

PUBLIC BANK BERHAD
Company Registration No.: 196501000672 (6463-H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group		Bank	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
ASSETS					
Cash and balances with banks		14,075,699	14,740,218	8,485,285	9,416,853
Reverse repurchase agreements		8,208	200,881	8,208	-
Financial assets at fair value through profit or loss	A8	4,210,265	2,380,134	3,868,383	2,293,636
Derivative financial assets	A28	152,330	185,891	232,254	193,101
Financial investments at fair value through other comprehensive income	A9	40,153,493	42,342,483	25,996,097	29,070,703
Financial investments at amortised cost	A10	27,638,168	27,018,444	20,620,456	20,572,364
Loans, advances and financing	A11	328,476,494	315,259,166	256,270,074	247,690,397
Other assets	A12	2,147,400	2,393,887	2,200,892	2,366,764
Statutory deposits with Central Banks		10,044,185	10,279,227	6,953,274	7,258,452
Deferred tax assets		83,484	81,374	11,307	-
Collective investments		-	-	5,723,435	5,517,109
Investment in subsidiary companies		-	-	6,494,294	5,955,494
Investment in associated companies		75,080	70,416	45,000	45,000
Investment properties		753,095	719,207	-	-
Right-of-use assets		1,427,160	-	1,322,521	-
Property and equipment		1,142,575	1,567,199	618,579	711,274
Intangible assets		2,443,039	2,454,755	695,393	695,393
TOTAL ASSETS		432,830,675	419,693,282	339,545,452	331,786,540
LIABILITIES					
Deposits from customers	A13	353,340,475	339,159,892	268,259,690	258,877,559
Deposits from banks	A14	8,494,073	9,483,154	11,795,402	12,487,063
Obligations on securities sold under repurchase agreements		970,654	4,045,605	639,154	4,045,605
Bills and acceptances payable		234,786	214,592	234,409	214,388
Recourse obligations on loans sold to Cagamas		5,500,004	5,500,003	5,500,004	5,500,003
Derivative financial liabilities	A28	345,724	297,664	322,935	289,995
Debt securities issued and other borrowed funds	B9	12,317,450	13,436,794	10,223,214	11,341,598
Lease liabilities		1,087,808	-	1,344,637	-
Other liabilities	A15	5,196,397	4,975,470	3,734,769	3,416,816
Provision for tax expense and zakat		540,107	341,697	412,868	249,207
Deferred tax liabilities		56,993	141,948	-	84,502
TOTAL LIABILITIES		388,084,471	377,596,819	302,467,082	296,506,736

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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Group		Bank		
	31 December	31 December	31 December	31 December	
	Note	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	
EQUITY					
Share capital	9,417,653	9,417,653	9,417,653	9,417,653	
Regulatory reserves	2,017,353	1,806,123	1,619,452	1,461,892	
Other reserves	1,606,357	1,431,367	873,228	849,167	
Retained profits	30,552,967	28,317,913	25,168,037	23,551,092	
Equity attributable to equity holders of the Bank	43,594,330	40,973,056	37,078,370	35,279,804	
Non-controlling interests	1,151,874	1,123,407	-	-	
TOTAL EQUITY	44,746,204	42,096,463	37,078,370	35,279,804	
TOTAL LIABILITIES AND EQUITY	432,830,675	419,693,282	339,545,452	331,786,540	
COMMITMENTS AND CONTINGENCIES	A27	94,315,048	96,368,336	84,291,554	88,123,035
CAPITAL ADEQUACY	A30				
<u>Before deducting interim dividends</u> *					
Common Equity Tier I Capital Ratio		14.019%	13.628%	12.808%	12.657%
Tier I Capital Ratio		14.076%	14.270%	12.853%	13.428%
Total Capital Ratio		17.317%	16.840%	16.243%	15.963%
<u>After deducting interim dividends</u> *					
Common Equity Tier I Capital Ratio		13.460%	13.092%	12.108%	11.989%
Tier I Capital Ratio		13.517%	13.734%	12.153%	12.760%
Total Capital Ratio		16.758%	16.304%	15.543%	15.295%
Net assets per share attributable to ordinary equity holders of the Bank (RM)		11.23	10.55	9.55	9.09

* Refer to interim dividends declared subsequent to the financial year end.

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PUBLIC BANK BERHAD
Company Registration No.: 196501000672 (6463-H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

<u>Group</u>	Note	4th Quarter Ended		Financial Year Ended	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Operating revenue		5,674,124	5,632,018	22,454,734	22,041,785
Interest income	A16	4,132,717	4,195,525	16,429,372	16,261,206
Interest expense	A17	(2,187,259)	(2,287,158)	(8,857,086)	(8,698,239)
Net interest income		1,945,458	1,908,367	7,572,286	7,562,967
Net income from Islamic banking business	A32 (b)	286,334	272,433	1,129,061	1,065,885
		2,231,792	2,180,800	8,701,347	8,628,852
Fee and commission income	A18 (a)	628,160	642,785	2,533,716	2,626,779
Fee and commission expense	A18 (b)	(211,894)	(211,923)	(793,253)	(848,687)
Net fee and commission income	A18	416,266	430,862	1,740,463	1,778,092
Net gains and losses on financial instruments	A19	33,864	2,395	167,726	45,875
Other operating income	A20	168,134	96,577	492,715	390,611
Net income		2,850,056	2,710,634	11,102,251	10,843,430
Other operating expenses	A21	(985,105)	(886,162)	(3,819,192)	(3,573,486)
Operating profit		1,864,951	1,824,472	7,283,059	7,269,944
Allowance for impairment on loans, advances and financing	A22	(43,241)	(34,433)	(154,466)	(169,263)
(Allowance) / Writeback of allowance for impairment on other assets	A23	(77)	(2,844)	2,175	(4,766)
		1,821,633	1,787,195	7,130,768	7,095,915
Share of profit after tax of equity accounted associated companies		860	2,524	3,376	5,250
Profit before tax expense and zakat		1,822,493	1,789,719	7,134,144	7,101,165
Tax expense and zakat	B5	(402,269)	(364,678)	(1,554,701)	(1,436,253)
Profit for the period / year		1,420,224	1,425,041	5,579,443	5,664,912
Profit for the period / year attributable to:					
- Equity holders of the Bank		1,405,867	1,405,356	5,511,558	5,590,611
- Non-controlling interests		14,357	19,685	67,885	74,301
		1,420,224	1,425,041	5,579,443	5,664,912
Earnings per share:					
- basic / diluted (sen)	B12	36.2	36.2	142.0	144.4

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PUBLIC BANK BERHAD
Company Registration No.: 196501000672 (6463-H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Profit for the period / year	1,420,224	1,425,041	5,579,443	5,664,912
Other comprehensive (loss) / income:				
<u>Items that will not be reclassified to profit or loss:</u>				
(Loss) / Gain on remeasurements of defined benefit plans	(228,874)	63,213	(228,874)	63,213
Net change in revaluation of				
- Equity instruments	(7)	(15)	6,993	28,165
- Property and equipment	(36)	-	2,093	-
Gain on disposal of equity instruments	-	-	5	-
	(228,917)	63,198	(219,783)	91,378
<u>Items that may be reclassified to profit or loss:</u>				
Currency translation differences in respect of:				
- Foreign operations	(164,538)	(11,828)	(104,305)	114,333
- Net investment hedge	86,122	4,921	32,426	(105,190)
Net change in revaluation of financial investments at fair value through other comprehensive income	31,813	(8,256)	473,827	(71,117)
Net change in cash flow hedges	19,762	(51,082)	(86,885)	45,692
	(26,841)	(66,245)	315,063	(16,282)
Income tax effect	42,441	(4,416)	(19,107)	(12,794)
Share of changes in associated companies' reserves	(472)	(78)	1,290	97
Other comprehensive (loss) / income for the period / year, net of tax	(213,789)	(7,541)	77,463	62,399
Total comprehensive income for the period / year	1,206,435	1,417,500	5,656,906	5,727,311
Total comprehensive income / (loss) for the period / year attributable to:				
- Equity holders of the Bank	1,208,398	1,399,433	5,596,487	5,637,447
- Non-controlling interests	(1,963)	18,067	60,419	89,864
	1,206,435	1,417,500	5,656,906	5,727,311

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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

<u>Bank</u>	Note	4th Quarter Ended		Financial Year Ended	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Operating revenue		4,212,137	4,107,561	16,337,793	15,994,188
Interest income	A16	3,648,026	3,732,598	14,545,402	14,529,609
Interest expense	A17	(2,095,268)	(2,198,928)	(8,519,282)	(8,409,986)
Net interest income		1,552,758	1,533,670	6,026,120	6,119,623
Fee and commission income	A18 (a)	269,436	269,676	1,055,196	1,063,803
Fee and commission expense	A18 (b)	(104,136)	(97,316)	(369,392)	(366,217)
Net fee and commission income	A18	165,300	172,360	685,804	697,586
Net gains and losses on financial instruments	A19	28,021	2,272	156,549	43,772
Other operating income	A20	806,491	449,622	1,509,930	1,164,961
Net income		2,552,570	2,157,924	8,378,403	8,025,942
Other operating expenses	A21	(620,692)	(553,379)	(2,421,329)	(2,271,866)
Operating profit		1,931,878	1,604,545	5,957,074	5,754,076
Allowance for impairment on loans, advances and financing	A22	(31,667)	(35,784)	(50,355)	(106,310)
Writeback of allowance / (Allowance) for impairment on other assets	A23	2,164	(2,411)	4,353	(3,274)
Profit before tax expense and zakat		1,902,375	1,566,350	5,911,072	5,644,492
Tax expense and zakat	B5	(321,380)	(287,189)	(1,166,249)	(1,093,427)
Profit for the period / year		1,580,995	1,279,161	4,744,823	4,551,065

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AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

<u>Bank</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Profit for the period / year	1,580,995	1,279,161	4,744,823	4,551,065
Other comprehensive (loss) / income:				
<u>Items that will not be reclassified to profit or loss:</u>				
(Loss) / Gain on remeasurements of defined benefit plans	(225,263)	61,542	(225,263)	61,542
Net change in revaluation of - Equity instruments	(7)	-	7,048	28,166
Gain on disposal of equity instruments	-	-	5	-
	(225,270)	61,542	(218,210)	89,708
<u>Items that may be reclassified to profit or loss:</u>				
Currency translation differences in respect of foreign operations	(8,813)	(204)	(18,090)	3,090
Net change in revaluation of financial investments at fair value through other comprehensive income	25,278	3,127	286,673	(61,061)
Net change in cash flow hedges	13,801	(43,626)	(15,221)	45,512
	30,266	(40,703)	253,362	(12,459)
Income tax effect	44,684	(5,050)	(11,086)	(11,038)
Other comprehensive (loss) / income for the period / year, net of tax	(150,320)	15,789	24,066	66,211
Total comprehensive income for the period / year	1,430,675	1,294,950	4,768,889	4,617,276

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PUBLIC BANK BERHAD
Company Registration No.: 196501000672 (6463-H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<----- Attributable to Equity Holders of the Bank ----->

<u>Group</u>	<u>Non-distributable Reserves</u>		<u>Distributable Reserves</u>		Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000			
At 1 January 2019							
- as previously stated	9,417,653	1,806,123	1,431,367	28,317,913	40,973,056	1,123,407	42,096,463
- effects of changes in accounting policies (Note A33)	-	-	-	(257,716)	(257,716)	(1,054)	(258,770)
At 1 January 2019, as restated	9,417,653	1,806,123	1,431,367	28,060,197	40,715,340	1,122,353	41,837,693
Profit for the year	-	-	-	5,511,558	5,511,558	67,885	5,579,443
Other comprehensive income / (loss) for the year	-	-	84,924	5	84,929	(7,466) *	77,463
Total comprehensive income for the year	-	-	84,924	5,511,563	5,596,487	60,419	5,656,906
Transactions with owners / other equity movements:							
Transfer to statutory reserves	-	-	8,196	(8,196)	-	-	-
Transfer to regulatory reserves	-	211,230	-	(211,230)	-	-	-
Transfer to general reserves	-	-	81,870	(81,870)	-	-	-
Dividends paid	-	-	-	(2,717,497)	(2,717,497)	(30,898)	(2,748,395)
	-	211,230	90,066	(3,018,793)	(2,717,497)	(30,898)	(2,748,395)
At 31 December 2019	9,417,653	2,017,353	1,606,357	30,552,967	43,594,330	1,151,874	44,746,204

* This represents non-controlling interests' share of currency translation differences in respect of foreign operations.

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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<----- Attributable to Equity Holders of the Bank ----->

Group	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		Total Shareholders' Equity	Non-controlling Interests	Total Equity
	Share Capital	Regulatory Reserves	Other Reserves	Retained Profits	Treasury Shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	9,417,653	1,658,994	1,295,847	25,193,187	(149,337)	37,416,344	1,067,695	38,484,039
Profit for the year	-	-	-	5,590,611	-	5,590,611	74,301	5,664,912
Other comprehensive income for the year	-	-	46,836	-	-	46,836	15,563 *	62,399
Total comprehensive income for the year	-	-	46,836	5,590,611	-	5,637,447	89,864	5,727,311
Transactions with owners / other equity movements:								
Disposal of treasury shares	-	-	-	325,120	149,337	474,457	-	474,457
Transfer to statutory reserves	-	-	5,964	(5,964)	-	-	-	-
Transfer to regulatory reserves	-	147,129	-	(147,129)	-	-	-	-
Transfer to general reserves	-	-	82,720	(82,720)	-	-	-	-
Dividends paid	-	-	-	(2,555,192)	-	(2,555,192)	(34,152)	(2,589,344)
	-	147,129	88,684	(2,465,885)	149,337	(2,080,735)	(34,152)	(2,114,887)
At 31 December 2018	9,417,653	1,806,123	1,431,367	28,317,913	-	40,973,056	1,123,407	42,096,463

* This represents non-controlling interests' share of currency translation differences in respect of foreign operations.

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AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<----- Attributable to Equity Holders of the Bank ----->

	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>	Total Equity RM'000
	Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	
<u>Bank</u>					
At 1 January 2019					
- as previously stated	9,417,653	1,461,892	849,167	23,551,092	35,279,804
- effects of changes in accounting policies (Note A33)	-	-	-	(252,826)	(252,826)
At 1 January 2019, as restated	9,417,653	1,461,892	849,167	23,298,266	35,026,978
Profit for the year	-	-	-	4,744,823	4,744,823
Other comprehensive income for the year	-	-	24,061	5	24,066
Total comprehensive income for the year	-	-	24,061	4,744,828	4,768,889
Transactions with owners / other equity movements:					
Transfer to regulatory reserves	-	157,560	-	(157,560)	-
Dividends paid	-	-	-	(2,717,497)	(2,717,497)
	-	157,560	-	(2,875,057)	(2,717,497)
At 31 December 2019	9,417,653	1,619,452	873,228	25,168,037	37,078,370

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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	<----- Attributable to Equity Holders of the Bank ----->					
	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		Total Equity RM'000
<u>Bank</u>	Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
At 1 January 2018	9,417,653	1,373,080	782,664	21,319,203	(149,337)	32,743,263
Profit for the year	-	-	-	4,551,065	-	4,551,065
Other comprehensive income for the year	-	-	66,211	-	-	66,211
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>66,211</u>	<u>4,551,065</u>	<u>-</u>	<u>4,617,276</u>
Transactions with owners / other equity movements:						
Disposal of treasury shares	-	-	-	325,120	149,337	474,457
Transfer to statutory reserves	-	-	292	(292)	-	-
Transfer to regulatory reserves	-	88,812	-	(88,812)	-	-
Dividends paid	-	-	-	(2,555,192)	-	(2,555,192)
	<u>-</u>	<u>88,812</u>	<u>292</u>	<u>(2,319,176)</u>	<u>149,337</u>	<u>(2,080,735)</u>
At 31 December 2018	<u>9,417,653</u>	<u>1,461,892</u>	<u>849,167</u>	<u>23,551,092</u>	<u>-</u>	<u>35,279,804</u>

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PUBLIC BANK BERHAD
Company Registration No.: 196501000672 (6463-H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cash Flows from Operating Activities				
Profit before tax expense and zakat	7,134,144	7,101,165	5,911,072	5,644,492
Adjustments for non-cash items:				
Share of profit after tax of equity				
accounted associated companies	(3,376)	(5,250)	-	-
Allowance for impairment on loans and financing	415,205	421,325	183,589	220,301
Depreciation of right-of-use assets and				
property and equipment	352,172	228,677	272,792	178,263
Net gain on financial instruments	(141,581)	(41,423)	(131,573)	(40,482)
Dividend income	(4,962)	(1,224)	(1,094,986)	(982,011)
(Writeback of allowance) / Allowance				
for impairment on other assets	(2,175)	4,766	(4,353)	3,274
Other non-cash items	(47,317)	(39,742)	(2,219)	4,255
Operating profit before working capital changes	<u>7,702,110</u>	<u>7,668,294</u>	<u>5,134,322</u>	<u>5,028,092</u>
Changes in working capital:				
Increase in operating assets	(15,495,428)	(14,107,301)	(10,491,915)	(9,208,604)
Increase in operating liabilities	<u>10,047,461</u>	<u>19,997,446</u>	<u>5,285,859</u>	<u>15,277,743</u>
Cash generated from / (used in) operations	<u>2,254,143</u>	<u>13,558,439</u>	<u>(71,734)</u>	<u>11,097,231</u>
Tax expense and zakat paid	(1,379,464)	(1,680,812)	(1,027,209)	(1,259,523)
Net cash generated from / (used in)				
operating activities	<u>874,679</u>	<u>11,877,627</u>	<u>(1,098,943)</u>	<u>9,837,708</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(205,119)	(217,833)	(132,802)	(148,236)
Addition to investment properties	-	(24,892)	-	-
Proceeds from disposal of properties	32,865	9,833	28,787	9,475
Net sale / (purchase) of financial investments	2,196,021	(10,260,364)	3,433,366	(5,892,556)
Additional investment in an associated company	-	(30,000)	-	(15,000)
Investment in collective investments	-	-	(206,326)	(198,100)
Additional investment in a subsidiary company	-	-	(538,800)	-
Dividends received	4,962	1,224	925,512	970,646
Net cash generated from / (used in)				
investing activities	<u>2,028,729</u>	<u>(10,522,032)</u>	<u>3,509,737</u>	<u>(5,273,771)</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the year ended 31 December 2018.

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Company Registration No.: 196501000672 (6463-H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cash Flows from Financing Activities				
Dividends paid	(2,748,395)	(2,589,344)	(2,717,497)	(2,555,192)
Net proceeds from disposal of treasury shares	-	474,457	-	474,457
Net proceeds from issuance of debt securities	2,500,000	3,418,240	2,000,000	2,898,500
Net drawdown / (repayment) of borrowings	1,619	(3,714)	-	-
Repayment of lease liabilities	(131,159)	-	(99,395)	-
Redemption of debt securities	(3,588,000)	(2,350,000)	(3,088,000)	(2,350,000)
Net cash used in financing activities	<u>(3,965,935)</u>	<u>(1,050,361)</u>	<u>(3,904,892)</u>	<u>(1,532,235)</u>
Net change in cash and cash equivalents	(1,062,527)	305,234	(1,494,098)	3,031,702
Cash and cash equivalents at beginning of the year	13,320,248	12,898,446	9,416,853	6,385,151
Exchange differences on translation of opening balances	<u>(65,883)</u>	<u>116,568</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u>12,191,838</u>	<u>13,320,248</u>	<u>7,922,755</u>	<u>9,416,853</u>
Note:				
Cash and balances with banks	14,075,699	14,740,218	8,485,285	9,416,853
Less: Balances with banks with original maturity more than three months	<u>(1,883,861)</u>	<u>(1,419,970)</u>	<u>(562,530)</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u>12,191,838</u>	<u>13,320,248</u>	<u>7,922,755</u>	<u>9,416,853</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the year ended 31 December 2018.

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Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Issued by Bank Negara Malaysia

A1. Basis of Preparation

The audited condensed interim financial statements for the 4th quarter and financial year ended 31 December 2019 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss ("FVTPL"), financial investments at fair value through other comprehensive income ("FVOCI"), derivative financial instruments and investment properties.

The audited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The audited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the financial year ended 31 December 2018. The explanatory notes attached to the audited 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 Group and of the Bank since the financial year ended 31 December 2018.

The audited condensed interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied in the audited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2018, except for the adoption of the following during the current financial year:

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)

The main effects of the adoption of MFRS and Amendments to MFRS above are summarised below:

- (a) **MFRS 16 Leases** - MFRS 16 'Leases' supersedes MFRS 117 'Leases' and its related interpretations. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on-balance sheet) or operating leases (off-balance sheet). The details and financial effects of the adoption of MFRS 16 are discussed in Note A33 Changes in Accounting Policies.
- (b) **Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)** - The amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). As there are no proposed changes in the terms or membership of the Group's defined benefit plan which may result in plan amendment, curtailment or settlement, the adoption of the amendments did not have any financial impact on the financial statements of the Group and of the Bank.

Bank Negara Malaysia ("BNM")'s Revised Policy Documents on Credit Risk, Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 27 September 2019, BNM issued the revised policy documents on Credit Risk, Financial Reporting and Financial Reporting for Islamic Banking Institutions which are effective on 1 October 2019. The revised policy documents were updated to clarify the classification of a credit facility as credit-impaired, specifically the treatment of rescheduled and restructured credit facilities. The application of the revised policy documents only affected disclosure and classification of a rescheduled and restructured credit facility as credit-impaired and did not have any financial impact to the Group and the Bank.

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A1. Basis of Preparation (continued)

Change in Management Remuneration Policy

During the current financial year, the Group and the Bank revised their remuneration policy in which a new assessment process was established to align with revised internal remuneration policy to determine variable pay compensation for employees of the Group and of the Bank. The effects of the realignment of variable pay compensation have been adjusted to the opening retained profits as at 1 January 2019. The financial effects of the realignment of variable pay compensation are discussed in Note A33 Changes in Accounting Policies.

The following MFRS and Amendments to MFRSs have been issued by MASB but are not yet effective to the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2020

- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 Insurance Contracts

Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7) - These amendments provide relief on existing hedge accounting requirements from potential effects of the uncertainty caused by inter-bank offer rates. Companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instruments are based is not altered as a result of the interest rate benchmark reform. In addition, companies are not required to apply the retrospective assessment under MFRS 139, but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80% - 125% range during the period of uncertainty arising from the reform.

MFRS 17 Insurance Contracts - MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. The adoption of MFRS 17 is not expected to have any material financial impact on the financial statements of the Group as the Group's insurance business is immaterial.

A2. Auditors' Report on Preceding Annual Financial Statements

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

A3. Comments about Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the current financial year.

A4. 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 Group and of the Bank in the current financial year.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial year.

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A6. Debt and Equity Securities

Saved as disclosed below, there were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Group and the Bank.

a) **RM20.0 Billion Senior Medium Term Notes ("Senior MTNs") Programme**

The Bank had redeemed the third and fourth tranche of Senior MTNs amounting to a total of RM1,000 million in nominal value on the maturity dates during the year.

b) **RM5.0 Billion Non-Innovative Tier I Stapled Securities Programme**

The Bank had early redeemed the first and second tranche of Stapled Securities amounting to a total of RM2,088 million together with accrued interest during the year.

c) **RM5.0 Billion Sukuk Murabahah Programme**

The Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("PIBB") had early redeemed the first tranche of Subordinated Sukuk Murabahah of RM500 million in nominal value under the Sukuk Murabahah Programme during the year.

On 31 October 2019, PIBB issued the third tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2029 callable in 2024. The Subordinated Sukuk Murabahah bear profit at the rate of 3.75% per annum.

d) **RM10.0 Billion Basel III - Compliant Tier II Subordinated Medium Term Notes Programme**

On 29 July 2019, the Bank issued the sixth tranche of RM1,500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at the rate of 3.90% per annum.

On 18 December 2019, the Bank issued the seventh tranche of RM500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at the rate of 3.72% per annum.

A7. Dividends Paid and Distributed

During the financial year ended 31 December 2019 :

- a) A second interim dividend of 37.0 sen per share for the financial year ended 31 December 2018, amounting to RM1,436,391,188 was paid on 14 March 2019.
- b) A first interim dividend of 33.0 sen per share in respect of the financial year ended 31 December 2019, amounting to RM1,281,105,655 was paid on 10 September 2019.

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A8. Financial Assets at Fair Value through Profit or Loss ("FVTPL")

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Securities	2,166,786	286,951	2,166,786	286,951
Malaysian Government Investment Issues	1,313,536	100,964	1,281,657	70,654
Bank Negara Malaysia Monetary Notes	-	1,536,341	-	1,536,341
	<u>3,480,322</u>	<u>1,924,256</u>	<u>3,448,443</u>	<u>1,893,946</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>249,541</u>	-	-	-
Non-money market instruments:				
Equity securities:				
- Unquoted shares in Malaysia	445,428	423,949	419,940	399,690
Debt securities:				
- Unquoted corporate bonds / sukuk	34,974	31,929	-	-
	<u>480,402</u>	<u>455,878</u>	<u>419,940</u>	<u>399,690</u>
Total financial assets at FVTPL	<u><u>4,210,265</u></u>	<u><u>2,380,134</u></u>	<u><u>3,868,383</u></u>	<u><u>2,293,636</u></u>

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A9. Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI")

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Securities	11,982,825	12,265,159	11,819,642	11,895,739
Malaysian Government Investment Issues	21,806,968	21,653,696	11,477,222	12,288,291
Other foreign government securities	160,557	58,125	-	-
	33,950,350	33,976,980	23,296,864	24,184,030
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	426,813	3,051,128	426,813	2,910,720
Non-money market instruments:				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	1,556	2,204	-	-
- Unquoted shares	351,538	344,996	345,113	338,498
Debt securities:				
- Cagamas bonds	610,409	390,528	507,554	289,423
- Unquoted corporate bonds / sukuk	4,799,974	4,563,691	1,419,753	1,348,032
Unit trust funds	12,853	12,956	-	-
	5,776,330	5,314,375	2,272,420	1,975,953
Total financial investments at FVOCI	40,153,493	42,342,483	25,996,097	29,070,703

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A9. Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI") (continued)

The following expected credit losses ("ECL") for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
Group				
At 1 January 2019	7,371	1,225	-	8,596
New financial investments purchased	6,796	135	-	6,931
Net allowance made	210	-	-	210
Amount derecognised	(6,734)	(541)	-	(7,275)
Change in models / risk parameters	(23)	-	-	(23)
Exchange differences	(4)	(23)	-	(27)
At 31 December 2019	<u>7,616</u>	<u>796</u>	<u>-</u>	<u>8,412</u>
At 1 January 2018	6,375	-	-	6,375
New financial investments purchased	7,728	1,207	-	8,935
Net allowance written back	(314)	-	-	(314)
Amount derecognised	(6,427)	-	-	(6,427)
Exchange differences	9	18	-	27
At 31 December 2018	<u>7,371</u>	<u>1,225</u>	<u>-</u>	<u>8,596</u>
Bank				
At 1 January 2019	4,860	-	-	4,860
New financial investments purchased	4,984	-	-	4,984
Net allowance written back	(493)	-	-	(493)
Amount derecognised	(4,998)	-	-	(4,998)
Change in models / risk parameters	(1)	-	-	(1)
At 31 December 2019	<u>4,352</u>	<u>-</u>	<u>-</u>	<u>4,352</u>
At 1 January 2018	4,470	-	-	4,470
New financial investments purchased	6,342	-	-	6,342
Net allowance written back	(348)	-	-	(348)
Amount derecognised	(5,604)	-	-	(5,604)
At 31 December 2018	<u>4,860</u>	<u>-</u>	<u>-</u>	<u>4,860</u>

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A10. Financial Investments at Amortised Cost

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Securities	1,016,394	1,125,105	1,016,394	1,125,105
Malaysian Government Investment Issues	7,098,076	6,512,720	4,030,824	4,078,918
Foreign Government Treasury Bills	1,118,597	1,019,500	34,236	27,080
Other foreign government securities	1,232,825	1,710,079	6,835	7,897
	<u>10,465,892</u>	<u>10,367,404</u>	<u>5,088,289</u>	<u>5,239,000</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>1,163,001</u>	<u>1,198,530</u>	<u>1,310,142</u>	<u>1,842,223</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	5,605,977	5,611,030	5,605,977	5,611,030
- Unquoted corporate bonds / sukuk	10,407,844	9,845,596	8,619,793	7,883,611
	<u>16,013,821</u>	<u>15,456,626</u>	<u>14,225,770</u>	<u>13,494,641</u>
Allowance for impairment	(4,546)	(4,116)	(3,745)	(3,500)
Total financial investments at amortised cost	<u>27,638,168</u>	<u>27,018,444</u>	<u>20,620,456</u>	<u>20,572,364</u>

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A10. Financial Investments at Amortised Cost (continued)

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
Group				
At 1 January 2019	4,097	-	19	4,116
New financial investments purchased	556	-	-	556
Net allowance made	140	-	-	140
Amount derecognised	(341)	-	-	(341)
Change in models / risk parameters	(3)	-	-	(3)
Exchange differences	78	-	-	78
At 31 December 2019	<u>4,527</u>	<u>-</u>	<u>19</u>	<u>4,546</u>
At 1 January 2018	3,704	-	35	3,739
New financial investments purchased	1,018	-	-	1,018
Net allowance written back	(309)	-	-	(309)
Amount derecognised	(323)	-	-	(323)
Amount written off	-	-	(16)	(16)
Exchange differences	7	-	-	7
At 31 December 2018	<u>4,097</u>	<u>-</u>	<u>19</u>	<u>4,116</u>
Bank				
At 1 January 2019	3,481	-	19	3,500
New financial investments purchased	179	-	-	179
Net allowance made	71	-	-	71
Amount derecognised	(80)	-	-	(80)
Change in models / risk parameters	(4)	-	-	(4)
Exchange differences	79	-	-	79
At 31 December 2019	<u>3,726</u>	<u>-</u>	<u>19</u>	<u>3,745</u>
At 1 January 2018	2,869	-	35	2,904
New financial investments purchased	665	-	-	665
Net allowance written back	(24)	-	-	(24)
Amount derecognised	(29)	-	-	(29)
Amount written off	-	-	(16)	(16)
At 31 December 2018	<u>3,481</u>	<u>-</u>	<u>19</u>	<u>3,500</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
At amortised cost				
Overdrafts	11,181,394	11,558,286	7,939,545	8,356,059
Term loans / financing				
- Housing loans / financing	121,626,130	112,302,675	95,310,475	89,027,872
- Syndicated term loans / financing	3,762,298	3,129,190	1,134,368	595,341
- Hire purchase receivables	51,552,787	50,487,731	40,583,747	38,196,616
- Other term loans / financing	124,159,645	121,090,161	96,806,613	95,910,951
Credit card receivables	2,161,229	2,064,840	2,113,070	2,025,895
Bills receivables	108,825	155,074	87,066	133,739
Trust receipts	254,153	254,809	152,614	170,085
Claims on customers under acceptance credits	3,551,070	3,803,866	3,254,785	3,482,087
Revolving credits	10,076,109	10,483,874	8,537,705	9,529,290
Staff loans *	2,034,801	1,971,073	1,784,760	1,729,331
Gross loans, advances and financing	330,468,441	317,301,579	257,704,748	249,157,266
Allowance for impairment on loans and financing:				
- Expected credit losses	(1,991,947)	(2,042,413)	(1,434,674)	(1,466,869)
- Stage 1: 12-Month ECL	(970,934)	(1,086,325)	(670,917)	(775,726)
- Stage 2: Lifetime ECL not credit-impaired	(649,912)	(546,221)	(535,186)	(452,091)
- Stage 3: Lifetime ECL credit-impaired	(371,101)	(409,867)	(228,571)	(239,052)
Net loans, advances and financing	328,476,494	315,259,166	256,270,074	247,690,397

* Included in staff loans of the Group and of the Bank are loans to Directors of subsidiary companies amounting to RM7,613,000 (2018: RM5,012,000) and RM7,370,000 (2018 - RM4,709,000) respectively.

a) By class

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Retail loans / financing *				
- Housing loans / financing	121,626,147	112,302,874	95,310,475	89,027,872
- Hire purchase	51,347,164	50,250,640	40,583,747	38,196,616
- Credit cards	2,161,229	2,064,840	2,113,070	2,025,895
- Other loans / financing ^	108,217,642	106,352,920	82,218,399	81,988,983
	283,352,182	270,971,274	220,225,691	211,239,366
Corporate loans / financing	47,116,259	46,330,305	37,479,057	37,917,900
	330,468,441	317,301,579	257,704,748	249,157,266

* Included in retail loans/financing are loans/financing granted to individual borrowers and mid-market commercial enterprises.

^ Included in other loans/financing are term loans, trade financing, overdrafts and revolving credits.

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A11. Loans, Advances and Financing (continued)

b) By type of customer

	Group		Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Non-bank financial institutions				
- Stock-broking companies	1,210	2,973	1,210	2,973
- Others	12,995,158	10,302,928	11,407,279	9,248,247
Business enterprises				
- Small and medium enterprises	68,397,014	67,924,905	55,665,614	56,246,440
- Others	28,904,318	31,029,206	22,770,623	24,502,526
Government and statutory bodies	1,020,098	1,318,357	14,325	10,033
Individuals	215,333,895	204,066,228	166,003,229	156,821,699
Other entities	31,808	37,248	24,939	27,620
Foreign entities	3,784,940	2,619,734	1,817,529	2,297,728
	<u>330,468,441</u>	<u>317,301,579</u>	<u>257,704,748</u>	<u>249,157,266</u>

c) By interest/profit rate sensitivity

	Group		Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans / financing	849,134	1,762,168	39,532	711,476
- Hire purchase receivables	48,956,560	47,872,472	40,412,009	37,995,624
- Other fixed rate loans / financing	21,679,909	21,387,571	10,572,924	10,361,819
Variable rate				
- Base rate / base lending rate plus	209,523,638	197,504,090	175,186,208	167,638,242
- Cost plus	35,281,822	34,198,485	31,130,503	32,050,311
- Other variable rates	14,177,378	14,576,793	363,572	399,794
	<u>330,468,441</u>	<u>317,301,579</u>	<u>257,704,748</u>	<u>249,157,266</u>

d) By residual contractual maturity

	Group		Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	30,074,737	33,476,534	20,934,050	24,078,602
More than one year to three years	28,380,117	25,630,391	22,617,780	19,976,992
More than three years to five years	33,530,946	30,813,477	26,812,787	25,891,581
More than five years	238,482,641	227,381,177	187,340,131	179,210,091
	<u>330,468,441</u>	<u>317,301,579</u>	<u>257,704,748</u>	<u>249,157,266</u>

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A11. Loans, Advances and Financing (continued)

e) By geographical distribution

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Malaysia	307,164,075	294,073,885	256,906,982	248,304,984
Hong Kong SAR and the People's Republic of China	15,164,688	15,884,112	-	-
Cambodia	4,720,804	4,355,773	-	-
Other countries	3,418,874	2,987,809	797,766	852,282
	<u>330,468,441</u>	<u>317,301,579</u>	<u>257,704,748</u>	<u>249,157,266</u>

f) Gross loans, advances and financing by economic purpose

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Purchase of securities	4,215,419	2,764,420	3,686,897	2,389,565
Purchase of transport vehicles	51,770,061	50,720,776	40,810,981	38,438,216
Purchase of landed properties	207,792,100	196,597,670	167,126,742	159,761,279
(of which: - residential	125,850,883	116,258,068	98,888,486	92,398,172
- non-residential)	81,941,217	80,339,602	68,238,256	67,363,107
Purchase of fixed assets (excluding landed properties)	433,035	470,118	83,595	140,252
Personal use	13,648,878	13,064,948	7,316,469	6,996,922
Credit card	2,161,229	2,064,840	2,113,070	2,025,895
Purchase of consumer durables	801	924	101	104
Construction	7,401,779	7,143,581	5,808,391	5,953,919
Mergers and acquisitions	9,730	16,222	9,730	16,222
Working capital	38,576,599	39,968,394	26,456,630	28,994,446
Other purpose	4,458,810	4,489,686	4,292,142	4,440,446
	<u>330,468,441</u>	<u>317,301,579</u>	<u>257,704,748</u>	<u>249,157,266</u>

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g) Gross loans, advances and financing by sectors

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Agriculture, hunting, forestry and fishing	3,545,062	3,808,415	2,524,728	2,708,867
Mining and quarrying	334,813	213,243	165,225	160,547
Manufacturing	11,004,846	10,533,986	8,345,617	8,420,878
Electricity, gas and water	162,295	130,928	47,363	36,695
Construction	12,903,477	11,572,927	9,878,302	9,349,268
Wholesale & retail trade and restaurants & hotels	27,306,914	26,441,872	22,475,527	21,979,280
Transport, storage and communication	4,153,801	4,161,820	3,033,476	2,989,153
Finance, insurance and business services	19,332,370	18,399,137	16,036,222	15,572,218
Real estate	32,182,576	34,655,850	25,915,549	28,028,137
Community, social and personal services	3,190,201	3,230,185	1,844,962	1,686,753
Households	214,862,347	203,135,000	167,387,862	158,182,539
Others	1,489,739	1,018,216	49,915	42,931
	<u>330,468,441</u>	<u>317,301,579</u>	<u>257,704,748</u>	<u>249,157,266</u>

h) Loans, advances and financing pledged as collateral are as follows:

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Bankers' acceptances rediscounted	<u>25,814</u>	<u>2,500</u>	<u>25,814</u>	<u>2,500</u>

i) Movements in credit-impaired ("impaired") loans, advances and financing are as follows:

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
At 1 January	1,620,733	1,475,666	1,143,782	1,064,009
Impaired during the year	3,066,488	3,109,654	2,106,495	2,136,046
Reclassified as non-impaired	(2,172,788)	(2,110,795)	(1,559,030)	(1,527,447)
Recoveries	(357,532)	(347,887)	(265,130)	(262,641)
Amount written off	(470,169)	(482,440)	(212,200)	(244,913)
Loans / financing converted to foreclosed properties	(78,196)	(27,799)	(68,007)	(22,822)
Exchange differences	(3,617)	4,334	(1,777)	1,550
Closing balance	<u>1,604,919</u>	<u>1,620,733</u>	<u>1,144,133</u>	<u>1,143,782</u>
Gross impaired loans and financing as a percentage of gross loans, advances and financing	<u>0.49%</u>	<u>0.51%</u>	<u>0.44%</u>	<u>0.46%</u>

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A11. Loans, Advances and Financing (continued)

j) Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Malaysia	1,310,329	1,300,431	1,031,067	1,020,145
Hong Kong SAR and the People's Republic of China	103,643	104,861	-	-
Cambodia	45,233	65,858	-	-
Other countries	145,714	149,583	113,066	123,637
	<u>1,604,919</u>	<u>1,620,733</u>	<u>1,144,133</u>	<u>1,143,782</u>

k) Impaired loans, advances and financing by economic purpose

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Purchase of securities	724	722	724	722
Purchase of transport vehicles	241,765	304,027	161,236	201,474
Purchase of landed properties	856,891	803,830	672,131	629,105
(of which: - residential	629,565	569,671	470,280	428,029
- non-residential)	227,326	234,159	201,851	201,076
Purchase of fixed assets (excluding landed properties)	8,523	7,500	992	364
Personal use	153,351	141,699	57,930	46,402
Credit card	17,983	19,572	17,035	19,141
Purchase of consumer durables	1	-	1	-
Construction	57,119	69,316	52,463	67,218
Working capital	256,412	263,975	169,509	169,303
Other purpose	12,150	10,092	12,112	10,053
	<u>1,604,919</u>	<u>1,620,733</u>	<u>1,144,133</u>	<u>1,143,782</u>

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A11. Loans, Advances and Financing (continued)

1) Impaired loans, advances and financing by sectors

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Agriculture, hunting, forestry and fishing	22,385	40,216	22,335	15,109
Mining and quarrying	1,579	1,689	1,577	636
Manufacturing	55,698	56,008	38,971	45,561
Electricity, gas and water	4,848	2,275	12	83
Construction	107,125	129,350	93,545	120,122
Wholesale & retail trade and restaurants & hotels	162,315	170,689	124,760	133,636
Transport, storage and communication	18,107	18,857	11,513	14,072
Finance, insurance and business services	55,947	60,621	44,343	44,404
Real estate	41,543	42,456	38,914	37,287
Community, social and personal services	9,367	9,569	7,789	7,230
Households	1,099,910	1,066,953	759,083	725,551
Others	26,095	22,050	1,291	91
	<u>1,604,919</u>	<u>1,620,733</u>	<u>1,144,133</u>	<u>1,143,782</u>

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A11. Loans, Advances and Financing (continued)

m) Movements in loss allowance for loans/financing which reflect the ECL model on impairment are as follows:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
Group				
At 1 January 2019	1,086,325	546,221	409,867	2,042,413
Changes due to loans, advances and financing recognised as at 1 January 2019:	155,794	(75,640)	(80,154)	-
- Transfer to Stage 1: 12-Month ECL	190,971	(127,762)	(63,209)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(31,188)	78,567	(47,379)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(3,989)	(26,445)	30,434	-
New loans, advances and financing originated	114,040	123,702	63,838	301,580
Net remeasurement due to changes in credit risk	(199,150)	18,885	482,958	302,693
Loans, advances and financing derecognised (other than write-off)	(69,694)	(54,715)	(40,954)	(165,363)
Modifications to contractual cash flows of loans, advances and financing	(4,376)	5,162	7,942	8,728
Changes in models / risk parameters	(111,457)	86,480	2,068	(22,909)
Amount written off	-	-	(470,169)	(470,169)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	(2,319)	(2,319)
Exchange differences	(548)	(183)	(1,976)	(2,707)
At 31 December 2019	970,934	649,912	371,101	1,991,947

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A11. Loans, Advances and Financing (continued)

m) Movements in loss allowance for loans/financing which reflect the ECL model on impairment are as follows (continued):

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
Group				
At 1 January 2018	1,186,643	534,269	376,450	2,097,362
Changes due to loans, advances and financing recognised as at 1 January 2018:	127,009	(84,657)	(42,352)	-
- Transfer to Stage 1: 12-Month ECL	161,772	(131,135)	(30,637)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(31,210)	70,045	(38,835)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(3,553)	(23,567)	27,120	-
New loans, advances and financing originated	165,795	82,600	55,833	304,228
Net remeasurement due to changes in credit risk	(304,918)	67,155	522,615	284,852
Loans, advances and financing derecognised (other than write-off)	(87,098)	(52,331)	(35,349)	(174,778)
Modifications to contractual cash flows of loans, advances and financing	(3,040)	(1,397)	10,084	5,647
Amount written off	-	-	(482,440)	(482,440)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	(36)	(36)
Exchange differences	1,934	582	5,062	7,578
At 31 December 2018	<u>1,086,325</u>	<u>546,221</u>	<u>409,867</u>	<u>2,042,413</u>

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A11. Loans, Advances and Financing (continued)

m) Movements in loss allowance for loans/financing which reflect the ECL model on impairment are as follows (continued):

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
Bank				
At 1 January 2019	775,726	452,091	239,052	1,466,869
Changes due to loans and advances recognised as at 1 January 2019:	90,850	(55,591)	(35,259)	-
- Transfer to Stage 1: 12-Month ECL	115,839	(101,354)	(14,485)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(24,185)	57,220	(33,035)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(804)	(11,457)	12,261	-
New loans and advances originated	63,975	103,929	3,791	171,695
Net remeasurement due to changes in credit risk	(119,939)	4,380	258,965	143,406
Loans and advances derecognised (other than write-off)	(35,988)	(50,624)	(31,937)	(118,549)
Modifications to contractual cash flows of loans and advances	(3,919)	5,199	7,189	8,469
Changes in models / risk parameters	(99,676)	75,802	1,134	(22,740)
Amount written off	-	-	(212,200)	(212,200)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	(2,164)	(2,164)
Exchange differences	(112)	-	-	(112)
At 31 December 2019	670,917	535,186	228,571	1,434,674

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A11. Loans, Advances and Financing (continued)

m) Movements in loss allowance for loans/financing which reflect the ECL model on impairment are as follows (continued):

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
Bank				
At 1 January 2018	832,699	420,320	238,807	1,491,826
Changes due to loans and advances recognised as at 1 January 2018:	91,431	(51,548)	(39,883)	-
- Transfer to Stage 1: 12-Month ECL	116,624	(94,966)	(21,658)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(24,696)	51,261	(26,565)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(497)	(7,843)	8,340	-
New loans and advances originated	96,076	60,348	3,146	159,570
Net remeasurement due to changes in credit risk	(197,502)	62,910	297,262	162,670
Loans and advances derecognised (other than write-off)	(44,121)	(38,576)	(24,553)	(107,250)
Modifications to contractual cash flows of loans and advances	(2,739)	(1,363)	9,222	5,120
Amount written off	-	-	(244,913)	(244,913)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	(36)	(36)
Exchange differences	(118)	-	-	(118)
At 31 December 2018	<u>775,726</u>	<u>452,091</u>	<u>239,052</u>	<u>1,466,869</u>

A12. Other Assets

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Deferred handling fees	234,967	226,549	196,046	178,288
Interest / Income receivable	42,896	53,356	6,073	7,889
Other receivables, deposits and prepayments	1,005,633	1,106,278	767,756	969,935
Collateral pledged for derivative transactions	192,877	118,620	192,877	118,620
Employee benefits	48,430	327,462	47,633	322,256
Amount due from trust funds	230,324	206,628	-	-
Foreclosed properties	177,617	125,622	161,053	117,987
Outstanding contracts on clients' accounts	214,656	229,372	-	-
Amount due from subsidiary companies	-	-	47,711	39,521
Distribution receivable from collective investments	-	-	31,618	31,772
Dividend receivable from subsidiary companies	-	-	750,125	580,496
	<u>2,147,400</u>	<u>2,393,887</u>	<u>2,200,892</u>	<u>2,366,764</u>

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A13. Deposits from Customers

a) By type of deposit

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
At amortised cost				
Core deposits:				
- Demand deposits	51,106,160	50,023,160	40,067,724	39,559,440
- Savings deposits	37,733,184	37,034,511	25,260,085	24,171,008
- Fixed deposits	205,806,430	196,788,732	149,042,566	146,016,093
	<u>294,645,774</u>	<u>283,846,403</u>	<u>214,370,375</u>	<u>209,746,541</u>
Negotiable instruments of deposit	22,979	133,528	-	108,605
Money market deposits	58,610,421	55,129,516	53,845,616	48,985,570
	<u>58,633,400</u>	<u>55,263,044</u>	<u>53,845,616</u>	<u>49,094,175</u>
Other deposits	61,301	50,445	43,699	36,843
	<u>353,340,475</u>	<u>339,159,892</u>	<u>268,259,690</u>	<u>258,877,559</u>

b) By type of customer

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Federal and state governments	7,510,524	7,020,760	5,155,389	5,509,654
Local government and statutory authorities	4,636,517	2,983,466	3,756,788	2,533,549
Business enterprises	93,749,815	93,682,701	74,933,430	75,246,722
Individuals	176,930,222	173,496,711	138,499,660	133,345,386
Foreign customers	9,821,754	9,349,386	4,382,060	4,037,037
Others	60,691,643	52,626,868	41,532,363	38,205,211
	<u>353,340,475</u>	<u>339,159,892</u>	<u>268,259,690</u>	<u>258,877,559</u>

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A13. Deposits from Customers (continued)

- c) The maturity structure of fixed deposits, negotiable instruments of deposit and money market deposits are as follows:

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Due within six months	224,301,309	189,847,360	168,700,151	148,353,579
More than six months to one year	39,961,843	61,487,317	34,046,661	46,421,532
More than one year to three years	173,570	713,289	139,173	331,729
More than three years to five years	3,108	3,810	2,197	3,428
	<u>264,439,830</u>	<u>252,051,776</u>	<u>202,888,182</u>	<u>195,110,268</u>

A14. Deposits from Banks

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
At amortised cost				
Licensed banks	4,714,525	4,648,523	3,464,138	3,790,646
Licensed investment banks	458,211	144,311	206,023	27,265
Bank Negara Malaysia	349,466	428,786	332,098	408,387
Other financial institutions	2,971,871	4,261,534	7,793,143	8,260,765
	<u>8,494,073</u>	<u>9,483,154</u>	<u>11,795,402</u>	<u>12,487,063</u>

A15. Other Liabilities

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Interest / Income payable	2,085,618	1,885,756	1,599,710	1,351,860
Other payables and accruals	2,471,928	2,370,128	1,932,282	1,773,682
Collateral received for derivative transactions	47,566	101,475	47,566	101,475
Amount due to trust funds	91,313	86,095	-	-
Unprocessed sales and / or redemptions	144,024	113,587	-	-
Accrued restoration costs	70,752	7,665	71,405	7,665
Allowance for impairment on loan / financing commitments and financial guarantees	52,944	62,483	43,730	42,422
Finance lease liabilities	-	95,666	-	95,666
Outstanding contracts on clients' accounts	206,265	224,208	-	-
Dividend payable to shareholders	25,987	28,407	2,814	2,017
Amount due to subsidiary companies	-	-	37,262	42,029
	<u>5,196,397</u>	<u>4,975,470</u>	<u>3,734,769</u>	<u>3,416,816</u>

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A15. Other Liabilities (continued)

Movements in the allowance for impairment on loan/financing commitments and financial guarantees are as follows:

Group	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
At 1 January 2019	53,063	8,273	1,147	62,483
Changes due to loan / financing commitments and financial guarantees recognised as at 1 January 2019:	1,570	(1,255)	(315)	-
- Transfer to Stage 1: 12-Month ECL	2,233	(2,143)	(90)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(652)	979	(327)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(11)	(91)	102	-
New loan / financing commitments and financial guarantees originated	4,353	2,212	110	6,675
Net remeasurement due to changes in credit risk	(15,434)	809	764	(13,861)
Loan / financing commitments and financial guarantees derecognised	(3,851)	(2,346)	(60)	(6,257)
Modifications to contractual cash flows of loan / financing commitments and financial guarantees	(4)	(14)	(214)	(232)
Changes in models / risk parameters	3,162	797	192	4,151
Exchange differences	(14)	(1)	-	(15)
At 31 December 2019	42,845	8,475	1,624	52,944
At 1 January 2018	52,998	6,567	1,249	60,814
Changes due to loan / financing commitments and financial guarantees recognised as at 1 January 2018:	1,206	(850)	(356)	-
- Transfer to Stage 1: 12-Month ECL	2,456	(2,214)	(242)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,234)	1,445	(211)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(16)	(81)	97	-
New loan / financing commitments and financial guarantees originated	8,041	4,076	38	12,155
Net remeasurement due to changes in credit risk	(4,811)	777	287	(3,747)
Loan / financing commitments and financial guarantees derecognised	(4,646)	(2,297)	(79)	(7,022)
Modifications to contractual cash flows of loan / financing commitments and financial guarantees	(18)	-	8	(10)
Exchange differences	293	-	-	293
At 31 December 2018	53,063	8,273	1,147	62,483

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A15. Other Liabilities (continued)

Movements in the allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

Bank	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
At 1 January 2019	34,345	7,065	1,012	42,422
Changes due to loan commitments and and financial guarantees recognised as at 1 January 2019:	1,142	(866)	(276)	-
- Transfer to Stage 1: 12-Month ECL	1,760	(1,698)	(62)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(608)	892	(284)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(10)	(60)	70	-
New loan commitments and financial guarantees originated	3,413	1,968	74	5,455
Net remeasurement due to changes in credit risk	(3,073)	968	602	(1,503)
Loan commitments and financial guarantees derecognised	(3,314)	(2,270)	(55)	(5,639)
Modifications to contractual cash flows of loan commitments and financial guarantees	(4)	(14)	(215)	(233)
Changes in models / risk parameters	2,395	683	150	3,228
At 31 December 2019	34,904	7,534	1,292	43,730
At 1 January 2018	35,909	5,346	976	42,231
Changes due to loan commitments and and financial guarantees recognised as at 1 January 2018:	724	(487)	(237)	-
- Transfer to Stage 1: 12-Month ECL	1,888	(1,714)	(174)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,149)	1,296	(147)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(15)	(69)	84	-
New loan commitments and financial guarantees originated	4,759	3,499	38	8,296
Net remeasurement due to changes in credit risk	(3,601)	728	302	(2,571)
Loan commitments and financial guarantees derecognised	(3,428)	(2,021)	(75)	(5,524)
Modifications to contractual cash flows of loan commitments and financial guarantees	(18)	-	8	(10)
At 31 December 2018	34,345	7,065	1,012	42,422

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A16. Interest Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Group</u>				
Loans and advances	3,492,416	3,523,331	13,884,080	13,753,101
Balances with banks	74,601	68,018	325,523	256,133
Financial investments at fair value through other comprehensive income	279,803	324,362	1,102,768	1,214,610
Financial investments at amortised cost	240,302	234,473	953,288	865,937
Others	22,828	23,387	91,079	94,790
	<u>4,109,950</u>	<u>4,173,571</u>	<u>16,356,738</u>	<u>16,184,571</u>
Financial assets at fair value through profit or loss	22,767	21,954	72,634	76,635
	<u>4,132,717</u>	<u>4,195,525</u>	<u>16,429,372</u>	<u>16,261,206</u>
	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Bank</u>				
Loans and advances	3,110,626	3,172,020	12,423,343	12,434,795
Balances with banks	45,640	36,787	205,656	137,846
Financial investments at fair value through other comprehensive income	230,792	274,529	904,844	1,027,039
Financial investments at amortised cost	215,877	209,223	849,296	781,747
Others	22,827	23,385	91,073	94,781
	<u>3,625,762</u>	<u>3,715,944</u>	<u>14,474,212</u>	<u>14,476,208</u>
Financial assets at fair value through profit or loss	22,264	16,654	71,190	53,401
	<u>3,648,026</u>	<u>3,732,598</u>	<u>14,545,402</u>	<u>14,529,609</u>

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A17. Interest Expense

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits from banks	81,328	109,865	316,732	389,007
Deposits from customers	1,918,159	1,977,359	7,767,391	7,503,703
Loans sold to Cagamas	59,334	59,334	235,400	241,244
Debt securities issued and other borrowed funds	112,669	137,664	486,442	553,192
Others	15,769	2,936	51,121	11,093
	<u>2,187,259</u>	<u>2,287,158</u>	<u>8,857,086</u>	<u>8,698,239</u>
	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits from banks	87,105	115,411	349,951	401,848
Deposits from customers	1,826,010	1,888,019	7,406,489	7,220,141
Loans sold to Cagamas	59,334	59,334	235,400	241,244
Debt securities issued and other borrowed funds	107,628	133,228	467,040	535,660
Others	15,191	2,936	60,402	11,093
	<u>2,095,268</u>	<u>2,198,928</u>	<u>8,519,282</u>	<u>8,409,986</u>

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A18. Net Fee and Commission Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Group</u>				
(a) Fee and commission income:				
Commissions	166,044	162,171	625,304	601,187
Service charges and fees	59,229	85,524	311,228	352,691
Guarantee fees	8,165	9,776	34,571	33,500
Commitment fees	20,571	21,788	75,588	89,194
Unit trust management fees	273,784	256,317	1,068,433	1,053,692
Fee on sale of trust units	64,408	68,760	257,521	340,409
Brokerage and commissions from stockbroking activities	23,421	22,416	91,205	101,947
Other fee and commission income	12,538	16,033	69,866	54,159
	<u>628,160</u>	<u>642,785</u>	<u>2,533,716</u>	<u>2,626,779</u>
(b) Fee and commission expense:				
Unit trust agency fee	(105,254)	(110,832)	(412,645)	(469,281)
Debit / credit card related fee	(99,357)	(91,884)	(348,811)	(344,937)
Loan related fee	(3,504)	(3,581)	(14,337)	(13,291)
Other fee and commission expense	(3,779)	(5,626)	(17,460)	(21,178)
	<u>(211,894)</u>	<u>(211,923)</u>	<u>(793,253)</u>	<u>(848,687)</u>
Net fee and commission income	<u>416,266</u>	<u>430,862</u>	<u>1,740,463</u>	<u>1,778,092</u>
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Bank</u>				
(a) Fee and commission income:				
Commissions	178,684	170,800	676,471	666,253
Service charges and fees	56,603	58,480	226,407	247,730
Guarantee fees	7,528	8,994	31,587	30,693
Commitment fees	18,740	20,200	68,497	82,234
Other fee and commission income	7,881	11,202	52,234	36,893
	<u>269,436</u>	<u>269,676</u>	<u>1,055,196</u>	<u>1,063,803</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(98,364)	(91,101)	(345,577)	(342,165)
Loan related fee	(2,803)	(2,962)	(11,878)	(10,692)
Other fee and commission expense	(2,969)	(3,253)	(11,937)	(13,360)
	<u>(104,136)</u>	<u>(97,316)</u>	<u>(369,392)</u>	<u>(366,217)</u>
Net fee and commission income	<u>165,300</u>	<u>172,360</u>	<u>685,804</u>	<u>697,586</u>

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A19. Net Gains and Losses on Financial Instruments

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Group				
Net gain arising on financial assets at fair value through profit or loss:				
- net gain on disposal	1,223	376	19,086	1,131
- gross dividend income	-	524	2,097	2,097
- unrealised revaluation gain	3,170	436	24,399	8,217
	<u>4,393</u>	<u>1,336</u>	<u>45,582</u>	<u>11,445</u>
Net (loss) / gain arising on trading derivatives				
- unrealised revaluation (loss) / gain	(57)	88	(77)	111
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	24,429	2,976	118,853	33,296
- gross dividend income	3,378	146	4,962	1,224
	<u>27,807</u>	<u>3,122</u>	<u>123,815</u>	<u>34,520</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	547	(222)	(253)	(158)
- cash flow hedge	1,174	(1,929)	(1,341)	(43)
	<u>1,721</u>	<u>(2,151)</u>	<u>(1,594)</u>	<u>(201)</u>
Net gains and losses on financial instruments	<u>33,864</u>	<u>2,395</u>	<u>167,726</u>	<u>45,875</u>

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A19. Net Gains and Losses on Financial Instruments (continued)

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Bank</u>				
Net gain arising on financial assets at fair value through profit or loss:				
- net gain on disposal	1,221	376	18,818	1,127
- gross dividend income	-	494	1,977	1,977
- unrealised revaluation gain	3,077	436	23,078	7,753
	<u>4,298</u>	<u>1,306</u>	<u>43,873</u>	<u>10,857</u>
Net (loss) / gain arising on trading derivatives				
- unrealised revaluation (loss) / gain	(57)	88	(77)	111
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	19,427	2,888	109,822	32,682
- gross dividend income	3,194	-	4,181	186
	<u>22,621</u>	<u>2,888</u>	<u>114,003</u>	<u>32,868</u>
Net (loss) / gain representing ineffective portions of hedging derivatives:				
- fair value hedge	(15)	(81)	91	(21)
- cash flow hedge	1,174	(1,929)	(1,341)	(43)
	<u>1,159</u>	<u>(2,010)</u>	<u>(1,250)</u>	<u>(64)</u>
Net gains and losses on financial instruments	<u>28,021</u>	<u>2,272</u>	<u>156,549</u>	<u>43,772</u>

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A20. Other Operating Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Group</u>				
Other income:				
Foreign exchange profit	129,988	37,768	336,084	243,745
Rental income from:				
- investment properties	4,155	6,172	15,981	15,813
- other properties	2,912	676	10,720	10,149
Net gain on disposal of property and equipment	390	47	986	485
Net (loss) / gain on disposal of foreclosed properties	(1,387)	234	(959)	1,127
Net gain on revaluation of investment properties	11,165	33,416	50,387	49,035
Others	20,911	18,264	79,516	70,257
Total other operating income	<u>168,134</u>	<u>96,577</u>	<u>492,715</u>	<u>390,611</u>
	4th Quarter Ended	31 December	4th Quarter Ended	31 December
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Bank</u>				
Distribution income from collective investments	51,443	51,915	206,173	200,451
Dividend income from subsidiary companies				
- quoted outside Malaysia	63,395	72,196	84,695	92,877
- unquoted in Malaysia	467,694	271,010	799,937	688,497
	<u>582,532</u>	<u>395,121</u>	<u>1,090,805</u>	<u>981,825</u>
Other income / (loss):				
Foreign exchange profit	204,325	36,486	339,252	114,139
Rental income from other properties	3,496	3,345	13,102	12,546
Net gain on disposal of property and equipment	347	43	774	408
Net (loss) / gain on disposal of foreclosed properties	(1,387)	234	(959)	1,127
Others	17,178	14,393	66,956	54,916
	<u>223,959</u>	<u>54,501</u>	<u>419,125</u>	<u>183,136</u>
Total other operating income	<u>806,491</u>	<u>449,622</u>	<u>1,509,930</u>	<u>1,164,961</u>

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A21. Other Operating Expenses

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	581,469	519,878	2,264,670	2,089,379
- Pension costs	76,986	66,999	299,517	271,264
- Others	47,964	43,559	177,436	165,881
	706,419	630,436	2,741,623	2,526,524
Establishment costs				
- Depreciation	90,110	60,895	352,172	228,677
- Rental	4,775	33,813	17,457	129,208
- Insurance	4,763	5,551	23,534	22,466
- Water and electricity	13,065	13,107	52,146	50,419
- General repairs and maintenance	41,072	22,546	127,667	97,427
- Information technology expenses	13,211	13,035	59,707	51,010
- Others	19,321	19,214	78,217	72,844
	186,317	168,161	710,900	652,051
Marketing expenses				
- Advertisement and publicity	14,673	11,342	58,770	56,521
- Others	22,269	20,012	83,767	92,089
	36,942	31,354	142,537	148,610
Administration and general expenses				
- Communication expenses	8,388	7,963	49,843	46,051
- Legal and professional fees	10,090	9,746	37,326	40,938
- Others	36,949	38,502	136,963	159,312
	55,427	56,211	224,132	246,301
Total other operating expenses	985,105	886,162	3,819,192	3,573,486

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A21. Other Operating Expenses (continued)

<u>Bank</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Personnel costs				
- Salaries, allowances and bonuses	443,256	389,935	1,712,941	1,576,108
- Pension costs	67,066	57,244	258,483	233,435
- Others	37,582	33,850	142,053	133,785
	<u>547,904</u>	<u>481,029</u>	<u>2,113,477</u>	<u>1,943,328</u>
Establishment costs				
- Depreciation	69,222	46,688	272,792	178,263
- Rental	1,004	26,307	4,070	101,865
- Insurance	3,491	4,557	19,493	19,082
- Water and electricity	8,851	8,825	35,829	34,551
- General repairs and maintenance	33,954	19,511	108,483	85,051
- Information technology expenses	4,893	5,926	27,847	23,845
- Others	12,270	12,373	48,364	45,442
	<u>133,685</u>	<u>124,187</u>	<u>516,878</u>	<u>488,099</u>
Marketing expenses				
- Advertisement and publicity	3,637	1,168	20,757	17,678
- Others	13,540	9,167	52,427	44,171
	<u>17,177</u>	<u>10,335</u>	<u>73,184</u>	<u>61,849</u>
Administration and general expenses				
- Communication expenses	6,630	5,946	37,425	34,761
- Legal and professional fees	6,339	6,256	25,386	28,105
- Others	18,300	20,913	71,732	91,718
	<u>31,269</u>	<u>33,115</u>	<u>134,543</u>	<u>154,584</u>
Cost of resource sharing charged to Public Islamic Bank Berhad *	(109,343)	(95,287)	(416,753)	(375,994)
Total other operating expenses	<u>620,692</u>	<u>553,379</u>	<u>2,421,329</u>	<u>2,271,866</u>

* The type of resource sharing rendered by the Bank to Public Islamic Bank Berhad in Malaysia are as follows:

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Credit related	(57,800)	(51,038)	(216,926)	(203,480)
Non-credit branch support	(31,839)	(28,080)	(127,181)	(107,534)
Other administration function	(19,704)	(16,169)	(72,646)	(64,980)
	<u>(109,343)</u>	<u>(95,287)</u>	<u>(416,753)</u>	<u>(375,994)</u>

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A22. Allowance for Impairment on Loans, Advances and Financing

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Expected credit losses	112,689	96,253	415,205	421,325
Impaired loans and financing written off	10	36	40	115
Impaired loans and financing recovered	(69,458)	(61,856)	(260,779)	(252,177)
	<u>43,241</u>	<u>34,433</u>	<u>154,466</u>	<u>169,263</u>
<u>Bank</u>				
Expected credit losses	64,126	59,615	183,589	220,301
Impaired loans written off	10	35	40	113
Impaired loans recovered	(32,469)	(23,866)	(133,274)	(114,104)
	<u>31,667</u>	<u>35,784</u>	<u>50,355</u>	<u>106,310</u>

A23. Allowance / (Writeback of Allowance) for Impairment on Other Assets

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	393	375	(157)	2,194
- Financial investments at amortised cost	119	56	352	386
- Deposits and placements with banks and other financial institutions	1,704	(24)	1,688	(44)
Allowance (written back) / made on:				
- Foreclosed properties	(2,147)	2,431	(4,013)	2,224
- Receivables from stockbroking activities	-	6	(53)	6
- Other receivables	8	-	8	-
	<u>77</u>	<u>2,844</u>	<u>(2,175)</u>	<u>4,766</u>
<u>Bank</u>				
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(1)	(111)	(508)	390
- Financial investments at amortised cost	(18)	92	166	612
Allowance (written back) / made on :				
- Foreclosed properties	(2,145)	2,430	(4,011)	2,272
	<u>(2,164)</u>	<u>2,411</u>	<u>(4,353)</u>	<u>3,274</u>

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A24. Segment Information

	-----<----- Operating Segments ----->-----											
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
4th Quarter Ended 31 December 2019												
External revenue	635,793	2,822,265	496,179	338,261	41,365	338,417	13,786	504,024	5,190,090	484,034	-	5,674,124
Revenue from other segments	2,507	401,387	12,569	493,477	454	11,594	666	99,409	1,022,063	22,089	(1,044,152)	-
	638,300	3,223,652	508,748	831,738	41,819	350,011	14,452	603,433	6,212,153	506,123	(1,044,152)	5,674,124
Net interest income / (expense) and Islamic banking income	165,145	1,303,650	147,756	(6,164)	6,594	1,386	(5,658)	295,580	1,908,289	323,503	-	2,231,792
Other income	714	173,652	8,471	83,646	18,243	224,357	13,705	56,897	579,685	47,883	(9,304)	618,264
Net income	165,859	1,477,302	156,227	77,482	24,837	225,743	8,047	352,477	2,487,974	371,386	(9,304)	2,850,056
Other operating expenses	(68,317)	(508,531)	(4,460)	(12,094)	(10,271)	(62,948)	(5,350)	(142,462)	(814,433)	(179,976)	9,304	(985,105)
Writeback of allowance / (Allowance) for impairment on loans, advances and financing	51,565	21,909	(90,058)	-	(157)	1	-	-	(16,740)	(26,501)	-	(43,241)
Writeback of allowance / (Allowance) for impairment on other assets	-	2,148	-	147	30	-	-	(951)	1,374	(1,451)	-	(77)
Profit by segments	149,107	992,828	61,709	65,535	14,439	162,796	2,697	209,064	1,658,175	163,458	-	1,821,633
Reconciliation of segment profits to consolidated profits: Share of profit after tax of equity accounted associated companies									860	-		860
Profit before tax expense and zakat									1,659,035	163,458		1,822,493

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A24. Segment Information (continued)

4th Quarter Ended 31 December 2018	----- Operating Segments -----											Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
External revenue	635,658	2,841,279	508,854	359,083	40,742	325,308	25,866	408,607	5,145,397	486,621	-	5,632,018
Revenue from other segments	2,477	354,968	12,405	559,606	436	11,784	12,089	122,078	1,075,843	18,255	(1,094,098)	-
	<u>638,135</u>	<u>3,196,247</u>	<u>521,259</u>	<u>918,689</u>	<u>41,178</u>	<u>337,092</u>	<u>37,955</u>	<u>530,685</u>	<u>6,221,240</u>	<u>504,876</u>	<u>(1,094,098)</u>	<u>5,632,018</u>
Net interest income / (expense) and Islamic banking income	161,654	1,208,789	134,948	69,803	6,677	4,326	(6,030)	280,829	1,860,996	319,804	-	2,180,800
Other income / (loss)	632	174,512	14,269	64,992	14,348	209,230	37,301	(28,035)	487,249	64,251	(21,666)	529,834
Net income	<u>162,286</u>	<u>1,383,301</u>	<u>149,217</u>	<u>134,795</u>	<u>21,025</u>	<u>213,556</u>	<u>31,271</u>	<u>252,794</u>	<u>2,348,245</u>	<u>384,055</u>	<u>(21,666)</u>	<u>2,710,634</u>
Other operating expenses (Allowance) / Writeback of allowance for impairment on loans, advances and financing	(60,112)	(449,130)	(3,930)	(10,398)	(10,498)	(55,713)	(5,191)	(144,558)	(739,530)	(168,298)	21,666	(886,162)
Allowance for impairment on other assets	(17,656)	(17,476)	29,208	-	(420)	27	-	-	(6,317)	(28,116)	-	(34,433)
Profit by segments	<u>-</u>	<u>(2,430)</u>	<u>-</u>	<u>(54)</u>	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>(197)</u>	<u>(2,719)</u>	<u>(125)</u>	<u>-</u>	<u>(2,844)</u>
	<u>84,518</u>	<u>914,265</u>	<u>174,495</u>	<u>124,343</u>	<u>10,069</u>	<u>157,870</u>	<u>26,080</u>	<u>108,039</u>	<u>1,599,679</u>	<u>187,516</u>	<u>-</u>	<u>1,787,195</u>
Reconciliation of segment profits to consolidated profits: Share of profit after tax of equity accounted associated companies									2,524	-		2,524
Profit before tax expense and zakat									<u>1,602,203</u>	<u>187,516</u>	<u>-</u>	<u>1,789,719</u>

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A24. Segment Information (continued)

Financial Year Ended 31 December 2019	-----<----- Operating Segments ----->-----										Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000		
External revenue	2,538,073	11,181,421	2,002,850	1,421,071	149,867	1,327,445	70,752	1,821,056	20,512,535	1,942,199	-	22,454,734
Revenue from other segments	5,705	1,530,090	43,437	2,023,288	1,094	48,522	1,851	473,542	4,127,529	88,244	(4,215,773)	-
	<u>2,543,778</u>	<u>12,711,511</u>	<u>2,046,287</u>	<u>3,444,359</u>	<u>150,961</u>	<u>1,375,967</u>	<u>72,603</u>	<u>2,294,598</u>	<u>24,640,064</u>	<u>2,030,443</u>	<u>(4,215,773)</u>	<u>22,454,734</u>
Net interest income / (expense) and Islamic banking income	656,039	4,983,363	558,176	(19,615)	25,611	8,761	(23,257)	1,236,444	7,425,522	1,275,825	-	8,701,347
Other income	3,029	703,212	49,094	345,404	59,208	879,420	71,165	98,497	2,209,029	231,409	(39,534)	2,400,904
Net income	659,068	5,686,575	607,270	325,789	84,819	888,181	47,908	1,334,941	9,634,551	1,507,234	(39,534)	11,102,251
Other operating expenses (Allowance) / Writeback of allowance for impairment on loans, advances and financing	(255,573)	(1,975,528)	(17,697)	(45,721)	(43,258)	(241,380)	(25,344)	(573,225)	(3,177,726)	(681,000)	39,534	(3,819,192)
Writeback of allowance / (Allowance) for impairment on other assets	(4,391)	11,981	(74,098)	-	(2,008)	(13)	-	-	(68,529)	(85,937)	-	(154,466)
Profit by segments	-	4,013	-	577	48	-	-	(1,101)	3,537	(1,362)	-	2,175
	<u>399,104</u>	<u>3,727,041</u>	<u>515,475</u>	<u>280,645</u>	<u>39,601</u>	<u>646,788</u>	<u>22,564</u>	<u>760,615</u>	<u>6,391,833</u>	<u>738,935</u>	<u>-</u>	<u>7,130,768</u>
Reconciliation of segment profits to consolidated profits: Share of profit after tax of equity accounted associated companies									3,376	-		3,376
Profit before tax expense and zakat									<u>6,395,209</u>	<u>738,935</u>		<u>7,134,144</u>
Cost income ratio	38.8%	34.7%	2.9%	14.0%	51.0%	27.2%	52.9%	42.9%	33.0%	45.2%		34.4%

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A24. Segment Information (continued)

Financial Year Ended	----- Operating Segments ----->								Total Domestic Operations	Total Overseas Operations	Inter-segment Elimination	Group Total
	Hire Purchase	Retail Operations	Corporate Lending	Treasury and Capital Market Operations	Investment Banking	Fund Management	Others	Head Office				
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross loans, advances and financing	49,122,692	215,229,173	42,356,727	-	349,499	104,438	1,546	-	307,164,075	23,304,366	-	330,468,441
Loans growth	2.3%	5.2%	3.4%	-	-6.8%	5.5%	-7.0%	-	4.5%	0.3%	-	4.1%
Impaired loans, advances and financing	232,976	1,028,251	47,060	-	1,772	270	-	-	1,310,329	294,590	-	1,604,919
Impaired loan and financing ratio	0.5%	0.5%	0.1%	-	0.5%	0.3%	-	-	0.4%	1.3%	-	0.5%
Deposits from customers	-	259,483,622	197,410	64,771,138	746,663	-	-	-	325,198,833	28,141,642	-	353,340,475
Deposits growth	-	4.7%	-40.1%	5.6%	-26.0%	-	-	-	4.7%	-1.5%	-	4.2%
Segment assets	48,964,714	267,629,253	41,846,191	76,800,791	1,876,299	531,436	838,599	47,428,899	485,916,182	39,362,862	(96,292,456)	428,986,588
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									75,064	16		75,080
Unallocated assets									1,325,968	-		1,325,968
Intangible assets									775,493	1,667,546		2,443,039
Total assets									488,092,707	41,030,424		432,830,675

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A24. Segment Information (continued)

Financial Year Ended	----- Operating Segments -----											Group Total
	Hire Purchase	Retail Operations	Corporate Lending	Treasury and Capital Market Operations	Investment Banking	Fund Management	Others	Head Office	Total Domestic Operations	Total Overseas Operations	Inter-segment Elimination	
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,552,228	11,092,486	1,980,455	1,377,884	171,217	1,395,428	44,607	1,635,664	20,249,969	1,791,816	-	22,041,785
Revenue from other segments	5,931	1,313,656	41,606	2,242,744	914	48,310	43,946	495,012	4,192,119	59,742	(4,251,861)	-
	<u>2,558,159</u>	<u>12,406,142</u>	<u>2,022,061</u>	<u>3,620,628</u>	<u>172,131</u>	<u>1,443,738</u>	<u>88,553</u>	<u>2,130,676</u>	<u>24,442,088</u>	<u>1,851,558</u>	<u>(4,251,861)</u>	<u>22,041,785</u>
Net interest income / (expense) and												
Islamic banking income	679,511	4,721,329	532,429	349,945	25,141	19,548	(23,526)	1,118,080	7,422,457	1,206,395	-	8,628,852
Other income / (expense)	2,999	707,436	48,185	314,503	66,247	878,915	87,280	(19,490)	2,086,075	213,837	(85,334)	2,214,578
Net income	<u>682,510</u>	<u>5,428,765</u>	<u>580,614</u>	<u>664,448</u>	<u>91,388</u>	<u>898,463</u>	<u>63,754</u>	<u>1,098,590</u>	<u>9,508,532</u>	<u>1,420,232</u>	<u>(85,334)</u>	<u>10,843,430</u>
Other operating expenses	(242,477)	(1,829,409)	(15,609)	(41,425)	(41,908)	(231,748)	(24,335)	(601,445)	(3,028,356)	(630,464)	85,334	(3,573,486)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(115,473)	50,438	(6,516)	-	(246)	394	-	-	(71,403)	(97,860)	-	(169,263)
Allowance for impairment on other assets	-	(2,223)	-	(542)	(53)	-	-	(758)	(3,576)	(1,190)	-	(4,766)
Profit by segments	<u>324,560</u>	<u>3,647,571</u>	<u>558,489</u>	<u>622,481</u>	<u>49,181</u>	<u>667,109</u>	<u>39,419</u>	<u>496,387</u>	<u>6,405,197</u>	<u>690,718</u>	<u>-</u>	<u>7,095,915</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									5,250	-		5,250
Profit before tax expense and zakat									<u>6,410,447</u>	<u>690,718</u>		<u>7,101,165</u>
Cost income ratio	35.5%	33.7%	2.7%	6.2%	45.9%	25.8%	38.2%	54.7%	31.8%	44.4%		33.0%

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A24. Segment Information (continued)

Financial Year Ended	----- Operating Segments ----->								Total Domestic Operations	Total Overseas Operations	Inter-segment Elimination	Group Total
	Hire Purchase	Retail Operations	Corporate Lending	Treasury and Capital Market Operations	Investment Banking	Fund Management	Others	Head Office				
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross loans, advances and financing	48,024,853	204,619,801	40,953,498	-	375,123	98,947	1,663	-	294,073,885	23,227,694		317,301,579
Loans growth	-0.2%	5.3%	4.2%	-	-4.6%	11.3%	4.4%	-	4.2%	5.0%		4.2%
Impaired loans, advances and financing	295,208	966,562	38,298	-	-	363	-	-	1,300,431	320,302		1,620,733
Impaired loan and financing ratio	0.6%	0.5%	0.1%	-	-	0.4%	-	-	0.4%	1.4%		0.5%
Deposits from customers	-	247,927,509	329,473	61,318,423	1,009,317	-	-	-	310,584,722	28,575,170		339,159,892
Deposits growth	-	5.3%	29.2%	8.7%	3.6%	-	-	-	5.9%	9.6%		6.2%
Segment assets	<u>47,767,310</u>	<u>256,175,771</u>	<u>40,530,095</u>	<u>76,841,089</u>	<u>2,074,568</u>	<u>401,684</u>	<u>856,107</u>	<u>45,575,856</u>	<u>470,222,480</u>	<u>37,582,400</u>	<u>(91,732,823)</u>	<u>416,072,057</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									70,399	17		70,416
Unallocated assets									1,096,054	-		1,096,054
Intangible assets									775,493	1,679,262		2,454,755
Total assets									<u>472,164,426</u>	<u>39,261,679</u>		<u>419,693,282</u>

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A24. Segment Information (continued)

The Group's overseas operations includes its operations in Hong Kong SAR, the People's Republic of China, Sri Lanka, the Socialist Republic of Vietnam, Cambodia and the Lao People's Democratic Republic.

A25. Subsequent Events

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the audited interim financial statements.

A26. Changes in the Composition of the Group

There were no changes in the composition of the Group during the 4th quarter and financial year ended 31 December 2019.

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A27. Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The notional amounts of the commitments and contingencies of the Group and of the Bank are as follows:

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Contingent liabilities				
Direct credit substitutes	949,669	974,325	912,117	937,413
Transaction-related contingent items	1,745,471	1,650,611	1,435,577	1,382,478
Short term self-liquidating trade-related contingencies	568,308	574,080	117,703	121,726
	3,263,448	3,199,016	2,465,397	2,441,617
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	26,968,879	26,224,596	21,583,171	21,269,141
- not exceeding one year	24,753,060	23,502,389	20,165,155	19,505,430
Unutilised credit card lines	7,663,636	7,098,371	7,346,453	6,799,934
Forward asset purchases	65,652	323,665	44,405	323,665
	59,451,227	57,149,021	49,139,184	47,898,170
Derivative financial instruments				
Foreign exchange related contracts:				
- up to one year	22,157,757	22,574,272	21,117,858	22,040,029
- more than one year to five years	3,446,350	3,253,717	3,446,350	3,253,717
Interest / Profit rate related contracts:				
- up to one year	930,000	5,139,280	1,060,000	5,315,200
- more than one year to five years	4,494,515	4,626,640	4,912,645	5,173,920
- more than five years	571,631	426,008	2,150,000	2,000,000
Commodity related contracts:				
- up to one year	120	382	120	382
	31,600,373	36,020,299	32,686,973	37,783,248
	94,315,048	96,368,336	84,291,554	88,123,035

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A28. Derivative Financial Instruments

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

Group As at 31 December 2019	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,309,748	15,109	-	1,324,857	6,494	37	-	6,531	5,910	-	-	5,910
- Swaps	20,835,248	-	-	20,835,248	92,438	-	-	92,438	205,893	-	-	205,893
- Options	12,761	-	-	12,761	-	-	-	-	-	-	-	-
Interest / Profit rate related contracts												
- Swaps	430,000	-	-	430,000	-	-	-	-	95	-	-	95
Precious metal contracts												
- Forwards	120	-	-	120	-	-	-	-	1	-	-	1
	<u>22,587,877</u>	<u>15,109</u>	<u>-</u>	<u>22,602,986</u>	<u>98,932</u>	<u>37</u>	<u>-</u>	<u>98,969</u>	<u>211,899</u>	<u>-</u>	<u>-</u>	<u>211,899</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	-	301,870	421,631	723,501	-	393	-	393	-	1,801	20,341	22,142
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	1,432,725	-	1,432,725	-	39,253	-	39,253	-	22,309	-	22,309
Interest / Profit rate related contracts												
- Swaps	500,000	4,167,645	175,000	4,842,645	-	6,711	698	7,409	1,057	23,898	473	25,428
Net Investment Hedge												
Foreign exchange contracts												
- Forwards	-	-	1,998,516	1,998,516	-	-	6,306	6,306	-	-	63,946	63,946
	<u>500,000</u>	<u>5,902,240</u>	<u>2,595,147</u>	<u>8,997,387</u>	<u>-</u>	<u>46,357</u>	<u>7,004</u>	<u>53,361</u>	<u>1,057</u>	<u>48,008</u>	<u>84,760</u>	<u>133,825</u>
Total	<u>23,087,877</u>	<u>5,917,349</u>	<u>2,595,147</u>	<u>31,600,373</u>	<u>98,932</u>	<u>46,394</u>	<u>7,004</u>	<u>152,330</u>	<u>212,956</u>	<u>48,008</u>	<u>84,760</u>	<u>345,724</u>

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A28. Derivative Financial Instruments (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows (continued):

Group	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 31 December 2018												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	950,033	4,136	-	954,169	4,072	2	-	4,074	3,703	-	-	3,703
- Swaps	21,392,281	-	-	21,392,281	53,759	-	-	53,759	125,955	-	-	125,955
- Options	25,158	-	-	25,158	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	382	-	-	382	-	-	-	-	1	-	-	1
	<u>22,367,854</u>	<u>4,136</u>	<u>-</u>	<u>22,371,990</u>	<u>57,831</u>	<u>2</u>	<u>-</u>	<u>57,833</u>	<u>129,659</u>	<u>-</u>	<u>-</u>	<u>129,659</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	3,212,080	82,720	646,008	3,940,808	9,634	2,300	11,729	23,663	662	-	6,402	7,064
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	206,800	413,600	1,034,000	1,654,400	-	-	56,819	56,819	43,427	28,449	-	71,876
Interest / Profit rate related contracts												
- Swaps	1,927,200	2,368,600	1,955,320	6,251,120	11,568	14,032	21,976	47,576	1,134	3,431	186	4,751
Net Investment Hedge												
Foreign exchange contracts												
- Forwards	-	-	1,801,981	1,801,981	-	-	-	-	-	-	84,314	84,314
	<u>5,346,080</u>	<u>2,864,920</u>	<u>5,437,309</u>	<u>13,648,309</u>	<u>21,202</u>	<u>16,332</u>	<u>90,524</u>	<u>128,058</u>	<u>45,223</u>	<u>31,880</u>	<u>90,902</u>	<u>168,005</u>
Total	<u>27,713,934</u>	<u>2,869,056</u>	<u>5,437,309</u>	<u>36,020,299</u>	<u>79,033</u>	<u>16,334</u>	<u>90,524</u>	<u>185,891</u>	<u>174,882</u>	<u>31,880</u>	<u>90,902</u>	<u>297,664</u>

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A28. Derivative Financial Instruments (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows (continued):

Bank As at 31 December 2019	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	997,769	15,109	-	1,012,878	4,170	37	-	4,207	3,637	-	-	3,637
- Swaps	20,107,328	-	-	20,107,328	84,949	-	-	84,949	205,718	-	-	205,718
- Options	12,761	-	-	12,761	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	560,000	-	-	560,000	19	-	-	19	95	-	-	95
Precious metal contracts												
- Forwards	120	-	-	120	-	-	-	-	1	-	-	1
	<u>21,677,978</u>	<u>15,109</u>	<u>-</u>	<u>21,693,087</u>	<u>89,138</u>	<u>37</u>	<u>-</u>	<u>89,175</u>	<u>209,451</u>	<u>-</u>	<u>-</u>	<u>209,451</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	-	220,000	-	220,000	-	-	-	-	-	1,801	-	1,801
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	1,432,725	-	1,432,725	-	39,253	-	39,253	-	22,309	-	22,309
Interest rate related contracts												
- Swaps	500,000	4,667,645	2,175,000	7,342,645	-	10,975	86,545	97,520	1,057	23,898	473	25,428
Net Investment Hedge												
Foreign exchange contracts												
- Forwards	-	-	1,998,516	1,998,516	-	-	6,306	6,306	-	-	63,946	63,946
	<u>500,000</u>	<u>6,320,370</u>	<u>4,173,516</u>	<u>10,993,886</u>	<u>-</u>	<u>50,228</u>	<u>92,851</u>	<u>143,079</u>	<u>1,057</u>	<u>48,008</u>	<u>64,419</u>	<u>113,484</u>
Total	<u>22,177,978</u>	<u>6,335,479</u>	<u>4,173,516</u>	<u>32,686,973</u>	<u>89,138</u>	<u>50,265</u>	<u>92,851</u>	<u>232,254</u>	<u>210,508</u>	<u>48,008</u>	<u>64,419</u>	<u>322,935</u>

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A28. Derivative Financial Instruments (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows (continued):

Bank As at 31 December 2018	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	910,875	4,136	-	915,011	4,037	2	-	4,039	3,689	-	-	3,689
- Swaps	20,897,196	-	-	20,897,196	51,070	-	-	51,070	122,127	-	-	122,127
- Options	25,158	-	-	25,158	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	382	-	-	382	-	-	-	-	1	-	-	1
	<u>21,833,611</u>	<u>4,136</u>	<u>-</u>	<u>21,837,747</u>	<u>55,107</u>	<u>2</u>	<u>-</u>	<u>55,109</u>	<u>125,817</u>	<u>-</u>	<u>-</u>	<u>125,817</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	3,088,000	-	220,000	3,308,000	9,634	-	1,071	10,705	-	-	-	-
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	206,800	413,600	1,034,000	1,654,400	-	-	56,819	56,819	43,427	28,449	-	71,876
Interest rate related contracts												
- Swaps	2,227,200	2,498,600	4,455,320	9,181,120	11,711	14,405	44,352	70,468	1,134	3,431	3,423	7,988
Net Investment Hedge												
Foreign exchange contracts												
- Forwards	-	-	1,801,981	1,801,981	-	-	-	-	-	-	84,314	84,314
	<u>5,522,000</u>	<u>2,912,200</u>	<u>7,511,301</u>	<u>15,945,501</u>	<u>21,345</u>	<u>14,405</u>	<u>102,242</u>	<u>137,992</u>	<u>44,561</u>	<u>31,880</u>	<u>87,737</u>	<u>164,178</u>
Total	<u>27,355,611</u>	<u>2,916,336</u>	<u>7,511,301</u>	<u>37,783,248</u>	<u>76,452</u>	<u>14,407</u>	<u>102,242</u>	<u>193,101</u>	<u>170,378</u>	<u>31,880</u>	<u>87,737</u>	<u>289,995</u>

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A28. Derivative Financial Instruments (continued)

- ii) The Group's and the Bank's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

Market Risk

Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amounts at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions.

Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group and the Bank have a gain in a contract. As at the reporting date, the amounts of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, were RM152,330,000 (2018: RM185,891,000) and RM232,254,000 (2018: RM193,101,000) respectively. These amounts will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

- iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at the reporting date, the Group and the Bank had posted cash collateral of RM192,877,000 (2018: RM118,620,000) on their derivative contracts.

- iv) There have been no changes since the end of the previous financial year in respect of the following:
- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
 - b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
 - c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and of the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2018 and Pillar 3 Disclosures section of the 2018 Annual Report.

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A29. a) Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

The Group and the Bank classify financial instruments and non-financial assets which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

Group	Level 1	Level 2	Level 3	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	3,480,322	-	3,480,322
- Money market instruments	-	249,541	-	249,541
- Non-money market instruments	-	34,974	445,428	480,402
	-	3,764,837	445,428	4,210,265
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	33,950,350	-	33,950,350
- Money market instruments	-	426,813	-	426,813
- Non-money market instruments	1,556	5,423,236	351,538	5,776,330
	1,556	39,800,399	351,538	40,153,493
Derivative financial assets	-	152,330	-	152,330
Total financial assets measured at fair value	1,556	43,717,566	796,966	44,516,088
Non-financial assets				
Investment properties	-	-	753,095	753,095
Financial liabilities				
Derivative financial liabilities	-	345,724	-	345,724
Total financial liabilities measured at fair value	-	345,724	-	345,724

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A29. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Group	Level 1	Level 2	Level 3	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	1,924,256	-	1,924,256
- Non-money market instruments	-	31,929	423,949	455,878
	-	1,956,185	423,949	2,380,134
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	33,976,980	-	33,976,980
- Money market instruments	-	3,051,128	-	3,051,128
- Non-money market instruments	2,204	4,967,175	344,996	5,314,375
	2,204	41,995,283	344,996	42,342,483
Derivative financial assets	-	185,891	-	185,891
Total financial assets measured at fair value	2,204	44,137,359	768,945	44,908,508
Non-financial assets				
Investment properties	-	-	719,207	719,207
Financial liabilities				
Derivative financial liabilities	-	297,664	-	297,664
Total financial liabilities measured at fair value	-	297,664	-	297,664

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A29. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Bank	Level 1	Level 2	Level 3	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	3,448,443	-	3,448,443
- Non-money market instruments	-	-	419,940	419,940
	-	3,448,443	419,940	3,868,383
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	23,296,864	-	23,296,864
- Money market instruments	-	426,813	-	426,813
- Non-money market instruments	-	1,927,307	345,113	2,272,420
	-	25,650,984	345,113	25,996,097
Derivative financial assets	-	232,254	-	232,254
Total financial assets measured at fair value	-	29,331,681	765,053	30,096,734
Financial liabilities				
Derivative financial liabilities	-	322,935	-	322,935
Total financial liabilities measured at fair value	-	322,935	-	322,935

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A29. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Bank	Level 1	Level 2	Level 3	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	1,893,946	-	1,893,946
- Non-money market instruments	-	-	399,690	399,690
	-	1,893,946	399,690	2,293,636
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	24,184,030	-	24,184,030
- Money market instruments	-	2,910,720	-	2,910,720
- Non-money market instruments	-	1,637,455	338,498	1,975,953
	-	28,732,205	338,498	29,070,703
Derivative financial assets	-	193,101	-	193,101
Total financial assets measured at fair value	-	30,819,252	738,188	31,557,440
Financial liabilities				
Derivative financial liabilities	-	289,995	-	289,995
Total financial liabilities measured at fair value	-	289,995	-	289,995

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2018: None).

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A29. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments and non-financial assets:

Group	<- Unquoted Equity Securities ->			
	Financial Assets at Fair Value Through Profit or Loss RM'000	Financial Investments at Fair Value Through Other Comprehensive Income RM'000	Investment Properties RM'000	Total RM'000
At 1 January 2019	423,949	344,996	719,207	1,488,152
Recognised in profit or loss				
- unrealised revaluation gain	21,479	-	50,387	71,866
Recognised in other comprehensive income				
- unrealised revaluation gain	-	6,993	-	6,993
- realised gain on disposal	-	5	-	5
Disposal	-	(383)	(2,200)	(2,583)
Fair valuation gain recognised in property revaluation reserve	-	-	2,093	2,093
Transfer to owner occupied property	-	-	(11,008)	(11,008)
Reversal of over-provision	-	-	(4,320)	(4,320)
Exchange differences	-	(73)	(1,064)	(1,137)
At 31 December 2019	445,428	351,538	753,095	1,550,061
At 1 January 2018	415,900	316,584	688,052	1,420,536
Recognised in profit or loss				
- unrealised revaluation gain	8,049	-	49,035	57,084
Recognised in other comprehensive income				
- unrealised revaluation gain	-	28,165	-	28,165
Addition	-	-	24,892	24,892
Disposal	-	(114)	-	(114)
Transfer from owner occupied property	-	-	5,573	5,573
Transfer to owner occupied property	-	-	(27,863)	(27,863)
Reversal of over-provision	-	-	(24,000)	(24,000)
Exchange differences	-	361	3,518	3,879
At 31 December 2018	423,949	344,996	719,207	1,488,152

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A29. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments and non-financial assets:

Bank	<- Unquoted Equity Securities ->		
	Financial Assets at Fair Value Through Profit or Loss RM'000	Financial Investments at Fair Value Through Other Comprehensive Income RM'000	Total RM'000
At 1 January 2019	399,690	338,498	738,188
Recognised in profit or loss			
- unrealised revaluation gain	20,250	-	20,250
Recognised in other comprehensive income			
- unrealised revaluation gain	-	7,048	7,048
- realised gain on disposal	-	5	5
Disposal	-	(383)	(383)
Exchange differences	-	(55)	(55)
At 31 December 2019	419,940	345,113	765,053
At 1 January 2018	392,102	310,154	702,256
Recognised in profit or loss			
- unrealised revaluation gain	7,588	-	7,588
Recognised in other comprehensive income			
- unrealised revaluation gain	-	28,166	28,166
Disposal	-	(114)	(114)
Exchange differences	-	292	292
At 31 December 2018	399,690	338,498	738,188

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A29. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities, price quotations from Bond Pricing Agency Malaysia and broker quotes on Bloomberg/Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgment and estimation, due to the low complexity of the financial instruments held.

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist. The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

b) Gains/Losses Arising from Fair Value Changes of Financial Liabilities

Other than derivative financial instruments where the fair value changes are recognised as derivative financial assets or liabilities, as disclosed in Note A28, there were no gains or losses arising from fair value changes of other financial liabilities.

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A30. Capital Adequacy

- a) The capital adequacy ratios of the Group and of the Bank below are disclosed pursuant to the requirements of Bank Negara Malaysia ("BNM")'s Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3):

	Group		Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<u>Before deducting interim dividends *</u>				
Common Equity Tier I ("CET I") capital ratio	14.019%	13.628%	12.808%	12.657%
Tier I capital ratio	14.076%	14.270%	12.853%	13.428%
Total capital ratio	17.317%	16.840%	16.243%	15.963%
<u>After deducting interim dividends *</u>				
CET I capital ratio	13.460%	13.092%	12.108%	11.989%
Tier I capital ratio	13.517%	13.734%	12.153%	12.760%
Total capital ratio	16.758%	16.304%	15.543%	15.295%

* Refer to interim dividends declared subsequent to the financial year end.

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Share capital	9,417,653	9,417,653	9,417,653	9,417,653
Other reserves	1,273,513	1,247,057	671,090	759,892
Retained profits	30,245,351	28,051,532	25,267,007	23,619,722
Qualifying non-controlling interests	696,901	702,333	-	-
Less: Goodwill and other intangible assets	(2,443,039)	(2,454,755)	(695,393)	(695,393)
Less: Deferred tax assets, net	(83,484)	(81,374)	(11,307)	-
Less: Defined benefit pension fund assets	(48,430)	(249,036)	(47,736)	(245,535)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	(99,419)	(92,847)	(6,183,241)	(5,644,441)
Total CET I capital	38,959,046	36,540,563	28,418,073	27,211,898
Additional Tier I capital securities	99,582	99,462	99,582	99,462
Non-innovative Tier I stapled securities	-	1,559,840	-	1,559,840
Qualifying CET I and additional Tier I capital instruments held by third parties	58,619	61,325	-	-
Total Tier I capital	39,117,247	38,261,190	28,517,655	28,871,200

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A30. Capital Adequacy (continued)

a) The capital adequacy ratios of the Group and of the Bank (continued):

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Tier II capital</u>				
Stage 1 and Stage 2 expected credit loss allowances	1,685,918	1,706,858	1,256,999	1,277,949
Qualifying regulatory reserves	1,465,493	1,340,126	1,265,234	1,171,183
Subordinated notes	4,999,986	2,999,980	4,999,986	2,999,980
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	716,141	724,569	-	-
Others	139,117	119,871	-	-
Total Tier II capital	<u>9,006,655</u>	<u>6,891,404</u>	<u>7,522,219</u>	<u>5,449,112</u>
Total capital	<u>48,123,902</u>	<u>45,152,594</u>	<u>36,039,874</u>	<u>34,320,312</u>

The capital adequacy ratios of the Group consist of total capital and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of total capital and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd.

The total risk-weighted assets of the Group and of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk; and
- (iii) Basic Indicator Approach for Operational Risk.

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A30. Capital Adequacy (continued)

- a) The capital adequacy ratios of the Group and of the Bank (continued):

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a capital conservation buffer of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Group's and the Bank's CCyB, unless specified otherwise by BNM.

The Group's and the Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of their private sector credit exposures outside Malaysia are insignificant due to their immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

- b) The breakdown of risk-weighted assets by each major risk category of the Group and of the Bank is as follows:

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Credit risk	252,112,870	243,758,710	201,778,618	195,930,586
Market risk	5,040,545	4,313,276	5,473,692	4,994,901
Operational risk	20,139,900	19,472,018	14,036,638	13,517,986
Large exposure risk	612,893	581,132	587,405	556,873
	<u>277,906,208</u>	<u>268,125,136</u>	<u>221,876,353</u>	<u>215,000,346</u>

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A30. Capital Adequacy (continued)

c) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵	Public Bank Vietnam Limited⁶
31 December 2019							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	12.362%	53.270%	18.741%	18.335%	22.348%	N/A	N/A
Tier I capital ratio	12.362%	53.270%	18.741%	18.335%	22.348%	N/A	N/A
Total capital ratio	16.192%	53.794%	18.748%	19.596%	23.411%	18.441%	43.588%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	12.362%	49.503%	18.741%	18.335%	20.930%	N/A	N/A
Tier I capital ratio	12.362%	49.503%	18.741%	18.335%	20.930%	N/A	N/A
Total capital ratio	16.192%	50.027%	18.748%	19.596%	21.993%	18.441%	43.588%
31 December 2018							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	12.087%	51.529%	19.171%	16.342%	23.326%	N/A	N/A
Tier I capital ratio	12.087%	51.529%	19.171%	16.342%	23.326%	N/A	N/A
Total capital ratio	16.116%	52.062%	19.175%	17.510%	24.381%	19.756%	25.703%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	11.955%	47.019%	19.171%	16.342%	21.248%	N/A	N/A
Tier I capital ratio	11.955%	47.019%	19.171%	16.342%	21.248%	N/A	N/A
Total capital ratio	15.984%	47.552%	19.175%	17.510%	22.303%	19.756%	25.703%

* Refer to interim dividends declared subsequent to the financial year end.

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A30. Capital Adequacy (continued)

c) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows (continued):

- ¹ The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including capital conservation buffer and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIBB is required to maintain a capital conservation buffer of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIBB has exposures to.
- ² The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including capital conservation buffer and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIVB is required to maintain a capital conservation buffer of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIVB has exposures to.
- ³ The risk-weighted assets of Public Bank (L) Ltd are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with the Banking Capital Adequacy Framework - Guidelines on Capital Components and Risk Weighted Assets issued by the Labuan Financial Services Authority. The minimum regulatory capital adequacy requirements for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.
- ⁴ These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules. These two subsidiaries are required to maintain a capital conservation buffer of 2.5% and a CCyB of 2.0% (2018: 1.875%) as imposed by Hong Kong Monetary Authority to their private sector exposures in Hong Kong.

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A30. Capital Adequacy (continued)

c) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows (continued):

⁵ The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with National Bank of Cambodia Prakas B7-010-182 and B7-00-46 (amended by Prakas No. B7-04-206 and Prakas No. B7-07-135). This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

⁶ The amount presented here is the capital adequacy ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with SBV Circular No.19/2017/TT-NHNN being amendment of and supplement to Circular No.36/2014/TT-NHNN on safety ratios, limits in operations of credit institutions issued by the State Bank of Vietnam. This ratio is derived as PBVN's capital divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory capital adequacy ratio requirement is 9.0%.

A31. Credit Exposures Arising From Credit Transactions With Connected Parties

	Group		Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Outstanding credit exposures with connected parties (RM'000)	2,188,164	2,528,816	3,221,173	3,074,594
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures	0.59%	0.71%	1.12%	1.11%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.05%	0.02%	0.03%	0.02%

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A32. Operations of Islamic Banking

a) Statement of Financial Position As At 31 December 2019

	Note	Group 31 December 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and balances with banks		3,139,455	2,127,231
Financial assets at fair value through profit or loss		249,541	30,310
Derivative financial assets		-	3,946
Financial investments at fair value through other comprehensive income		9,528,034	8,654,277
Financial investments at amortised cost		3,743,715	3,186,041
Financing and advances	A32(d)	49,728,576	45,629,999
Other assets		71,437	69,628
Statutory deposits with Bank Negara Malaysia		1,800,450	1,891,250
Deferred tax assets		-	2,637
Collective investment		549,042	530,514
Investment in an associated company		45,000	45,000
Right-of-use assets		18,707	-
Property and equipment		4,005	3,079
Total Assets		68,877,962	62,173,912
LIABILITIES AND ISLAMIC			
BANKING FUNDS			
Deposits from customers	A32(e)	59,374,011	53,639,575
Deposits from banks		2,453,316	1,982,936
Bills and acceptances payable		377	204
Derivative financial liabilities		90,130	23,601
Senior Sukuk Murabahah		519,862	519,775
Subordinated Sukuk Murabahah		1,000,000	999,887
Lease liabilities		19,385	-
Other liabilities		396,753	451,580
Provision for zakat and taxation		19,888	11,299
Deferred tax liabilities		264	-
Total Liabilities		63,873,986	57,628,857
Islamic Banking Funds		5,003,976	4,545,055
Total Liabilities and Islamic Banking Funds		68,877,962	62,173,912
COMMITMENTS AND CONTINGENCIES		10,168,972	10,404,744

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A32. Operations of Islamic Banking (continued)

b) Statement of Profit or Loss for the 4th Quarter and Financial Year Ended 31 December 2019

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Group</u>				
Income derived from investment of depositors' funds and others	680,564	657,194	2,710,707	2,566,476
Income derived from investment of Islamic Banking Funds	56,672	54,996	224,485	210,079
(Allowance) / Writeback of allowance for impairment on financing and advances	(6,284)	2,415	(41,756)	(32,256)
Allowance for impairment on other assets	(79)	(107)	(232)	(461)
Total distributable income	730,873	714,498	2,893,204	2,743,838
Income attributable to depositors and others	(446,429)	(435,105)	(1,787,697)	(1,693,021)
Total net income	284,444	279,393	1,105,507	1,050,817
Other operating expenses	(120,666)	(108,402)	(463,219)	(432,228)
Profit before zakat and taxation	163,778	170,991	642,288	618,589
Zakat	(75)	(65)	(300)	(260)
Taxation	(39,108)	(40,061)	(149,834)	(144,332)
Profit for the period / year	124,595	130,865	492,154	473,997

Net income from Islamic banking business as reported in the statement of profit or loss of the Group is derived as follows:

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Income derived from investment of depositors' funds and others	680,564	657,194	2,710,707	2,566,476
Income derived from investment of Islamic Banking Funds	56,672	54,996	224,485	210,079
Income attributable to depositors and others	(446,429)	(435,105)	(1,787,697)	(1,693,021)
Elimination of inter-company income and expenses	(4,473)	(4,652)	(18,434)	(17,649)
Net income from Islamic banking business	286,334	272,433	1,129,061	1,065,885

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A32. Operations of Islamic Banking (continued)

c) Statement of Comprehensive Income for the 4th Quarter and Financial Year Ended 31 December 2019

	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Group</u>				
Profit for the period / year	124,595	130,865	492,154	473,997
Other comprehensive (loss) / income:				
<u>Items that will not be reclassified to profit or loss:</u>				
(Loss) / Gain on remeasurements of defined benefit plans	(2,563)	1,573	(2,563)	1,573
<u>Items that may be reclassified to profit or loss:</u>				
Net change in revaluation of financial investments at fair value through other comprehensive income	9,954	3,322	98,501	5,316
Net change in cash flow hedges	5,961	(7,456)	(71,664)	180
	15,915	(4,134)	26,837	5,496
Income tax effect	(3,205)	616	(5,826)	(1,696)
Other comprehensive income / (loss) for the period / year, net of tax	10,147	(1,945)	18,448	5,373
Total comprehensive income for the period / year	134,742	128,920	510,602	479,370

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A32. Operations of Islamic Banking (continued)

d) Financing and Advances

By type and contract

Group	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
31 December 2019							
At amortised cost							
Cash line	1,732,493	-	-	-	-	-	1,732,493
Term financing							
- House financing	5,105,404	-	-	15,488,932	-	-	20,594,336
- Syndicated financing	1,266,197	-	-	-	-	-	1,266,197
- Hire purchase receivables	-	8,310,016	-	-	-	-	8,310,016
- Other term financing	4,941,919	-	1,550,596	10,923,096	-	208,138	17,623,749
Credit card receivables	-	-	-	-	-	30,375	30,375
Bills receivables	-	-	-	-	2,110	-	2,110
Trust receipts	-	-	-	-	3,415	-	3,415
Claims on customers under acceptance credits	-	-	-	-	195,437	-	195,437
Revolving credits	181,477	-	-	-	-	-	181,477
Staff financing	-	8,870	-	85,664	-	-	94,534
Gross financing and advances	13,227,490	8,318,886	1,550,596	26,497,692	200,962	238,513	50,034,139
Allowance for impairment on financing and advances:							
- Expected credit losses							(305,563)
- Stage 1: 12-Month ECL							(129,065)
- Stage 2: Lifetime ECL not credit-impaired							(90,576)
- Stage 3: Lifetime ECL credit-impaired							(85,922)
Net financing and advances							49,728,576

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A32. Operations of Islamic Banking (continued)

d) Financing and Advances (continued)

By type and contract (continued)

Group	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
31 December 2018							
At amortised cost							
Cash line	1,639,516	-	-	-	-	-	1,639,516
Term financing							
- House financing	4,553,457	-	-	13,161,403	-	-	17,714,860
- Syndicated financing	1,441,460	-	-	-	-	-	1,441,460
- Hire purchase receivables	-	9,662,180	-	-	-	-	9,662,180
- Other term financing	3,468,827	-	1,681,610	9,724,292	-	105,517	14,980,246
Credit card receivables	-	-	-	-	-	21,776	21,776
Bill receivables	-	-	-	-	2,267	-	2,267
Trust receipts	-	-	-	-	5,200	-	5,200
Claims on customers under acceptance credits	-	-	-	-	173,522	-	173,522
Revolving credits	221,221	-	-	-	-	-	221,221
Staff financing	-	8,212	-	73,307	-	-	81,519
Gross financing and advances	11,324,481	9,670,392	1,681,610	22,959,002	180,989	127,293	45,943,767
Allowance for impairment on financing and advances:							
- Expected credit losses							(313,768)
- Stage 1: 12-Month ECL							(144,142)
- Stage 2: Lifetime ECL not credit-impaired							(77,514)
- Stage 3: Lifetime ECL credit-impaired							(92,112)
Net financing and advances							<u>45,629,999</u>

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A32. Operations of Islamic Banking (continued)

d) Financing and Advances (continued)

Movements in credit-impaired ("impaired") financing and advances are as follows:

	Group	
	31 December 2019 RM'000	31 December 2018 RM'000
At 1 January	277,731	244,386
Impaired during the year	673,499	673,794
Reclassified as non-impaired	(533,038)	(506,901)
Recoveries	(56,730)	(50,578)
Amount written off	(76,223)	(77,993)
Financing converted to foreclosed properties	(10,189)	(4,977)
Closing balance	<u>275,050</u>	<u>277,731</u>
Gross impaired financing and advances as a percentage of gross financing and advances	<u>0.55%</u>	<u>0.60%</u>

e) Deposits from Customers

	Group	
	31 December 2019 RM'000	31 December 2018 RM'000
By type of deposit and contract		
At amortised cost		
Savings deposit		
- Qard	6,716,978	6,479,885
Demand deposit		
- Qard	4,816,878	4,338,942
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Bithaman Ajil	22,959	23,149
- Commodity Murabahah	41,363,757	35,286,960
- Special term deposit account		
- Qard	6,453,439	7,510,639
	<u>59,374,011</u>	<u>53,639,575</u>

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A33. Changes in Accounting Policies

(a) Effects of adoption of MFRS 16 Leases

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and its related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on-balance sheet) or operating leases (off-balance sheet).

The Group and the Bank have adopted the requirements of MFRS 16 Leases on 1 January 2019 using the modified retrospective approach, with the cumulative effect of adopting MFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current year. Prior periods have not been restated.

(i) Definition of a Lease

On adoption of MFRS 16, the Group and the Bank have elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group and the Bank relied on the previous assessment made in accordance with MFRS 117 and IC Interpretation 4 Determining Whether an Arrangement contains a Lease. Therefore, the definition of a lease under MFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a Lessee

As a lessee, the Group and the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group and the Bank. Under MFRS 16, the Group and the Bank recognise right-of-use assets and lease liabilities for most leases.

Leases previously classified as operating leases under MFRS 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Bank's incremental borrowing rate as of 1 January 2019. The carrying value of the lease liability also includes the extension options granted in favour of the Group and the Bank if it is reasonably certain the option will be exercised.

Right-of-use assets were measured at their carrying amount as if MFRS 16 had been applied since the lease commencement date, discounted using the Group's and the Bank's incremental borrowing rate at the date of initial application and include an estimate of costs to dismantle and remove the asset or to restore the asset or the site on which it is located at the end of the lease.

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A33. Changes in Accounting Policies (continued)

(a) Effects of adoption of MFRS 16 Leases (continued)

(ii) As a Lessee (continued)

Leases previously classified as operating leases under MFRS 117 (continued)

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

- Relied on previous impairment assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- Elected not to recognise the associated right-of-use assets and lease liabilities for lease contracts with remaining lease term not exceeding twelve (12) months at the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition, the Group and the Bank decided to apply recognition exemptions not to recognise right-of-use assets but to account for the lease expense as incurred to leases that contain variable payment terms.

Leases previously classified as finance leases

For leases previously classified as finance leases, the Group and the Bank recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Leasehold land

The carrying amount of leasehold land previously classified as property and equipment is now reclassified as right-of-use assets at the date of initial application.

(iii) As a Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. The Group and the Bank did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

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A33. Changes in Accounting Policies (continued)

(a) Effects of adoption of MFRS 16 Leases (continued)

(iv) Financial Effects

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group and the Bank were 4.32% and 4.47% respectively.

The following table presents the reconciliation of lease liabilities as of 1 January 2019:

	Group	Bank
	RM'000	RM'000
Future minimum lease payments as at 31 December 2018		
- under non-cancellable operating leases	224,300	1,861
- under cancellable operating leases	119,536	164,311
Finance lease liabilities recognised under MFRS 117	95,666	95,666
	<u>439,502</u>	<u>261,838</u>
Extension and termination options reasonably certain to be exercised	1,024,008	1,631,373
Effect of discounting using incremental borrowing rate	(384,768)	(563,108)
Leases with a remaining term of twelve months or less from the date of application not recognised	(397)	-
Leases that do not fall under MFSR 16 Leases definition	(1,402)	-
Lease liabilities recognised as at 1 January 2019	<u>1,076,943</u>	<u>1,330,103</u>

The recognised right-of-use assets relate to the following type of assets:

	At 1 January 2019	
	Group	Bank
	RM'000	RM'000
Short term leasehold land	107,893	-
Long term leasehold land	239,470	115
Land and buildings	995,685	1,249,465
Computer equipment and software	90,488	90,488
	<u>1,433,536</u>	<u>1,340,068</u>

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A33. Changes in Accounting Policies (continued)

(b) Effects of change in management remuneration policy

During the current financial year, the Group and the Bank revised their remuneration policy in which a new assessment process was established to align with revised internal remuneration policy to determine variable pay compensation for employees of the Group and of the Bank. The effects of the realignment of variable pay compensation have been adjusted to the opening retained profits as at 1 January 2019. The financial effects of the realignment of variable pay compensation are presented below.

(c) Financial effects due to changes in accounting policies

The following table analyses the impact, net of tax arising from changes in accounting policies on the statements of financial position of the Group and of the Bank:

	Effects of Changes in Accounting Policies As At 1 January 2019	
	Group RM'000	Bank RM'000
Other assets		
Closing balance at 31 December 2018	2,393,887	2,366,764
- Reversal of deposits and prepayment under MFRS 16	(947)	(922)
- Recognition of cost allocation receivables arising from change in management remuneration policy	-	3,053
Opening balance at 1 January 2019	<u>2,392,940</u>	<u>2,368,895</u>
Deferred tax assets		
Closing balance at 31 December 2018	81,374	-
- Recognition of deferred tax under MFRS 16	2,949	-
- Recognition of deferred tax arising from change in management remuneration policy	760	-
Opening balance at 1 January 2019	<u>85,083</u>	<u>-</u>
Right-of-use assets		
Closing balance at 31 December 2018	-	-
- Recognition of right-of-use assets under MFRS 16	995,685	1,249,465
- Reclassification from property and equipment	437,851	90,603
Opening balance at 1 January 2019	<u>1,433,536</u>	<u>1,340,068</u>

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A33. Changes in Accounting Policies (continued)

(c) Financial effects due to changes in accounting policies (continued)

The following table analyses the impact, net of tax arising from changes in accounting policies on the statements of financial position of the Group and of the Bank (continued):

	Effects of Changes in Accounting Policies As At 1 January 2019	
	Group RM'000	Bank RM'000
Property and equipment		
Closing balance at 31 December 2018	1,567,199	711,274
- Reclassification to right-of-use assets	(437,851)	(90,603)
- Reversal of restoration cost	75	75
Opening balance at 1 January 2019	<u>1,129,423</u>	<u>620,746</u>
Lease liabilities		
Closing balance at 31 December 2018	-	-
- Recognition of lease liabilities under MFRS 16	981,277	1,234,437
- Reclassification from other liabilities	95,666	95,666
Opening balance at 1 January 2019	<u>1,076,943</u>	<u>1,330,103</u>
Other liabilities		
Closing balance at 31 December 2018	4,975,470	3,416,816
- Recognition of accrued restoration costs	62,952	64,148
- Reclassification to lease liabilities	(95,666)	(95,666)
- Recognition of provision arising from change in management remuneration policy	292,664	288,186
Opening balance at 1 January 2019	<u>5,235,420</u>	<u>3,673,484</u>
Provision for tax expense and zakat		
Closing balance at 31 December 2018	341,697	249,207
- Recognition of tax expense arising from change in management remuneration policy	-	733
Opening balance at 1 January 2019	<u>341,697</u>	<u>249,940</u>
Deferred tax liabilities		
Closing balance at 31 December 2018	141,948	84,502
- Recognition of deferred tax under MFRS 16	(10,243)	(13,842)
- Recognition of deferred tax arising from change in management remuneration policy	(69,358)	(69,165)
Opening balance at 1 January 2019	<u>62,347</u>	<u>1,495</u>

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A33. Changes in Accounting Policies (continued)

(c) Financial effects due to changes in accounting policies (continued)

The following table analyses the impact, net of tax arising from changes in accounting policies on the statements of financial position of the Group and of the Bank (continued):

	Effects of Changes in Accounting Policies As At 1 January 2019	
	Group RM'000	Bank RM'000
Retained profits		
Closing balance at 31 December 2018	28,317,913	23,551,092
- Arising from the adoption of MFRS 16	(49,416)	(49,967)
- Non-controlling interests' share of impact arising from adoption of MFRS 16 in respect of foreign operations	1,054	-
- Arising from change in management remuneration policy	(292,664)	(285,133)
- Recognition of deferred tax expense under MFRS 16	13,192	13,842
- Recognition of deferred tax expense and tax expense arising from change in management remuneration policy	70,118	68,432
Opening balance at 1 January 2019	<u>28,060,197</u>	<u>23,298,266</u>
Non-controlling interests		
Closing balance at 31 December 2018	1,123,407	-
- Non-controlling interests' share of impact arising from adoption of MFRS 16 in respect of foreign operations	(1,054)	-
Opening balance at 1 January 2019	<u>1,122,353</u>	<u>-</u>

The financial effects due to the changes in accounting policies have been adjusted to the statements of financial position and capital adequacy ratios of the Group and of the Bank as at 1 January 2019. There are no changes to the comparatives in the statements of profit or loss and statements of cash flows of the Group and of the Bank. A reconciliation of these changes is summarised in the following tables.

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A33. Changes in Accounting Policies (continued)

(c) Financial effects due to changes in accounting policies (continued)

Group Statement of Financial Position	31 December 2018 RM'000	Remeasurement RM'000	Reclassification RM'000	1 January 2019 RM'000
ASSETS				
Cash and balances with banks	14,740,218			14,740,218
Reverse repurchase agreements	200,881			200,881
Financial assets at fair value through profit or loss	2,380,134			2,380,134
Derivative financial assets	185,891			185,891
Financial investments at fair value through other comprehensive income	42,342,483			42,342,483
Financial investments at amortised cost	27,018,444			27,018,444
Loans, advances and financing	315,259,166			315,259,166
Other assets	2,393,887	(947)		2,392,940
Statutory deposits with Central Banks	10,279,227			10,279,227
Deferred tax assets	81,374	3,709		85,083
Investment in associated companies	70,416			70,416
Investment properties	719,207			719,207
Right-of-use assets	-	995,685	437,851	1,433,536
Property and equipment	1,567,199	75	(437,851)	1,129,423
Intangible assets	2,454,755			2,454,755
TOTAL ASSETS	419,693,282	998,522	-	420,691,804
LIABILITIES				
Deposits from customers	339,159,892			339,159,892
Deposits from banks	9,483,154			9,483,154
Obligations on securities sold under repurchase agreements	4,045,605			4,045,605
Bills and acceptances payable	214,592			214,592
Recourse obligations on loans sold to Cagamas	5,500,003			5,500,003
Derivative financial liabilities	297,664			297,664
Debt securities issued and other borrowed funds	13,436,794			13,436,794
Lease liabilities	-	981,277	95,666	1,076,943
Other liabilities	4,975,470	355,616	(95,666)	5,235,420
Provision for tax expense and zakat	341,697			341,697
Deferred tax liabilities	141,948	(79,601)		62,347
TOTAL LIABILITIES	377,596,819	1,257,292	-	378,854,111
EQUITY				
Share capital	9,417,653			9,417,653
Regulatory reserves	1,806,123			1,806,123
Other reserves	1,431,367			1,431,367
Retained profits	28,317,913	(257,716)		28,060,197
Equity attributable to equity holders of the Bank	40,973,056	(257,716)		40,715,340
Non-controlling interests	1,123,407	(1,054)		1,122,353
TOTAL EQUITY	42,096,463	(258,770)	-	41,837,693
TOTAL LIABILITIES AND EQUITY	419,693,282	998,522	-	420,691,804
Net assets per share attributable to ordinary equity holders of the Bank (RM)	10.55			10.49

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A33. Changes in Accounting Policies (continued)

(c) Financial effects due to changes in accounting policies (continued)

Bank Statement of Financial Position	31 December 2018 RM'000	Remeasurement RM'000	Reclassification RM'000	1 January 2019 RM'000
ASSETS				
Cash and balances with banks	9,416,853			9,416,853
Financial assets at fair value through profit or loss	2,293,636			2,293,636
Derivative financial assets	193,101			193,101
Financial investments at fair value through other comprehensive income	29,070,703			29,070,703
Financial investments at amortised cost	20,572,364			20,572,364
Loans and advances	247,690,397			247,690,397
Other assets	2,366,764	2,131		2,368,895
Statutory deposits with Central Banks	7,258,452			7,258,452
Collective investments	5,517,109			5,517,109
Investment in subsidiary companies	5,955,494			5,955,494
Investment in an associated company	45,000			45,000
Right-of-use assets	-	1,249,465	90,603	1,340,068
Property and equipment	711,274	75	(90,603)	620,746
Intangible assets	695,393			695,393
TOTAL ASSETS	331,786,540	1,251,671	-	333,038,211
LIABILITIES				
Deposits from customers	258,877,559			258,877,559
Deposits from banks	12,487,063			12,487,063
Obligations on securities sold under repurchase agreements	4,045,605			4,045,605
Bills and acceptances payable	214,388			214,388
Recourse obligations on loans sold to Cagamas	5,500,003			5,500,003
Derivative financial liabilities	289,995			289,995
Debt securities issued and other borrowed funds	11,341,598			11,341,598
Lease liabilities	-	1,234,437	95,666	1,330,103
Other liabilities	3,416,816	352,334	(95,666)	3,673,484
Provision for tax expense	249,207	733		249,940
Deferred tax liabilities	84,502	(83,007)		1,495
TOTAL LIABILITIES	296,506,736	1,504,497	-	298,011,233
EQUITY				
Share capital	9,417,653			9,417,653
Regulatory reserves	1,461,892			1,461,892
Other reserves	849,167			849,167
Retained profits	23,551,092	(252,826)		23,298,266
TOTAL EQUITY	35,279,804	(252,826)	-	35,026,978
TOTAL LIABILITIES AND EQUITY	331,786,540	1,251,671	-	333,038,211
Net assets per share attributable to ordinary equity holders of the Bank (RM)	9.09			9.02

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A33. Changes in Accounting Policies (continued)

(c) Financial effects due to changes in accounting policies (continued)

Based on the Capital Adequacy Frameworks issued by Bank Negara Malaysia, the “right-of-use assets” are accorded a risk weight of 100% for the computation of risk-weighted assets.

Capital adequacy	31 December 2018 RM'000	Effects of Changes in Accounting Policies RM'000	1 January 2019 RM'000
Group			
CET I capital	36,540,563	(261,425)	36,279,138
Tier I capital	38,261,190	(261,425)	37,999,765
Total capital	45,152,594	(248,049)	44,904,545
Risk-weighted assets	268,125,136	994,813	269,119,949
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	13.628%	-0.147%	13.481%
Tier I capital ratio (%)	14.270%	-0.150%	14.120%
Total capital ratio (%)	16.840%	-0.154%	16.686%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	13.092%	-0.145%	12.947%
Tier I capital ratio (%)	13.734%	-0.148%	13.586%
Total capital ratio (%)	16.304%	-0.152%	16.152%
Bank			
CET I capital	27,211,898	(253,277)	26,958,621
Tier I capital	28,871,200	(253,277)	28,617,923
Total capital	34,320,312	(237,631)	34,082,681
Risk-weighted assets	215,000,346	1,251,671	216,252,017
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	12.657%	-0.191%	12.466%
Tier I capital ratio (%)	13.428%	-0.194%	13.234%
Total capital ratio (%)	15.963%	-0.202%	15.761%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	11.989%	-0.187%	11.802%
Tier I capital ratio (%)	12.760%	-0.191%	12.569%
Total capital ratio (%)	15.295%	-0.199%	15.096%

* Refer to interim dividends declared subsequent to the financial year end.

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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance Review

Current Year-to-date vs. Previous Year-to-date

Key Profit or Loss Items:	Group		Variance	
	Financial Year Ended			
	31 December 2019	31 December 2018	RM'000	%
Profit before tax expense and zakat	7,134,144	7,101,165	32,979	0.5
Net profit attributable to equity holders of the Bank	5,511,558	5,590,611	(79,053)	(1.4)
Other comprehensive income (net)	77,463	62,399	15,064	24.1

Key Balance Sheet Items:	Group		Variance	
	As At			
	31 December 2019	31 December 2018	RM'000	%
Gross loans, advances and financing	330,468,441	317,301,579	13,166,862	4.1
Gross impaired loan and financing (%)	0.49%	0.51%	n/a	(0.02)
Deposits from customers	353,340,475	339,159,892	14,180,583	4.2

The Group's pre-tax profit for the financial year ended 31 December 2019 increased by RM33.0 million or 0.5% to RM7,134.1 million as compared to the pre-tax profit in the previous year of RM7,101.2 million. Net profit attributable to equity holders was recorded at RM5,511.6 million as compared to RM5,590.6 million in the previous year. For the year under review, the Group's profit was affected by the negative effect of Overnight Policy Rate ("OPR") reduction of 0.25% in May 2019 as compared to an OPR hike in January 2018 of the previous year. Despite the negative effect of the OPR reduction, overall net interest income of the Group improved marginally by RM9.3 million (0.1%). In addition, the Group had recorded higher investment income of RM121.9 million (265.6%), higher net income from Islamic banking business of RM63.2 million (5.9%), higher other operating income of RM102.1 million (26.1%) and lower impairment allowance for loans and other assets of RM21.7 million (12.5%) during the year. These were partially offset by higher operating overheads of RM245.7 million (-6.9%) which was in tandem with increased business activities whilst net fee and commission income was lower by RM37.6 million (-2.1%) resulting mainly from lower banking fee income and unit trust management related fee income.

Other comprehensive income (net) of the Group for the current year increased by RM15.1 million or 24.1% to RM77.5 million, mainly due to gain on revaluation of financial investments partially offset by loss on remeasurements of defined benefit plans and loss on cash flow hedges.

The Group's profit continued to be supported by healthy loans and customer deposits growth coupled with stable asset quality. Gross loans grew by RM13.2 billion or 4.1% to RM330.5 billion as at 31 December 2019 as compared to RM317.3 billion as at 31 December 2018, mainly driven by growth in mortgage financing, hire purchase financing and corporate lending. Total deposits from customers increased by 4.2% or RM14.2 billion to RM353.3 billion as at 31 December 2019. The Group's gross impaired loan ratio continued to remain stable at 0.5% as at 31 December 2019. This was attributed to the Group's consistent adoption of stringent credit underwriting and proactive recovery processes.

The Group's Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio stood at a healthy level of 13.5%, 13.5% and 16.8% respectively. The Group's liquidity position also remained stable and healthy with gross loans to fund and equity ratio maintained at 79.2% as at 31 December 2019.

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B1. Performance Review (continued)

Current Year-to-date vs. Previous Year-to-date (continued)

The performance of the respective operating segments for the financial year ended 31 December 2019 as compared to the previous year is analysed as follows:-

Profit Before Tax by Segments:	Group		Variance	
	Financial Year Ended			
	31 December 2019 RM'000	31 December 2018 RM'000	RM'000	%
Retail operations	3,727,041	3,647,571	79,470	2.2
Hire purchase	399,104	324,560	74,544	23.0
Corporate lending	515,475	558,489	(43,014)	(7.7)
Treasury and capital market operations	280,645	622,481	(341,836)	(54.9)
Investment banking	39,601	49,181	(9,580)	(19.5)
Fund management	646,788	667,109	(20,321)	(3.0)
Head office and others	786,555	541,056	245,499	45.4
Total domestic operations	6,395,209	6,410,447	(15,238)	(0.2)
Overseas operations	738,935	690,718	48,217	7.0
	7,134,144	7,101,165	32,979	0.5

- 1) Retail operations – Pre-tax profit increased by RM79.5 million to RM3,727.0 million mainly due to higher net interest income arising from higher average loan balances. These were partially offset by higher other operating expenses and lower net writeback of loan impairment allowance.
- 2) Hire purchase – Pre-tax profit increased by RM74.5 million (23.0%) to RM399.1 million mainly due to lower loan impairment allowance partially offset by lower net interest income and higher other operating expenses.
- 3) Corporate lending – Pre-tax profit decreased by RM43.0 million (-7.7%) to RM515.5 million mainly due to higher loan impairment allowance partially offset by higher net interest income.
- 4) Treasury and capital market operations (including funding center) – Pre-tax profit decreased by RM341.8 million (-54.9%) to RM280.6 million mainly due to the negative effect on net interest income to the funding center operations arising from the OPR reduction in the current year as compared to an OPR hike in the previous year, partially offset by higher investment income. Excluding the funding center operations, the pre-tax profit of treasury and capital market operations grew by 14.9%.
- 5) Investment banking – The decrease in pre-tax profit of RM9.6 million (-19.5%) to RM39.6 million was mainly due to lower brokerage income from stock-broking activities and higher loan impairment allowance, partially offset by higher investment income.
- 6) Fund management – Pre-tax profit decreased by RM20.3 million (-3.0%) to RM646.8 million mainly due to lower fee on sale of trust units, lower net interest income and higher other operating expenses. These were partially offset by higher management fee from higher average net asset value of funds under management.
- 7) Head office and others – Pre-tax profit increased by RM245.5 million (45.4%) to RM786.6 million mainly due to higher net interest income, higher investment income and lower other operating expenses.
- 8) Overseas operations – Pre-tax profit increased by RM48.2 million (7.0%) to RM738.9 million mainly due to higher net interest income, higher other income and lower loan impairment allowance. These were partially offset by higher other operating expenses.

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B1. Performance Review (continued)

Current Quarter vs. Previous Year Corresponding Quarter

Key Profit or Loss Items:	Group		4th Quarter Ended	
	31 December	31 December	Variance	
	2019	2018	RM'000	%
	RM'000	RM'000	RM'000	
Profit before tax expense and zakat	1,822,493	1,789,719	32,774	1.8
Net profit attributable to equity holders of the Bank	1,405,867	1,405,356	511	0.0
Other comprehensive loss (net)	(213,789)	(7,541)	(206,248)	> (1,000.0)

For the 4th quarter ended 31 December 2019, the Group registered a pre-tax profit of RM1,822.5 million, an increase of RM32.8 million or 1.8% as compared to the pre-tax profit of RM1,789.7 million in the previous year corresponding quarter ended 31 December 2018. The increase was mainly due to higher foreign exchange income, higher net interest income, higher investment income and higher net income from Islamic banking business. These were partially offset by higher other operating expenses which is in tandem with increased business activities. Net profit attributable to equity holders increased marginally by RM0.5 million to RM1,405.9 million as compared to the previous year corresponding quarter.

Other comprehensive loss (net) of the Group for the current quarter increased by RM206.2 million to RM213.8 million which was mainly due to loss on remeasurements of defined benefit plans and higher loss on foreign currency translation in respect of foreign operations, partially offset by gain on cash flow hedges and revaluation of financial investments.

Performance of the respective operating segments for the 4th quarter ended 31 December 2019 as compared to the previous year corresponding quarter is analysed as follows:-

Profit Before Tax by Segments:	4th Quarter Ended		Variance	
	31 December	31 December	RM'000	
	2019	2018	RM'000	%
	RM'000	RM'000	RM'000	
Retail operations	992,828	914,265	78,563	8.6
Hire purchase	149,107	84,518	64,589	76.4
Corporate lending	61,709	174,495	(112,786)	(64.6)
Treasury and capital market operations	65,535	124,343	(58,808)	(47.3)
Investment banking	14,439	10,069	4,370	43.4
Fund management	162,796	157,870	4,926	3.1
Head office and others	212,621	136,643	75,978	55.6
Total domestic operations	1,659,035	1,602,203	56,832	3.5
Overseas operations	163,458	187,516	(24,058)	(12.8)
	1,822,493	1,789,719	32,774	1.8

- 1) Retail operations – The increase in pre-tax profit of RM78.6 million (8.6%) to RM992.8 million was mainly due to higher net interest income and net writeback of loan impairment allowance in the current quarter as compared to allowance made in the previous year corresponding quarter, partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit increased by RM64.6 million (76.4%) to RM149.1 million, mainly due to net writeback of loan impairment allowance in the current quarter as compared to allowance made in the previous year corresponding quarter and higher net interest income. These were partially offset by higher other operating expenses.
- 3) Corporate lending – Pre-tax profit decreased by RM112.8 million (-64.6%) to RM61.7 million mainly due to higher loan impairment allowance partially offset by higher net interest income.

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B1. Performance Review (continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

- 4) Treasury and capital market operations (including funding center) – Pre-tax profit decreased by RM58.8 million (-47.3%) to RM65.5 million, mainly due to the negative effect of OPR reduction on net interest income to the funding center operations partially offset by higher investment income. Excluding the funding center operations, the pre-tax profit of treasury and capital market operations grew by 22.0% .
- 5) Investment banking – Pre-tax profit increased by RM4.4 million (43.4%) to RM14.4 million mainly due to higher investment income.
- 6) Fund management business – Pre-tax profit increased by RM4.9 million (3.1%) to RM162.8 million, mainly due to higher management fee income partially offset higher other operating expenses and lower net interest income.
- 7) Head office and others – Pre-tax profit increased by RM76.0 million (55.6%) to RM212.6 million, mainly due to higher investment income and higher net interest income.
- 8) Overseas Operations – Pre-tax profit decreased by RM24.1 million (-12.8%) to RM163.5 million, mainly due to lower fee income and higher other operating expenses, partially offset by higher net interest income and lower loan impairment allowance.

B2. Variation of Results Against Preceding Quarter

Key Profit or Loss Items:	Group Quarter Ended		Variance	
	31 December 2019	30 September 2019		
	RM'000	RM'000	RM'000	%
Profit before tax expense and zakat	1,822,493	1,761,817	60,676	3.4
Net profit attributable to equity holders of the Bank	1,405,867	1,362,652	43,215	3.2
Other comprehensive (loss) / income (net)	(213,789)	119,680	(333,469)	(278.6)

For the 4th quarter ended 31 December 2019, the Group registered a pre-tax profit of RM1,822.5 million, an increase of RM60.7 million or 3.4% as compared to the pre-tax profit of RM1,761.8 million for the preceding quarter ended 30 September 2019. Net profit attributable to equity holders increased by RM43.2 million or 3.2% to RM1,405.9 million over the same period. The improvement was mainly due to higher foreign exchange income, higher net interest income, higher investment and other income. These were partially offset by higher other operating expenses, lower fee and commission income and lower income from Islamic banking business.

Other comprehensive loss (net) of the Group for the current quarter was RM213.8 million as compared to other comprehensive income of RM119.7 million in the preceding quarter, which was mainly due to the loss on remeasurements of defined benefit plans, loss on foreign currency translation in respect of foreign operations and lower gain on revaluation of financial investments. These were partially offset by gain on cash flow hedges.

B3. Prospects for 2020

The global economic outlook remains uncertain with risks skewed to the downside. Heightened trade tension, policy uncertainties as well as the impact from the Covid-19 outbreak are drags to business confidence, investment decisions and global trades. However, global monetary conditions are expected to remain accommodative in support of growth.

Among advanced economies, the United States of America's economy is expected to grow moderately in 2020 supported by stable labour market and accommodative financial conditions. The economy in euro area is expected to be backed by wage growth and accommodative monetary policy, but with Brexit as a main hurdle within the region. In Japan, fiscal stimulus is expected to mitigate the anticipated decline in private consumption following sales tax increase in October 2019 while spending and investments associated with the 2020 Olympics will support economic growth. Asia is projected to grow at a moderated rate in 2020 amid slower growth in China and ongoing trade tensions.

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B3. Prospects for 2020 (continued)

The Malaysian economy is expected to be supported by the private sector in 2020. Household spending will be supportive of growth, underpinned by stable employment conditions. However, downside risks to the economy is expected to emanate from protracted trade tensions, uncertainties in the global economic and financial conditions, weakness in commodity-related sectors and the prolonged impact from the Covid-19 outbreak.

Notwithstanding the challenging macro environment, Malaysia's banking system remains orderly, underpinned by ample liquidity and strong capital buffers. Monetary and financial conditions remain accommodative and supportive of economic growth. The Overnight Policy Rate was reduced by 25 basis points to 2.75% in January 2020. Malaysia's inflation is expected to remain modest in 2020, in the absence of strong demand pressures.

The Public Bank Group will continue to leverage on its strength to further grow its business and sustain its leading market position in key retail segments. The Group remains focused in its pursuit of operational efficiency and prudent credit risk management while upholding strong corporate governance and sound risk management practices.

The Public Bank Group is expected to sustain its market position in the domestic residential property financing and vehicle hire purchase financing by leveraging on its established market presence. In tandem with the Government's initiatives, the Group will continue to drive market expansion through sales and marketing efforts to promote affordable housing backed by competitive pricing and flexible loan product packages.

Despite the challenging business environment, the small and medium enterprises ("SME") sector is expected to remain resilient with strong fundamentals and various expansionary measures proposed in the Budget 2020 announcement. The Public Bank Group will leverage on its strong franchise in the SME segment and continue to expand its SME financing portfolio by seizing growth opportunities with innovative products and services offered by the Public Bank Group.

The Public Bank Group will continue to expand its corporate lending business and to further strengthen its relationships with existing customers.

In the face of heightened market uncertainties, the Public Bank Group's treasury operations will remain vigilant in its business approach and continue to maintain a prudent risk profile while further strengthening its risk management capabilities to weather any potential market stress.

Given the elevated uncertainties and volatile market conditions, the private retail unit trust industry is expected to experience moderate growth as investors remain cautious and opt for a wait-and-see approach before investing. To remain competitive, the Public Bank Group will continue to offer a comprehensive range of unit trust funds, embrace new technological innovations and provide exceptional services to cater to the needs of investors.

The Public Bank Group will continue to work closely with AIA Bhd to offer products that are competitive. The Group will also continue to conduct sales activities and increase cross-selling initiatives while launching more attractive incentive campaigns to meet customers' needs.

The Public Bank Group remains committed to strengthen its regional presence via organic expansion, leveraging on its strong PB brand and prudent management practices.

For long-term sustainability, the Public Bank Group will continue to improve its service delivery standards and infrastructure while leveraging on the advancement of technology to provide seamless banking experience across its multi-delivery channels and touchpoints.

B4. Profit Forecast or Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Bank.

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B5. Tax Expense and Zakat

The analysis of the tax expense for the 4th quarter and financial year ended 31 December 2019 are as follows:

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Malaysian income tax	403,077	320,470	1,455,131	1,397,652
Overseas income tax	24,523	45,183	139,178	138,639
	427,600	365,653	1,594,309	1,536,291
Under / (Over) provision in prior years				
- Malaysian income tax	2,470	(2)	(12,757)	(51,309)
- Overseas income tax	(486)	(260)	(3,978)	(67)
	429,584	365,391	1,577,574	1,484,915
Deferred tax expense / (income)				
- Relating to changes in tax rate	4,983	-	4,983	-
- Relating to origination and reversal of temporary differences	(32,509)	(898)	(41,659)	(55,808)
- Under provision	136	120	13,503	6,886
Tax expense	402,194	364,613	1,554,401	1,435,993
Zakat	75	65	300	260
	402,269	364,678	1,554,701	1,436,253

The Group's effective tax rate for the 4th quarter and financial year ended 31 December 2019 and 31 December 2018 were lower than the statutory tax rate mainly due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

<u>Bank</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Malaysian income tax	340,204	294,571	1,193,903	1,199,885
Overseas income tax	985	9,995	11,341	14,007
	341,189	304,566	1,205,244	1,213,892
Under / (Over) provision in prior years				
- Malaysian income tax	2,278	-	(11,598)	(50,647)
- Overseas income tax	-	-	(3,509)	361
	343,467	304,566	1,190,137	1,163,606
Deferred tax (income) / expense				
- Relating to origination and reversal of temporary differences	(22,087)	(17,377)	(37,255)	(76,945)
- Under provision	-	-	13,367	6,766
	321,380	287,189	1,166,249	1,093,427

The Bank's effective tax rate for the 4th quarter and financial year ended 31 December 2019 and 31 December 2018 were lower than the statutory tax rate mainly due to certain income not subject to tax.

B6. Status of Corporate Proposals Announced but Not Completed

There were no corporate proposals announced but not completed as at 31 December 2019.

B7. Status of Utilisation of Proceeds Raised from Corporate Proposals

The proceeds raised from the issuances of all debt securities and borrowings have been used for working capital, general banking and other corporate purposes, as intended.

B8. Financial Risk Management

There have been no significant changes since the end of the previous financial year in respect of the following:

- i) risk management policies in place for mitigating and controlling the risks associated with foreign exchange, interest/profit rate, liquidity and funding.
- ii) the hedging policies in respect of foreign exchange and interest/profit rate exposures.

The above information are discussed in the Financial Risk Management section of the audited annual financial statements for the financial year ended 31 December 2018 and Pillar 3 Disclosures section of the 2018 Annual Report.

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B9. Debt Securities Issued and Other Borrowed Funds

Group	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
Unsecured							
As At 31 December 2019							
Hong Kong Dollar ("HKD") term loan	574,374	-	-	-	574,374	-	574,374
United States Dollar ("USD") term loan	817,562	-	-	-	817,562	-	817,562
USD syndicated term loan	1,506,832	-	-	-	1,506,832	-	1,506,832
RM Senior Medium Term notes / sukuk murabahah	-	3,319,114	-	-	-	3,319,114	3,319,114
RM Subordinated notes / sukuk murabahah	-	5,999,986	-	-	-	5,999,986	5,999,986
RM Additional Tier I capital securities	-	99,582	-	-	-	99,582	99,582
	2,898,768	9,418,682	-	-	2,898,768	9,418,682	12,317,450
As At 31 December 2018							
HKD term loan	575,534	-	-	-	575,534	-	575,534
USD term loan	-	-	826,779	-	826,779	-	826,779
USD syndicated term loan	1,519,096	-	-	-	1,519,096	-	1,519,096
RM Senior Medium Term notes / sukuk murabahah	-	3,318,773	-	1,000,597	-	4,319,370	4,319,370
RM Subordinated notes / sukuk murabahah	-	3,499,980	-	499,887	-	3,999,867	3,999,867
RM Additional Tier I capital securities	-	99,462	-	-	-	99,462	99,462
RM Non-innovative Tier I stapled securities	-	-	-	2,096,686	-	2,096,686	2,096,686
	2,094,630	6,918,215	826,779	3,597,170	2,921,409	10,515,385	13,436,794

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B9. Debt Securities Issued and Other Borrowed Funds (continued)

Bank	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
Unsecured							
As At 31 December 2019							
USD term loan	817,562	-	-	-	817,562	-	817,562
USD syndicated term loan	1,506,832	-	-	-	1,506,832	-	1,506,832
RM Senior Medium Term notes	-	2,799,252	-	-	-	2,799,252	2,799,252
RM Subordinated notes	-	4,999,986	-	-	-	4,999,986	4,999,986
RM Additional Tier I capital securities	-	99,582	-	-	-	99,582	99,582
	2,324,394	7,898,820			2,324,394	7,898,820	10,223,214
As At 31 December 2018							
USD term loan	-	-	826,779	-	826,779	-	826,779
USD syndicated term loan	1,519,096	-	-	-	1,519,096	-	1,519,096
RM Senior Medium Term notes	-	2,798,998	-	1,000,597	-	3,799,595	3,799,595
RM Subordinated notes	-	2,999,980	-	-	-	2,999,980	2,999,980
RM Additional Tier I capital securities	-	99,462	-	-	-	99,462	99,462
RM Non-innovative Tier I stapled securities	-	-	-	2,096,686	-	2,096,686	2,096,686
	1,519,096	5,898,440	826,779	3,097,283	2,345,875	8,995,723	11,341,598
Exchange rates used:	HKD	USD					
As at 31 December 2019	0.52565	4.09350					
As at 31 December 2018	0.52820	4.13600					

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B10. Changes in Material Litigation

The Group and the Bank do not have any material litigation which would materially and adversely affect the financial position of the Group and of the Bank.

B11. Dividends

(a) The Directors had declared a first interim dividend of 33.0 sen in respect of financial year ended 31 December 2019, which was paid on 10 September 2019.

(a) (i) A second interim dividend of 40.0 sen per share for the financial year ended 31 December 2019, amounting to RM1,552,855,339 computed based on 3,882,138,347 ordinary shares as at 31 December 2019, has been declared by the directors.

(ii) Amount per share: 40.0 sen.

(iii) Entitlement date: 12 March 2020.

(iv) Payment date: 20 March 2020.

(b) Total dividend declared for the previous financial year ended 31 December 2018:

- First interim dividend of 32.0 sen.

- Second interim dividend of 37.0 sen.

B12. Earnings Per Share

	4th Quarter Ended		Financial Year Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Net profit attributable to equity holders (RM'000)	<u><u>1,405,867</u></u>	<u><u>1,405,356</u></u>	<u><u>5,511,558</u></u>	<u><u>5,590,611</u></u>
Weighted average number of Public Bank Berhad Shares ('000)	<u><u>3,882,138</u></u>	<u><u>3,882,138</u></u>	<u><u>3,882,138</u></u>	<u><u>3,872,509</u></u>
Basic earnings per share (sen)	<u><u>36.2</u></u>	<u><u>36.2</u></u>	<u><u>142.0</u></u>	<u><u>144.4</u></u>

Diluted

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