impairment losses on financing commitments and financial guarantee contracts	(i)	26,682	30,942
Lease liabilities		12,228	-
Structured deposits		1,737	-
Others		-	40,766
		170,965	2,129,694

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A21. Other liabilities (cont'd.)

- (i) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
As at 31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	24,192	6,475	275	30,942
Transferred to Stage 1	130	(130)	-	-
Transferred to Stage 2	(302)	751	(449)	-
Transferred to Stage 3	-	(7)	7	-
Net remeasurement of allowances	(5,339)	(1,583)	2,579	(4,343)
New financial assets originated or purchased	3,519	2,690	-	6,209
Financial assets derecognised	(2,191)	(4,095)	(274)	(6,560)
Changes in models/risk parameters	4	455	-	459
Exchange differences	(10)	(15)	-	(25)
At 31 December 2019	20,003	4,541	2,138	26,682

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
As at 31 December 2018	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				
- effect of adopting MFRS 9	14,888	7,550	2,222	24,660
At 1 January 2018, as restated	14,888	7,550	2,222	24,660
Transferred to Stage 1	699	(563)	(136)	-
Transferred to Stage 2	(14)	464	(450)	-
Net remeasurement of allowances	9,183	(876)	(1,256)	7,051
New financial assets originated or purchased	2,596	3,079	269	5,944
Financial assets derecognised	(3,965)	(3,187)	(388)	(7,540)
Exchange differences	805	8	14	827
At 31 December 2018	24,192	6,475	275	30,942

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A22. Sources and uses of charity funds

	31 December 2019 RM'000	31 December 2018 RM'000
Sources of charity funds		
Shariah non-compliant/prohibited income	-*	28
Total sources of charity funds during the year	-*	28
Uses of charity funds		
Contribution to non-profit organisation	-*	28
Total uses of charity funds during the year	-*	28
Undistributed charity funds at 31 December	-*	-

* Denotes RM36.72

A23. Term Funding

	31 December 2019 RM'000	31 December 2018 RM'000
Unsecured term funding:		
(a) Commercial Paper		
- Less than one year	7,888,771	2,734,958
(b) Medium Term Notes		
- More than one year	2,003,222	2,003,222
Total term funding	9,891,993	4,738,180

A24. Subordinated Sukuk

	31 December 2019 RM'000	31 December 2018 RM'000
RM1,500 million subordinated sukuk due in 2024	-	1,516,593
RM1,000 million subordinated sukuk due in 2026	1,017,708	1,017,708
RM1,000 million subordinated sukuk due in 2029	1,010,603	-
	2,028,311	2,534,301

A25. Capital Securities

	31 December 2019 RM'000	31 December 2018 RM'000
RM1,000 million 4.95% Additional Tier 1 Sukuk Wakalah	1,002,170	1,002,441

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A26. Income derived from investment of depositors' funds

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Income derived from investment of:				
i) General investment deposits	1,800,123	1,716,563	7,334,262	6,770,867
ii) Other deposits	674,179	538,103	2,203,823	2,060,940
	2,474,302	2,254,666	9,538,085	8,831,807

i) Income derived from investment of general investment deposits

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Finance income and hibah				
Financing and advances	1,424,031	1,407,139	5,804,548	5,480,214
Money at call and deposit with financial institutions	84,967	71,920	395,819	363,169
Financial investments at fair value through other comprehensive income	97,326	86,674	373,320	320,704
Financial investments at amortised cost	83,116	61,328	315,222	178,607
Financial investments at fair value through profit or loss	635	3,256	10,382	7,579
	1,690,075	1,630,317	6,899,291	6,350,273
Accretion of discounts less amortisation of premium	6,204	(215)	18,123	35,965
Total finance income and hibah	1,696,279	1,630,102	6,917,414	6,386,238
Other operating income :				
Fee income:				
- Processing fees	13,887	13,129	32,065	40,849
- Commissions	28,328	24,860	116,288	99,055
- Service charges and other fees	38,418	24,424	153,024	123,036
Gains on disposal of financial investments at fair value through other comprehensive income	21,361	2,134	54,550	4,291
(Losses)/gains on disposal of financial investments at fair value through profit or loss	(345)	(523)	5,537	(1,639)
Unrealised gains/(losses) on revaluation of:				
- Financial investments at fair value through profit or loss	508	89	669	(151)
- Financial liabilities at fair value through profit or loss	(11)	787	516	(4,523)
- Derivatives	(1,395)	12,453	444	19,659
Gains/(losses) on foreign exchange:				
- Realised	11,634	10,329	45,171	(24,710)
- Unrealised	(8,849)	1,529	5,629	123,149
Realised gains/(losses) on derivatives	308	(2,750)	2,955	5,613
	1,800,123	1,716,563	7,334,262	6,770,867

Included in finance income are income on impaired assets amounting to RM57.9 million (31 December 2018: RM41.6 million).

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A26. Income derived from investment of depositors' funds (cont'd.)

ii) Income derived from investment of other deposits

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Finance income and hibah				
Financing and advances	533,389	440,890	1,744,170	1,668,086
Money at call and deposit with financial institutions	33,017	22,790	118,937	110,542
Financial investments at fair value through other comprehensive income	35,892	27,105	112,177	97,617
Financial investments at amortised cost	30,564	19,029	94,719	54,365
Financial investments at fair value through profit or loss	426	1,005	3,120	2,307
	633,288	510,819	2,073,123	1,932,917
Accretion of discounts less amortisation of premium	2,152	46	5,446	10,947
Total finance income and hibah	635,440	510,865	2,078,569	1,943,864
Other operating income :				
Fee income:				
- Processing fees	4,611	4,083	9,635	12,435
- Commissions	10,630	7,796	34,942	30,151
- Service charges and other fees	14,304	7,739	45,981	37,450
Gains on disposal of financial investments at fair value through other comprehensive income	7,218	656	16,391	1,306
Gains/(losses) on disposal of financial investments at fair value through profit or loss	38	(163)	1,664	(499)
Unrealised gains/(losses) on revaluation of:				
- Financial investments at fair value through profit or loss	156	26	201	(46)
- Financial liabilities at fair value through profit or loss	9	223	155	(1,377)
- Derivatives	(375)	3,813	133	5,984
Gains/(losses) on foreign exchange:				
- Realised	4,303	3,036	13,573	(7,521)
- Unrealised	(2,311)	841	1,691	37,485
Realised gains/(losses) on derivatives	156	(812)	888	1,708
	674,179	538,103	2,203,823	2,060,940

Included in finance income are income on impaired assets amounting to RM17.4 million (31 December 2018: RM12.7 million).

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A27. Income derived from investment of investment account funds

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Financing and advances	248,841	269,015	1,051,371	1,078,834
Total finance income and hibah	<u>248,841</u>	<u>269,015</u>	<u>1,051,371</u>	<u>1,078,834</u>
Other operating income :				
Fee income:				
- Commissions	74	149	282	1,107
- Service charges and other fees	23	9,457	76	19,127
	<u>248,938</u>	<u>278,621</u>	<u>1,051,729</u>	<u>1,099,068</u>

A28. Income derived from investment of shareholder's funds

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Finance income and hibah				
Financing and advances	95,375	115,140	337,378	348,143
Money at call and deposit with financial institutions	5,833	6,410	23,006	23,071
Financial investments at fair value through other comprehensive income	6,452	6,985	21,699	20,373
Financial investments at amortised cost	5,499	4,637	18,322	11,346
Financial investments at fair value through profit or loss	65	234	603	481
	<u>113,224</u>	<u>133,406</u>	<u>401,008</u>	<u>403,414</u>
Accretion of discounts less amortisation of premium	395	215	1,053	2,285
Total finance income and hibah	<u>113,619</u>	<u>133,621</u>	<u>402,061</u>	<u>405,699</u>
Other operating income :				
Fee income:				
- Processing fees	860	1,009	1,864	2,595
- Commissions	1,900	2,049	6,759	6,293
- Service charges and other fees	2,563	2,175	8,894	7,816
Gains on disposal of financial investments at fair value through other comprehensive income	1,337	150	3,171	273
(Losses)/gains on disposal of financial investments at fair value through profit or loss	(3)	(40)	322	(104)
Unrealised gains/(losses) on revaluation of:				
- Financial investments at fair value through profit or loss	30	4	39	(10)
- Financial liabilities at fair value through profit or loss	1	17	30	(287)
- Derivatives	(76)	837	26	1,249
Gains/(losses) on foreign exchange:				
- Realised	772	434	2,625	(1,570)
- Unrealised	(473)	866	327	7,823
Realised gains/(losses) on derivatives	26	(121)	172	357
	<u>120,556</u>	<u>141,001</u>	<u>426,290</u>	<u>430,134</u>

Included in finance income are income on impaired assets amounting to RM3.4 million (31 December 2018: RM2.0 million).

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A29. (Writeback of)/allowances for impairment losses on financing and advances, net

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
(Writeback of)/allowances for impairment losses on financing and advances:				
- Stage 1 - 12-month ECL, net	(57,505)	(20,773)	(343,333)	(264,879)
- Stage 2 - Lifetime ECL not credit impaired, net	(105,195)	43,126	(181,241)	218,562
- Stage 3 - Lifetime ECL credit impaired, net	(77,822)	(41,321)	316,056	452,724
Impaired financing and advances written-off	5,116	3,156	21,940	12,124
Impaired financing and advances recovered	(18,717)	(17,015)	(96,161)	(43,446)
(Writeback of)/allowances for impairment losses on other debts	(314)	(113)	(127)	161
	<u>(254,437)</u>	<u>(32,940)</u>	<u>(282,866)</u>	<u>375,246</u>

A30. (Writeback of)/allowances for impairment losses on financial investments, net

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Financial investments at fair value through other comprehensive income				
- Stage 1 - 12-month ECL, net	321	(200)	1,338	(634)
- Stage 2 - Lifetime ECL not credit impaired, net	-	(6)	-	(125)
Net	<u>321</u>	<u>(206)</u>	<u>1,338</u>	<u>(759)</u>
Financial investments at amortised cost				
- Stage 1 - 12-month ECL, net	(1,327)	2,995	2,616	(2,468)
- Stage 2 - Lifetime ECL not credit impaired, net	-	(3,553)	-	(4,310)
Net	<u>(1,327)</u>	<u>(558)</u>	<u>2,616</u>	<u>(6,778)</u>
	<u>(1,006)</u>	<u>(764)</u>	<u>3,954</u>	<u>(7,537)</u>

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A31. Allowances for/(writeback of) impairment losses on other financial assets, net

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Cash and short-term funds				
- Stage 1 - 12-month ECL, net	-	-	-	(167)
Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167)</u>
Deposits and placements with financial institutions				
- Stage 1 - 12-month ECL, net	1	-	-	-
Net	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1</u>	<u>-</u>	<u>-</u>	<u>(167)</u>

A32. Profit distributed to depositors

	Unaudited		Audited	
	Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Deposits from customers				
- Non-Mudharabah fund	<u>1,112,397</u>	1,013,322	<u>4,408,492</u>	4,043,778
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	178,028	169,500	686,555	702,226
- Non-Mudharabah fund	<u>96,947</u>	85,449	<u>458,611</u>	241,868
	<u>274,975</u>	<u>254,949</u>	<u>1,145,166</u>	<u>944,094</u>
Financial liabilities at fair value through profit or loss				
- Non-Mudharabah fund	-	9,431	4,298	41,865
Structured deposits				
- Non-Mudharabah fund	<u>10</u>	-	<u>10</u>	-
	<u>1,387,382</u>	<u>1,277,702</u>	<u>5,557,966</u>	<u>5,029,737</u>

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A33. Overhead expenses

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	10,483	16,649	46,683	46,792
- Salaries, allowances and bonuses	6,070	12,984	32,832	35,731
- Pension costs - defined contribution plan	945	2,060	5,175	5,650
- ESGP expenses	460	-	1,239	-
- Other staff related expenses	3,008	1,605	7,437	5,411
Establishment costs	2,217	2,745	6,707	5,389
- Depreciation right-of-use assets	773	-	2,145	-
- Rental of premises	-	429	715	1,715
- Repairs, servicing and maintenance	6	4	222	47
- Information technology expenses	1,167	2,310	3,217	3,625
- Finance cost on lease liabilities	103	-	240	-
- Depreciation of property, plant and equipment (Note A16)	164	-	164	-
- Others	4	2	4	2
Marketing costs	6,715	3,211	16,333	11,345
- Advertisement and publicity	3,922	835	6,149	2,079
- Others	2,793	2,376	10,184	9,266
Administration and general expenses	321,471	355,893	1,384,070	1,354,044
- Fees and brokerage	12,399	15,171	58,812	58,875
- Administrative expenses	3,609	8,122	13,654	9,102
- General expenses	2,390	7,554	13,507	47,403
- Shared service cost paid to Maybank	303,073	325,046	1,298,097	1,238,664
Total	340,886	378,498	1,453,793	1,417,570

A34. Finance cost

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Subordinated sukuk	35,539	42,156	147,760	167,250
Term funding	85,822	41,221	268,862	176,235
	121,361	83,377	416,622	343,485

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A35. Taxation and zakat

The analysis of the taxation and zakat expense for the fourth quarter and 12 months financial year ended 31 December 2019 are as follows:

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	277,597	126,236	794,655	641,904
Foreign income tax	-	-	75	50
	<u>277,597</u>	126,236	<u>794,730</u>	641,954
Over provision in prior year:				
Malaysian income tax	(1)	(18,552)	(42,576)	(18,552)
Deferred tax				
- Relating to origination and reversal of temporary differences	251	82,231	(1,915)	(17,719)
Tax expense for the financial period	<u>277,847</u>	189,915	<u>750,239</u>	605,683
Zakat	<u>24,580</u>	11,339	<u>30,351</u>	23,658
	<u>302,427</u>	<u>201,254</u>	<u>780,590</u>	<u>629,341</u>

A36. Subsequent events to the Balance Sheet

There were no material events subsequent to the balance sheet date that requires disclosure or adjustment to the unaudited condensed interim financial statements.

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A37. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank as at the reporting dates are as follows:

	31 December 2019			31 December 2018		
	Full commitment RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Full commitment RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
<u>Contingent liabilities</u>						
Direct credit substitutes	1,881,752	1,842,448	1,409,369	1,406,819	1,282,494	1,188,080
Certain transaction-related contingent items	3,381,084	1,669,027	1,166,710	3,382,496	1,669,190	1,292,876
Short-term self-liquidating trade-related contingencies	252,361	50,472	21,087	210,731	54,669	25,219
	5,515,197	3,561,947	2,597,166	5,000,046	3,006,353	2,506,175
<u>Commitments</u>						
Irrevocable commitments to extend credit:						
- maturity within one year	23,199,822	872,079	135,683	22,252,458	5,315,091	2,611,836
- maturity exceeding one year	9,856,695	11,998,105	4,523,695	8,719,317	2,599,960	1,124,353
	33,056,517	12,870,184	4,659,378	30,971,775	7,915,051	3,736,189
Miscellaneous commitments and contingencies	53,198	-	-	84,129	-	-
Total credit-related commitments and contingencies	38,624,912	16,432,131	7,256,544	36,055,950	10,921,404	6,242,364

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A37. Commitments and contingencies (cont'd.)

The risk-weighted exposures of the Bank as at the reporting dates are as follows (cont'd.):

	31 December 2019			31 December 2018		
	Full commitment RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Full commitment RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
<u>Derivative financial instruments</u>						
Foreign exchange related contracts:						
- less than one year	16,182,347	218,387	131,094	13,094,961	219,591	113,693
- one year to less than five years	3,258,181	44,984	22,946	3,663,308	56,062	25,064
- more than five years	1,887,107	102,275	53,482	-	-	-
Profit rate related contracts:						
- less than one year	100,000	127	53	1,370,775	141,687	25,037
- one year to less than five years	3,563,781	68,230	95,954	2,452,770	440,646	196,829
- more than five years	360,000	-	-	2,395,554	167,587	145,821
Total treasury-related commitments and contingencies	25,351,416	434,003	303,529	22,977,368	1,025,573	506,444
Total commitments and contingencies	63,976,328	16,866,134	7,560,073	59,033,318	11,946,977	6,748,808

* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights respectively as specified by Bank Negara Malaysia for regulatory capital adequacy purposes.

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A38. Capital Adequacy

(a) Capital Adequacy Framework

- (i) Bank Negara Malaysia ("BNM") had on 2 February 2018 issued the Capital Adequacy Framework for Islamic Banks (Capital Components) on the computation of capital and capital adequacy ratios for Islamic banks. All financial institutions shall hold and maintain at all times, the following minimum capital adequacy ratios:

Common Equity Tier I (CET1) Ratio	Tier 1 Capital Ratio	Total Capital Ratio
4.5%*	6.0%	8.0%

* In addition, BNM had introduced Capital Conservation Buffer of 2.5% of total risk-weighted assets ("RWA") as well as Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA.

- (ii) Total RWA is calculated as the sum of credit RWA, market RWA, operational RWA and large exposure risk requirements as determined in accordance with Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued by BNM on 3 May 2019 for Islamic Banks.

The sum of the above is further adjusted to take into account any profit-sharing investment accounts ("PSIA") recognised as risk absorbent for capital adequacy purposes, in the manner stipulated under the Guidelines on Recognition and Measurement of PSIA as Risk Absorbent as updated by BNM on 26 July 2011.

Any exposures which are deducted in the calculation of CET1 Capital, Tier 1 Capital and Total Capital are not subjected to any further capital charges in the computation of RWA.

(b) Compliance and application of capital adequacy ratios

The capital adequacy ratio of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) both issued on 2 February 2018 and 3 May 2019 respectively. The total RWA are computed based on the following approaches:

- (i) Credit risk under Internal Ratings-Based Approach and Standardised Approach;
(ii) Market risk under Standardised Approach; and
(iii) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ending 31 December 2019 (2018: 4.5%, 6.0% and 8.0% of total RWA).

(c) The capital adequacy ratios of the Bank as at the following dates, are as follows:

	31 December 2019	31 December 2018
Capital ratios		
CET1 capital ratio	14.101%	16.368%
Tier 1 capital ratio	15.508%	17.984%
Total capital ratio	18.845%	22.545%

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A38. Capital Adequacy (cont'd.)

(d) Components of Tier 1 and Tier 2 capital:

	31 December 2019 RM '000	31 December 2018 RM'000
CET1 capital		
Paid-up share capital	7,197,398	7,197,398
Retained profits	2,676,002	2,970,618
Other reserves	1,181,830	303,622
CET1 capital before regulatory adjustments	11,055,230	10,471,638
Less: Regulatory adjustment applied in CET1 capital	(1,033,520)	(342,549)
Deferred tax assets	-	(24,077)
Gain of financial instruments classified as 'fair value through other comprehensive income'	(187,023)	(4,956)
Regulatory reserve	(846,497)	(313,516)
Total CET1 Capital	10,021,710	10,129,089
Additional Tier 1 Capital		
Capital securities	1,000,000	1,000,000
Total Tier 1 capital	11,021,710	11,129,089
Tier 2 capital		
Subordinated Sukuk	2,000,000	2,500,000
General provision ¹	17,675	23,310
Surplus of eligible provision over expected loss	354,063	299,696
Total Tier 2 capital	2,371,738	2,823,006
Total Capital	13,393,448	13,952,095

¹ Refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

(e) The breakdown of RWA by each major risk categories are as follows:

	31 December 2019 RM'000	31 December 2018 RM'000
Standardised Approach exposure	3,069,539	5,647,539
Internal Ratings-Based Approach exposure after scaling factor	69,483,314	60,816,283
Total RWA for credit risk	72,552,853	66,463,822
Total RWA for credit risk absorbed by the holding company and Investment Account Holders ("IAH") [^]	(10,472,880)	(13,113,007)
Total RWA for market risk	963,780	1,152,312
Total RWA for operational risk	8,029,045	7,381,566
Total RWA	71,072,798	61,884,693

[^] In accordance to the BNM Investment Account policy, the credit risk weighted assets funded by investment accounts (Unrestricted Investment Account and Restricted Investment Account) are excluded from the calculation of capital adequacy ratio of the Bank.

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A39. Fair value measurements of financial instruments

(a) Valuation principles

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

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

(b) Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

Refers to inputs other than quoted prices included those within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds and less illiquid equities and consumer financing and advances with homogeneous or similar features in the market.

(c) Level 3: Valuation techniques for which significant inputs are not based on observable market data

Refers to instruments where fair value is measured using significant unobservable market inputs. The valuation techniques used are consistent with the Level 2 but incorporates the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets, private equity investments and financing and advances priced primarily based on internal credit assessment.

(b) Valuation techniques

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

Derivatives

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

Financial investments at fair value through profit or loss and financial investments at fair value through comprehensive income.

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

Financing and advances at fair value through other comprehensive income

The fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles.

Financial liabilities at fair value through profit or loss

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

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A39. Fair value of financial instruments (cont'd.)

The following table shows the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 December 2019 and 31 December 2018.

As at 31 December 2019	<u>Valuation technique using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
Financial assets measured at fair value:				
Financial investments at fair value through profit and loss	-	383,194	-	383,194
<i>Money market instruments</i>	-	383,194	-	383,194
Financial investments at fair value through other comprehensive income	-	15,291,270	1,250	15,292,520
<i>Money market instruments</i>	-	12,942,040	-	12,942,040
<i>Unquoted securities</i>	-	2,349,230	1,250	2,350,480
Financing and advances at fair value through other comprehensive income	-	-	440,383	440,383
Derivative assets	-	200,414	-	200,414
<i>Foreign exchange related contracts</i>	-	139,209	-	139,209
<i>Profit rate related contracts</i>	-	61,205	-	61,205
	-	15,874,878	441,633	16,316,511
Financial liabilities measured at fair value:				
Derivative liabilities	-	221,674	-	221,674
<i>Foreign exchange related contracts</i>	-	171,161	-	171,161
<i>Profit rate related contracts</i>	-	50,513	-	50,513
	-	221,674	-	221,674

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A39. Fair value of financial instruments (cont'd.)

The following table shows the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 December 2019 and 31 December 2018 (cont'd.).

As at 31 December 2018	<u>Valuation technique using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
Financial assets measured at fair value:				
Financial investments at fair value through profit and loss	-	995,072	-	995,072
<i>Money market instruments</i>	-	745,765	-	745,765
<i>Unquoted securities</i>	-	249,307	-	249,307
Financial investments at fair value through other comprehensive income	-	12,446,139	1,250	12,447,389
<i>Money market instruments</i>	-	9,619,599	-	9,619,599
<i>Unquoted securities</i>	-	2,826,540	1,250	2,827,790
Financing and advances at fair value through other comprehensive income	-	-	471,122	471,122
Derivative assets	-	403,993	-	403,993
<i>Foreign exchange related contracts</i>	-	379,277	-	379,277
<i>Profit rate related contracts</i>	-	24,716	-	24,716
	-	13,845,204	472,372	14,317,576
Financial liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss	-	385,687	-	385,687
<i>Structured deposits</i>	-	385,687	-	385,687
Derivative liabilities	-	391,949	-	391,949
<i>Foreign exchange related contracts</i>	-	372,570	-	372,570
<i>Profit rate related contracts</i>	-	19,379	-	19,379
	-	777,636	-	777,636

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A39. Fair value of financial instruments (cont'd.)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	At 1 January 2019 RM'000	Unrealised gains recognised in other comprehensive income* RM'000	Purchases/ Issuances/ Additions RM'000	Settlements RM'000	31 December 2019 RM'000
As at 31 December 2019					
Financial investments at fair value through other comprehensive income					
<i>Non-money market instruments</i>	1,250	-	-	-	1,250
Financing and advances at fair value through other comprehensive income	471,122	3,911	8,750	(43,400)	440,383
Total Level 3 financial assets	472,372	3,911	8,750	(43,400)	441,633
Total net Level 3 financial assets	472,372	3,911	8,750	(43,400)	441,633

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A39. Fair value of financial instruments (cont'd.)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (cont'd):

	At 1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Restated as at 1 January 2018 RM'000	Unrealised gains recognised in other comprehensive income* RM'000	Purchases/ Issuances/ Additions RM'000	Settlements RM'000	At 31 December 2018 RM'000
At 31 December 2018							
Financial investments at fair value through other comprehensive income							
<i>Non-money market instruments</i>	750	-	750	-	500	-	1,250
Financing and advances at fair value through other comprehensive income	-	434,456	434,456	6,522	281,700	(251,556)	471,122
Total Level 3 financial assets	<u>750</u>	<u>434,456</u>	<u>435,206</u>	<u>6,522</u>	<u>282,200</u>	<u>(251,556)</u>	<u>472,372</u>
Total net Level 3 financial assets	<u>750</u>	<u>434,456</u>	<u>435,206</u>	<u>6,522</u>	<u>282,200</u>	<u>(251,556)</u>	<u>472,372</u>

* Included within 'Other operating income'.

The Bank's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the end of the reporting year.

There were no transfers between Level 1 and Level 2 for the Bank during the 12 months financial year ended 31 December 2019.

Movements in Level 3 financial instruments measured at fair value

There were no transfers into or out of Level 3 for the Bank during the 12 months financial year ended 31 December 2019.

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A40. Financial Effects arising from Adoption of MFRS 16 Leases

- (i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Bank.

Extract of Statement of Financial Position

	31 December 2018 RM'000	Impact of adopting MFRS 16 RM'000	1 January 2019 RM'000
ASSETS			
Right-of-use assets ¹	-	6,694	6,694
LIABILITIES			
Other liabilities ²	2,129,694	6,694	2,136,388

¹ Recognition of right-of-use assets.

² Recognition of additional lease liabilities and provision for restoration costs.

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

	31 December 2018	Impact of adopting MFRS 16	1 January 2019
CET1 Capital (RM'000)	10,129,089	-	10,129,089
Tier 1 Capital (RM'000)	11,129,089	-	11,129,089
Total Capital (RM'000)	13,952,095	-	13,952,095
Risk Weighted Assets (RM'000)	61,884,693	6,694	61,891,387
CET1 Capital Ratio	16.368%	(0.002%)	16.366%
Tier 1 Capital Ratio	17.984%	(0.002%)	17.982%
Total Capital Ratio	22.545%	(0.002%)	22.543%

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Part B: Review of Performance & Current Year Prospects

B1. Performance Review

The Bank posted profit before tax and zakat of RM3,299.8 million for the financial year ended 31 December 2019, an increase of RM694.9 million or 26.7% compared to the previous corresponding year.

The impairment on financing and advances improved from a net charge of RM375.2 million in the corresponding year to a net writeback of RM282.9 million during the year under review.

Total income grew by RM655.1 million or 6.3% to RM11,016.1 million from previous corresponding year, comprising of income derived from investment of depositors funds, income derived from investment account funds and income derived from investment of shareholders' funds of RM9,538.1 million, RM1,051.7 million and RM426.3 million respectively.

The Bank's gross financing and advances increased by RM15.2 billion to RM192.0 billion as compared to RM176.8 billion recorded in previous financial year. As at 31 December 2019, total customer funding increased by 6.1% contributed by customer deposits which grew by 9.0%, recorded at RM161.0 billion against RM147.8 billion in last financial year. Investment account of customers decreased by RM2.8 billion to close at RM20.7 billion compared to RM23.6 billion in the last financial year.

The Bank's capital position continued to be strong and well above regulatory requirements as reflected by its Common Equity Tier I, Tier I Capital Ratio and Total Capital Ratio of 14.101%, 15.508% and 18.845% respectively.

B2. Prospects

Malaysia is forecasted to chart slowed growth at 4.0% in 2020 (2019: +4.3%) arising from the Covid-19 outbreak, moderating global growth, and weak external environment. However, the impact is mitigated by BNM's further monetary policy easing, an expansionary fiscal budget for the year, increased work progress of major infrastructure projects, and additional measures to support industries and sectors impacted by the Covid-19 outbreak, which is anticipated to be constructive for the Malaysian economy.

The Bank will continue to be vigilant of the risks inherent in the current uncertain economic landscape, and continues to maintain a stable profit growth in line with its strategic objectives. This encompasses the Bank's continued focus on high quality assets and strong cost management discipline. The Bank's customers and the surrounding communities it operates in will remain at the centre of its business activities. This entails delivering innovative Shariah compliant financial solutions that addresses customers' needs, whilst positively impacting the wider community and environment. Hence, contributing towards improving welfare for humankind, the eradication of harm, and preservation of the rights of future generations as outline by the Shariah values that guides the business. The Bank will also continue its efforts to fortify its global presence through enhancing its transaction and services capabilities internationally, with an emphasis on the countries in the Gulf Cooperation Council (GCC) and Association of South East Asian Nations (ASEAN) region.