UNITED OVERSEAS BANK (MALAYSIA) BHD
Annual Report 2016

Elephants Crossing the Water
Tang Kok Soo

United Overseas Bank (Malaysia) Bhd (271809K)

Contents

All figures in this Annual Report are in Malaysian Ringgit unless otherwise specified.

Elephants Crossing the Water

by Tang Kok Soo
Mixed media
121 x 160 cm

Mr Tang Kok Soo's *Elephants Crossing the Water* is the inspiration for the design of this year's Annual Report. The abstract painting of a herd of elephants crossing a river received the Gold Award for the Established Artist Category in the 2016 UOB Painting of the Year (Singapore) Competition.

With each step forward, the steady and strong-willed elephants make their journey as one, advancing with purpose and determination whatever the terrain. *Elephants Crossing the Water* symbolises strength in unity and celebrates the focus and wherewithal needed to stay the course.

The UOB Painting of the Year Competition, in its 35th year in 2016, promotes awareness and appreciation of art, and challenges Southeast Asian artists to produce works that inspire.

United Overseas Bank (Malaysia) Bhd and its subsidiaries

31 December 2016

Overview

About United Overseas Bank (Malaysia) Bhd

United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) was incorporated in 1993. It is a subsidiary of United Overseas Bank Limited (UOB), a leading bank in Asia with a global network of more than 500 branches and offices in 19 countries and territories in Asia Pacific, Europe and North America.

UOB has had a presence in Malaysia since 1951. Today, UOB (Malaysia) operates 45 branches throughout the country offering both conventional and Islamic banking services.

UOB (Malaysia) offers an extensive range of commercial and personal financial services through its branches such as commercial lending, investment banking, treasury services, trade services, custody services, cash management, home loans, credit cards, wealth management and bancassurance products.

UOB (Malaysia) is rated AAA by the Rating Agency of Malaysia.

For further information, please visit www.uob.com.my

Our Awards and Accolades in 2016

Asiamoney

Cash Management Poll 2016

- Best Foreign Cash Management Bank in Malaysia as voted by Small-, Medium- and Large-sized Corporates

The Asset

Triple A Treasury, Trade & Risk Management Awards 2016

- Malaysia Best Trade Finance Solution

Asian Currency Bond Benchmark Review 2016

- The Best Individual in Trading Malaysian Ringgit Bonds

Structured Retail Products (SRP)

SRP Asia-Pacific Structured Products & Derivatives Awards 2016

- Deal of the Year

Chairman's Statement

In everything we do, we continue to be guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders.

2016 Financial Performance

Amid moderate economic growth, United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) delivered a credible set of results for the financial year 2016, achieving net profit after tax of RM1,100.8 million (2015: RM1,066.7million).

Total operating income increased by 4.0 per cent to RM2,791.4 million (2015: RM2,683.4 million), contributed by both net interest and non-interest income. Net interest income grew by 1.1 per cent to RM1,919.7 million (2015: RM1,898.5 million), supported mainly by healthy loan growth. However, this was partly offset by higher deposits cost and lower interest income from available-for-sale securities and the lower overnight policy rate. The increase in non-interest income by 10.4 per cent to RM866.8 million (2015: RM784.8 million) was driven by higher fee income, trading and investment income, as well as foreign exchange gains.

Total operating expenses rose by 3.0 per cent to RM1,073.9 million (2015: RM1,043.0 million) as we continued to grow our core business and to broaden our customer base. We continued to maintain a disciplined approach to cost management with a cost-to-income ratio of 38.5 per cent (2015: 38.9 per cent).

Allowance for impairment on loans, advances and financing increased by 22.0 per cent to RM249.7 million (2015: RM204.7 million) due to higher individual impairment of RM50.8 million. However, this was partly offset by lower collective impairment of RM5.8 million. Our asset quality remained strong with net non-performing loans ratio at 1.3 per cent.

Gross loans, advances and financing grew by 8.0 per cent to RM77.8 billion (2015: RM72.1 billion) while non-bank deposits increased by 8.8 per cent to RM82.7 billion (2015: RM76.1 billion). In 2016, we launched our Islamic banking window to offer customers a comprehensive suite of solutions.

2017 Outlook

The global economy is expected to pick up in 2017 supported by the recovery of global trade and manufacturing, as well as stabilising growth conditions across major advanced and emerging economies. Global economic conditions are likely to improve further if the United States and China embark on near-term fiscal stimulus programmes and the US Federal Reserve proceeds with more gradual interest rate rises. However, we believe risks will persist in the form of heightened political uncertainties and continued financial market volatility.

Malaysia's gross domestic product is projected to expand moderately in 2017 driven by government and private sector investments. Commodity and currency volatility will continue to pose challenges to the economy but steady domestic demand will help sustain private consumption growth. Over the longer term, Malaysia's economy continues to look attractive given its stable fundamentals and ongoing policy reforms to stimulate economic growth through improved labour productivity.

Against this economic outlook for 2017, UOB (Malaysia) will remain focused on achieving sustainable and stable growth. Maintaining a strong balance sheet and defending our asset quality remain a priority. We are sharpening our focus on improving efficiencies and will remain prudent and disciplined in managing expenses. We will continue to be more selective in our loans business and ensure the robustness of our risk management and compliance practices.

We are building on our strengths and investing in capabilities of our people and our technology infrastructure. For our customers, we will create a more distinctive, seamless and consistent experience with products and solutions designed around their business and lifestyle needs, both in conventional and Islamic banking. In everything we do, we continue to be guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders.

Acknowledgement

With the support of an experienced management team and dedicated colleagues across the bank, we are well positioned to capture emerging business opportunities as we balance growth with stability for the long term.

I would like to thank Chairman Emeritus, Dr Wee Cho Yaw for his leadership and my fellow Board members for their invaluable contribution.

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the CEO, the management and all our people for their unwavering commitment and contribution throughout the year. Finally, I would like to thank our valued customers for their continued support of UOB (Malaysia).

Ong Yew Huat
Chairman

Board of Directors and its Committees

BOARD OF DIRECTORS

Wee Cho Yaw (Chairman Emeritus and Adviser)
Non-independent non-executive director

Ong Yew Huat (Board Chairman)
Independent non-executive director

Wee Ee Cheong (Deputy Chairman)
Non-independent non-executive director

Dato' Jeffrey Ng Tiong Lip
Independent non-executive director

Fatimah Binti Merican
Independent non-executive director

Robert Kwan Koh Wah
Independent non-executive director

Wong Kim Choong
Non-independent executive director

AUDIT COMMITTEE

Dato' Jeffrey Ng Tiong Lip (Chairman)

Fatimah Binti Merican

Robert Kwan Koh Wah

RISK MANAGEMENT COMMITTEE

Robert Kwan Koh Wah (Chairman)

Dato' Jeffrey Ng Tiong Lip

Fatimah Binti Merican

REMUNERATION COMMITTEE

Fatimah Binti Merican (Chairperson)

Wee Cho Yaw

Robert Kwan Koh Wah

NOMINATING COMMITTEE

Fatimah Binti Merican (Chairperson)

Wee Cho Yaw

Wee Ee Cheong

Dato' Jeffrey Ng Tiong Lip

Robert Kwan Koh Wah

Board of Directors' Profiles

Wee Cho Yaw

Chairman Emeritus and Adviser

Dr Wee was appointed to the Board on 23 March 1994 and last re-appointed as Director on 13 April 2016. He was conferred the title of Chairman Emeritus and Adviser in 2013 after stepping down as Chairman.

A non-independent and non-executive director, Dr Wee is a member of the Remuneration and Nominating Committees.

A veteran banker with more than 50 years of banking experience, Dr Wee is the former Chairman and Chief Executive Officer of United Overseas Bank and is currently the Chairman Emeritus and Adviser of United Overseas Bank and its subsidiary, Far Eastern Bank. He also chairs United Overseas Bank (Thai) Public Company, and is the President Commissioner of PT Bank UOB Indonesia and Supervisor of United Overseas Bank (China). His other board chairmanships include United Overseas Insurance, Haw Par Corporation, UOL Group, Pan Pacific Hotels Group, United Industrial Corporation, Marina Centre Holdings and the Wee Foundation. He is the chairman of Chung Cheng High School. He was the former chairman of the board of Singapore Land.

Dr Wee is the Honorary President of the Singapore Chinese Chamber of Commerce & Industry, Singapore Federation of Chinese Clan Associations and Singapore Hokkien Huay Kuan.

Dr Wee received Chinese high school education. He has served on numerous school management committees, and the Councils of the Nanyang University and National University of Singapore. Since 2004, he has been the Pro-Chancellor of the Nanyang Technological University (NTU). In recognition of his long-standing support of education, community welfare and the business community, he received Honorary Degrees of Doctor of Letters from the National University of Singapore in 2008 and from the NTU in 2014. For his outstanding contribution to the economy, education, and the social and community development in Singapore, he was conferred The Distinguished Service Order, Singapore's highest National Day Award, in 2011.

Dr Wee was named Businessman of the Year at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his exceptional achievements in the Singapore business community. The Asian Banker awarded him its Lifetime Achievement Award in 2009.

Ong Yew Huat

Board Chairman

Mr Ong was appointed to the Board on 2 January 2013. An independent and non-executive director, he was appointed Chairman on 12 April 2013 and last re-appointed as Board Chairman on 1 January 2016. He is also a Director of United Overseas Bank Limited. A director of Singapore Power, Singapore Mediation Centre and Ascendas-Singbridge. Mr Ong is also Chairman of the National Heritage Board of Singapore, Singapore Tyler Print Institute and Tax Academy of Singapore. He retired in December 2012 as the Executive Chairman of Ernst & Young Singapore after 33 years with the firm.

A known supporter of the arts, Mr Ong was awarded the Public Service Medal in 2011 for his contribution to the arts in Singapore.

Mr Ong holds a Bachelor of Accounting (Hons) degree from the University of Kent at Canterbury. He is a member of the Institute of Chartered Accountants in England and Wales, and the Institute of Certified Public Accountants of Singapore.

Wee Ee Cheong

Deputy Chairman

Mr Wee was appointed to the Board on 23 March 1994 and last re-appointed as Director on 19 December 2015. A non-independent and non-executive director, Mr Wee is a member of the Nominating Committee.

A career banker with more than 35 years of banking experience in the UOB Group, Mr Wee joined United Overseas Bank, Singapore (UOB Singapore) in 1979 and has been a director of UOB Singapore since 1990. He is currently the Deputy Chairman and Chief Executive Officer of UOB Singapore.

He also holds directorships in United Overseas Insurance and United Overseas Bank (Thai) Public Company. He is Chairman of United Overseas Bank (China) and Deputy President Commissioner of PT Bank UOB Indonesia.

Mr Wee is the current Chairman of The Association of Banks in Singapore, the Vice-Chairman of The Institute of Banking & Finance (IBF) and Chairman of the IBF Standards Committee.

He is a member of the Board of Governors of the Singapore-China Foundation, and Visa APCEMEA Senior Client Council, and an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He was previously Deputy Chairman of the Housing & Development Board and a director of the Port of Singapore Authority, UOL Group, Pan Pacific Hotels.

In 2013, he was awarded the Singapore Public Service Star by the Singapore Government for his contributions to the financial industry.

A keen art enthusiast, Mr Wee is the Patron of the Nanyang Academy of Fine Arts. He is also a director of the Wee Foundation.

Mr Wee holds a Bachelor of Science (Business Administration) and a Master of Arts (Applied Economics) from American University, Washington, DC.

Wong Kim Choong

Mr. Wong was appointed as Director and CEO of UOB (Malaysia) on 1 October 2012. Currently, he is the Chairman of UOB Asset Management (Malaysia) Berhad. He is also a director of UOB Cayman I Limited, United Investments Pte Ltd and the Asia Alpha Fund. He was elected Fellow Chartered Banker by Asian Institute of Chartered Bankers in 2015. He holds a Bachelor of Commerce from the University of Toronto, Canada.

Mr. Wong has 33 years of banking experience. He started his career with United Overseas Bank, Singapore (UOB Singapore) in 1983, where he served for over 14 years. During his tenure with UOB Singapore, Mr. Wong held various management and senior positions in Consumer Banking, Corporate Banking and Commercial Banking. He was transferred to UOB (Malaysia) in 1997 where he was appointed Head of Corporate and Commercial Banking and subsequently Deputy CEO in 2003. In 2004, he was appointed Director and Country CEO of United Overseas Bank (Thai) Public Company Limited, a position he held until his appointment as Director and CEO of UOB (Malaysia) in October 2012.

Dato' Jeffrey Ng Tiong Lip

Dato' Jeffrey Ng was appointed to the Board on 16 June 2014 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee and also a member of the Risk Management Committee and Nominating Committee.

He holds a Bachelor of Economics from Monash University, Melbourne. Currently, he is a member of the Malaysian Institute of Certified Public Accountants and a Fellow member of the Chartered Accountants, Australia and New Zealand. He is also a Fellow member of the Malaysian Institute of Directors. In 2003, he was accorded the 'Entrepreneur of the Year' by the Malaysia Australia Business Council.

Dato' Jeffrey Ng is currently the Chief Executive Officer and Non-Independent Executive Director of Sunway REIT Management Sdn Bhd (manager of Sunway REIT which is listed on Bursa Malaysia). He is also Chairman of Sunway Lagoon Club Berhad, Chairman of the Real Estate Housing Developers Association (REHDA) Institute, Chairman of the Malaysian REIT Managers Association (MRMA) and a Director of Urban Hallmark Properties Sdn Bhd.

Prior to joining Sunway REIT Management Sdn Bhd, he was the Executive Director of Sunway City Berhad (now known as Sunway Berhad). He was the former Managing Director of AP Land Berhad.

Dato' Jeffrey Ng has also held various positions in non-governmental associations, among which include the Patron & Past President of the REHDA. He was awarded 'REHDA Personality of 2015' for his contribution to the real estate industry. He was also re-appointed by the Ministry of Federal Territories and Urban Wellbeing as a panel member of the Appeal Board under the Federal Territory (Planning Act 1982).

Fatimah Binti Merican

Puan Fatimah was appointed to the Board on 3 November 2014 as an Independent Non-Executive Director. She is the Chairperson of the Nominating and Remuneration Committees. She is also a member of the Audit and Risk Management Committees.

She holds a Higher National Diploma in Computer Studies from University of Westminster (formerly known as Polytechnic of Central London). Currently, she is a Certified NLP Coach from The American Board of Neuro-Linguistic Programming. She is a member of the Merdeka Award Education and Community Category Nomination Committee. Puan Fatimah continues as a mentor in the TalentCorp/ICAEW Women in Leadership Malaysia programme, as well as a group coach in the same programme. She chaired the Human Capital Council, Malaysian International Chamber of Commerce and Industry from 2012 to 2014.

With over 35 years in a Fortune 500 company, she has vast experience in management and information technology, having worked locally, regionally and globally. She started her career in Esso Malaysia Berhad in 1977, and thereafter worked for ExxonMobil group of companies (after the merger between Exxon and Mobil) in managing global teams to support all of ExxonMobil's downstream and chemical IT applications. From 2008 to 2014, she was responsible for the finance related activities of ExxonMobil's subsidiaries across Malaysia.

During her career, she was the Vice President and Director of ExxonMobil Exploration and Production Malaysia Inc. She also sat in the Management Committee as a member. She was the Alternate Chairperson for the Audit and Controls Committee, Chairperson of Board of Trustees for ExxonMobil Education and Scholarship Fund and a sponsor for Malaysian Women's Interest Network and the ExxonMobil Employee Volunteers Programme in Malaysia.

Puan Fatimah was also the former Executive Director of Esso Malaysia Berhad, a company listed on the Bursa Malaysia. In addition to being a member of the Board, she was also the Alternate Chairperson for the Nominating and Remuneration Committees.

Robert Kwan Koh Wah

Mr Kwan was appointed to the Board on 4 January 2016 as an Independent Non-Executive Director. He is the Chairman of the Bank's Risk Management Committee and also a member of the Audit, Nominating and Remuneration Committees.

Mr Kwan has extensive banking experience covering Back Office Operations, Credit and Treasury over a period of 44 years. He started his career with Citibank in 1970 and was involved in Operations and Credit and then held senior positions in Treasury including Foreign Exchange and Money Market Head, Business Development Head and also Treasurer. In 2007, Mr Kwan joined CIMB Investment Bank Berhad (CIMB) as Director, Global Head of Foreign Exchange Trading, a position he held until his retirement in May 2015.

Mr Kwan also provided training for middle managers in CIMB, lecturing on Foreign Exchange as part of their in-house training programmes.

Corporate Information

SENIOR MANAGEMENT

Wong Kim Choong
Chief Executive Officer

Beh Soo Heng, Michael
Managing Director
Country Head, Global Markets

Lim Kheng Swee, Ronnie
Managing Director
Country Head, Personal Financial Services

Ajeep Rassidi Bin Othman
Executive Director
Country Head, Credit - Middle Market

Amir Alfatakh Bin Yusof
Senior Vice President
Acting Country Head, Islamic Banking

Beh Wee Khee
Executive Director
Country Head, Commercial Banking II

Boon Choon Teik, Terence
Executive Director
Country Head, Debt Capital Markets

Chang Yeong Gung
Executive Director
Country Head, Finance & Corporate Services
Chief Financial Officer

Chui Keng Leng, Raymond
Executive Director
Country Head, Business Banking

Kan Wing Yin
Executive Director
Country Head, Commercial Banking I

Lee Ean Chye, Andre
Executive Director
Country Head, Transaction Banking

Lee Voon Seng
Executive Director
Country Head, Human Resources

Lim Jit Yang
Executive Director
Country Head, Corporate Banking II

Loke Chee Keen, Daniel
Executive Director
Country Head, Compliance

Loong See Meng, Steven
Executive Director
Country Head, Corporate Banking I

Lum Chee Onn
Executive Director
Country Head, Technology & Operations

Mohd Fhauzi Bin Muridan
Executive Director
Country Head, Bumiputera Business Banking

Ng Ling Tee, Steven
Executive Director
Country Head, Specialised Financing

Ong Kit Ping (Ms)
Executive Director
Country Head, Legal & Secretariat

Ong Yee Ben
Executive Director
Country Head, Internal Audit

Por Peng Seong, Alex
Executive Director
Country Head, Risk Management

Tam Chee Meng
Executive Director
Country Head, Credit - Corporate & Financial Institutions

Tan Mei Lin, Linda (Ms)
Executive Director
Country Head, Special Assets Management

Tan Tor Khoong, Kenneth
Executive Director
Acting Country Head, Private Banking

Wee Hock Kiong
Executive Director
Country Head, Credit - Retail

Yap Kok Tee
Executive Director
Country Head, Channels

SECRETARY
Ong Kit Ping

AUDITORS
Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

SHARE CAPITAL
Authorised: RM2,000,000,000
Paid-Up: RM470,000,000

REGISTERED OFFICE
Level 11, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur

HEAD OFFICE
Menara UOB, Jalan Raja Laut
P.O.Box 11212
50738 Kuala Lumpur
Telephone: 03-2692 7722
Facsimile: 03-2691 0281
SWIFT: UOVBMYKL
Email: uobcustomerservice@uob.com.my
Website: www.uob.com.my

Branch Network

Federal Territory / Negeri Sembilan

Central Area I
Bangunan UOB, Medan Pasar
10-12, Medan Pasar
50050 Kuala Lumpur
Tel: 03-2772 8000
Fax: 03-2031 9387 / 03-2070 8058
Area Manager: Phuah Ah Keng

Federal Territory

Kuala Lumpur Main Branch
Level 2, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-2692 4511
Fax: 03-2691 3110
Manager: Jonathan How Boon Seong

Jalan Imbi Branch
197-199, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-2143 5722
Fax: 03-2148 9725
Manager: Phoon Leong Yew

Jalan Pudu Branch
408-410, Jalan Pudu
55100 Kuala Lumpur
Tel: 03-9222 9022
Fax: 03-9221 6667
Manager: Janny Yew Beng Guay

Jalan Sultan Ismail Branch
Unit 1-6, Ground Floor
President House
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2142 8828
Fax: 03-2141 1212
Manager: Susan Ee Sook Sun

Medan Pasar Branch
Bangunan UOB, Medan Pasar
10-12, Medan Pasar
50050 Kuala Lumpur
Tel: 03-2772 8000
Fax: 03-2031 9387 / 03-2070 8058
Manager: Mona Tan Swee Ling

Negeri Sembilan

Seremban Branch
24-26, Jalan Dato' Lee Fong Yee
70000 Seremban
Tel: 06-762 5651 / 06-762 5652
Fax: 06-763 5303
Manager: Wendy Yap Nyet Foong

Federal Territory / Selangor

Central Area II
2108, Jalan Meru
41050 Klang
Tel: 03-3361 2198
Fax: 03-3342 1135
Area Manager: Kelly Wong Siew Ling

Federal Territory

Kepong Branch
82, Ground Floor
Jalan 3/62D, Medan Putra Business Centre
Sri Menjalara, Off Jalan Damansara
52200 Kuala Lumpur
Tel: 03-6286 6888
Fax: 03-6275 3668
Manager: Karen Lee Shek Fern

Selangor

Ijok Branch
57, Jalan PPAJ 3/1
Pusat Perdagangan Alam Jaya
42300 Bandar Puncak Alam
Tel: 03-6038 8287
Fax: 03-6038 8289
Manager: Yeoh Kean Hiong

Klang Branch
2108, Jalan Meru
41050 Klang
Tel: 03-3361 2000
Fax: 03-3342 1135
Manager: Oh Seng Hu

Kota Damansara Branch
48, Jalan PJU 5/8
Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Tel: 03-6140 9881
Fax: 03-6140 9771
Manager: Violet Koh Geok Lan

Shah Alam Branch
2A, Ground Floor, Wisma SunwayMas
Jalan Tengku Ampuan Zabedah 3/9C
Section 9, 40100 Shah Alam
Tel: 03-5891 6213
Fax: 03-5891 6052
Manager: Yeoh Kean Hiong

USJ Taipan Branch
7, Jalan USJ 10/1
USJ Taipan Triangle
47620 UEP Subang Jaya
Tel: 03-5565 2000
Fax: 03-5631 8703
Manager: Georgina Tia Lee Ping

Selangor

Central Area III
1, Jalan SS21/58,
Ground Floor, Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7724 3939
Fax: 03-7727 9325
Area Manager: Tan Guan Leong

Ampang Branch
495, Jalan Lima
Taman Ampang Utama
Jalan Ampang
68000 Ampang
Tel: 03-4264 0288
Fax: 03-4257 8322
Manager: Lee Kim Thye

Cheras Branch
35, Jalan Desa Cahaya 11
Taman Desa Bukit Cahaya
56100 Cheras
Tel: 03-9106 2788
Fax: 03-9105 3281
Manager: Vanessa Yew Shok Leng

Damansara Uptown Branch
1, Jalan SS21/58,
Ground Floor, Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7724 3888
Fax: 03-7727 5566
Manager: Wong Yin Pheng

Jalan Othman Branch
39-45, Jalan Othman
46000 Petaling Jaya
Tel: 03-7788 3333
Fax: 03-7783 8131
Manager: Donald Hew Chun Kie

Jalan Tengah Branch
2-6, Jalan Tengah
46200 Petaling Jaya
Tel: 03-7956 9057 / 03-7958 2282
Fax: 03-7955 9110
Manager: Andy Loo Say Chye

Puchong Branch
6, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Tel: 03-8076 8989
Fax: 03-8076 8181
Manager: Kennedy Choo Wei Hong

Pahang / Terengganu / Kelantan

East Coast Area
2, Jalan Besar
25000 Kuantan
Tel: 09-516 1844
Fax: 09-513 8266
Area Manager: Liew Chai Kar

Pahang

Kuantan Branch
2, Jalan Besar
25000 Kuantan
Tel: 09-514 4155 / 09-516 1844 / 09-516 4755
Fax: 09-513 8266
Manager: Lim Chu Luan

Bentong Branch
61-62, Jalan Loke Yew
28700 Bentong
Tel: 09-222 1600 / 09-222 1778
Fax: 09-222 5882
Manager: Leong Yew Fook

Raub Branch
14 & 16, Jalan Tun Razak
27600 Raub
Tel: 09-355 1187 / 09-355 3766
Fax: 09-355 5955
Manager: Leong Yew Fook

Terengganu

Kuala Terengganu Branch
51, Jalan Sultan Ismail
20200 Kuala Terengganu
Tel: 09-622 1644 / 09-622 7912
Fax: 09-623 4644
Manager: Vincent Lim Chee Tean

Kelantan

Kota Bharu Branch
No 724, Jalan Sultanah Zainab
15000 Kota Bharu
Tel: 09-748 2699 / 09-748 3066
Fax: 09-748 4307
Manager: Shaharom Bin Kahar

Perak / Pulau Pinang / Kedah

North Area Centre
1st Floor, 64E-H, Lebuh Bishop
10200 Pulau Pinang
Tel: 04-258 8188
Fax: 04-262 9119 / 04-258 8166
Area Manager: Chang Tow Heng

Perak

Ipoh Branch
2, Jalan Dato' Seri Ahmad Said
30450 Ipoh
Tel: 05-254 0008 / 05-254 0200
Fax: 05-254 9092
Manager: Caryl Shim Weng Han

Pulau Pinang

Bukit Mertajam Branch
1, Jalan Tembikai
Taman Mutiara
14000 Bukit Mertajam
Tel: 04-548 8288
Fax: 04-530 3818
Manager: Tan Yang Cheng

Butterworth Branch
4071 & 4072, Jalan Bagan Luar
12000 Butterworth
Tel: 04-314 8000
Fax: 04-323 6953
Manager: Yeong Ai Vee

Jalan Kelawei Branch
9, Jalan Kelawei
10250 Pulau Pinang
Tel: 04-222 8799
Fax: 04-226 2382
Manager: Lee Ai Pin

Lebuh Bishop Branch
64E-H, Lebuh Bishop
10200 Pulau Pinang
Tel: 04-258 8000
Fax: 04-261 0868
Manager: Julie Lee Gim See

Kedah

Alor Setar Branch
55 Jalan Gangsa
Kawasan Perusahaan Mergong 2
05150 Alor Setar
Tel: 04-732 1366
Fax: 04-733 0621
Manager: Choo Kin Chuan

Sungai Petani Branch
177 & 178, Jalan Kelab Cinta Sayang
Taman Ria Jaya
08000 Sungai Petani
Tel : 04-442 8828
Fax: 04-442 9828
Manager: Celina Khor She Ying

Melaka / Johor

South Area Centre
Bangunan UOB
8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Tel: 07-360 6800
Fax: 07-355 3761
Area Manager: Goh Boon Siang

Melaka

Plaza Mahkota Branch
1, Jalan PM5
Plaza Mahkota
75000 Melaka
Tel: 06-283 8840 / 06-283 8841
Fax: 06-283 8868
Manager: Chan Chee Peng

Malim Branch
1, Jalan PPM 8 Plaza Pandan
Malim Business Park
Jalan Balai Panjang
75250 Melaka
Tel: 06-336 4336
Fax: 06-336 4337
Manager: Maria Tan Swee Tin

Johor

Muar Branch
10, Jalan Pesta 1/1
Kg. Kenangan Tun Dr. Ismail (1)
Jalan Bakri
84000 Muar
Tel: 06-955 5881
Fax: 06-953 1181
Manager: Luk Ing Kee

Batu Pahat Branch
Ground Floor, Wisma Sing Long
9, Jalan Zabedah
83000 Batu Pahat
Tel: 07-432 8999
Fax: 07-433 8122
Manager: Tracia Kek Choon Yian

City Square Branch
Lot 1-23, Johor Bahru City Square
106-108, Jalan Wong Ah Fook
80000 Johor Bahru
Tel: 07-219 6300
Fax: 07-224 3706
Manager: Ricky Teo Choh Meng

Kluang Branch
14-16, Jalan Datok Kapt Ahmad
86000 Kluang
Tel: 07-772 1967 / 07-772 5968
Fax: 07-772 1977
Manager: Wong Hip Sai

Kulai Branch
31-1 & 31-2, Jalan Raya Kulai Besar
81000 Kulai
Tel: 07-663 1232 / 07-663 1342
Fax: 07-663 5287
Manager: Ben Liew Kar Voon

Taman Ponderosa Branch
Bangunan UOB
Ground Floor, 8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Tel: 07-360 6800
Fax: 07-355 3761
Manager: Janice Cheah Han Ling

Sabah / Sarawak

East Malaysia Area
Bangunan UOB
70, Jalan Gaya
88000 Kota Kinabalu
Tel: 088-526 000
Fax: 088-222 438
Area Manager: Chua Chai Hua

Sabah

Kota Kinabalu Branch
Bangunan UOB
70, Jalan Gaya
88000 Kota Kinabalu
Tel: 088-526 000
Fax: 088-314 888
Manager: Soo Shir Li

Sandakan Branch
2nd Avenue
90000 Sandakan
Tel: 089-212 028 / 089-217 833
Fax: 089-225 577
Manager: Ku Nyet Fan

Tuaran Branch
9 & 10, Jalan Datuk Dusing
89208 Tuaran
Tel: 088-788 567
Fax: 088-788 979
Manager: Soo Shir Li

Sarawak

Sibu Branch
8, Lorong 7A, Jalan Pahlawan
Jaya Li Hua Commercial Centre
96000 Sibu
Tel: 084-216 089
Fax: 084-217 089
Manager: Ronny Yii See Chieng

Miri Branch
108 & 110, Jalan Bendahara
98000 Miri
Tel: 085-433 322
Fax: 085-422 221
Manager: Lee Kui Ping

Kuching Branch
No. 1-3 Main Bazaar
93000 Kuching
Tel: 082-421 291
Fax: 082-428 546
Manager: Emily Rolanda Yong

Bintulu Branch
207 & 208, Parkcity Commerce Square (Phase III)
Jalan Tun Ahmad Zaidi
97000 Bintulu
Tel: 086-312 232
Fax: 086-338 381
Manager: George Lai Ted Min

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2016

Governance

Corporate Governance

UOB (Malaysia) remains firmly committed to upholding good corporate governance which is integral to the Bank's growth and success. The Bank's corporate governance practices are guided by the principles and best practices as set out in the Guidelines on Corporate Governance for Licensed Institutions and the Malaysian Code on Corporate Governance.

Board of Directors

UOB (Malaysia) is led by a competent and experienced Board which currently comprises seven directors. They are:

Dr Wee Cho Yaw (Chairman Emeritus and Adviser)
Non-Independent and Non-Executive

Mr Ong Yew Huat (Board Chairman)
Independent and Non-Executive

Mr Wee Ee Cheong (Deputy Chairman)
Non-Independent and Non-Executive

Dato' Jeffrey Ng Tiong Lip
Independent and Non-Executive

Puan Fatimah Binti Merican
Independent and Non-Executive

Mr Robert Kwan Koh Wah
Independent and Non-Executive

Mr Wong Kim Choong
Non-Independent and Executive

Mr Wong Kim Choong, the Non-Independent Executive Director and CEO of UOB (Malaysia), is responsible for the day-to-day management of the Bank's affairs. He leads the management team and implements the Board's decisions. He is also responsible for seeking new business opportunities and ensuring that a good system of internal controls and risk management is implemented. All the other directors are non-executive. The independent non-executive directors enhance the governance of the Bank with their objective perspectives. The Board is responsible for providing strategic direction, entrepreneurial leadership and guidance, approving annual budgets, ensuring true and fair financial statements, monitoring financial performance, determining capital/debt structure as well as reviewing risk management framework and processes.

Directors have unfettered access to information, Senior Management and the external auditor. Comprehensive and timely financial, risk management and business reports are provided to directors, with sufficient time for them to review before a meeting. Directors may also approach Senior Management should they require any additional information. They also have access to the company secretary whose responsibilities include ensuring that Board procedures are adhered to, and advising the Board on corporate governance issues and applicable legislations and regulations. Where appropriate, directors may seek independent professional advice on any matter pertaining to the Bank, the costs of which are borne by the Bank.

As a group, the directors have vast and varied experience in banking, finance, business and management, and the skills and expertise relevant to the business of the Bank. The directors also recognise the importance of training and development to keep abreast of prudential requirements and best practices. For the year under review, they attended various briefings organized by FIDE on corporate governance, effective board evaluation, cyber-risk oversight and FinTech business opportunity/ disruptor. They also attended in-house programmes on shariah governance and compliance requirements, updates on anti-money laundering requirements, financial analysis and the Bank's digital platform. Through the Bank's continuous development programme, new and existing directors receive training on topics that are relevant to the business of the Bank and which meet the objective of equipping directors with the relevant knowledge and skills to perform their role effectively.

Each new director received an induction package which includes the articles of directorship, terms of reference of the Board and Board Committees, and guidance on directors' duties. Briefings are organised for new directors to be familiarised with the key areas of the Bank's business and risk management. New directors also meet with key senior management officers as part of their induction.

Corporate Governance (Continued)

The Board meets at least six times a year. Directors' attendance at Board and Board Committee meetings in 2016 is set out in the table below.

	Number of meetings attended in 2016				
	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Dr Wee Cho Yaw	4	N/A	N/A	1	1
Mr Ong Yew Huat	6	N/A	N/A	N/A	N/A
Mr Wee Ee Cheong *(Stepped down from the Remuneration Committee on 20 October 2016)*	6	N/A	N/A	3	4
Dato' Jeffrey Ng Tiong Lip	6	6^	4	N/A	4
Puan Fatimah Binti Merican *(Appointed to the Remuneration Committee on 4 February 2016)*	6	6	4	2^	4^
Mr Robert Kwan Koh Wah *(Appointed to the Risk Management and Remuneration Committees on 4 January 2016 and 20 October 2016 respectively)*	6	6	4^	-	4
Mr Wong Kim Choong	6	N/A	N/A	N/A	N/A
Number of meetings held in 2016	6	6	4	3	4

^ *Chairman/Chairperson of Committee.*

Directors who are unable to attend a meeting in person may participate via telephone and/or video conference or convey their views through another director or the company secretary. Prior to each Board Meeting, directors are provided with timely and complete information to enable them to discharge their responsibilities and make informed decisions. Records of all meetings are properly maintained. Where a potential conflict between the duties or interests of a director and a matter which concerns the Bank arises, the director concerned must declare the facts and nature of his interest to the Board and abstain from the deliberation on the matter.

Board Committees

The Board has delegated specific responsibilities to four Board Committees, namely the Audit Committee, Risk Management Committee, Remuneration Committee and Nominating Committee. Each committee has written terms of reference which set out its roles and responsibilities. The terms of reference are approved by the Board and reviewed annually for continued relevance. The members of the four Board Committees are set out on page 8. Where appropriate, the CEO and other senior executives are in attendance at Board Committee meetings to answer any query from committee members. After each meeting, the chairman/chairperson of the respective Board Committees reports to the Board on significant issues and concerns discussed, and where applicable, recommendations made during the meetings.

Audit Committee

The Audit Committee (AC) comprises three Independent Non-Executive Directors. The role of the AC includes assisting the Board to review financial reports, the internal and external audit functions, and the effectiveness and adequacy of the Bank's internal control system.

The AC meets the external auditors to review the annual financial statements, nature and scope of the external audit and audit plan, significant changes in accounting standards and audit issues. The AC meets the external auditor separately in the absence of Management at least annually. In addition, the AC reviews the adequacy of the scope, functions and resources of the internal audit function in performing its duties independently. Significant audit findings are highlighted to the AC through audit reports and at the AC meetings. The AC also meets with the internal auditor and the external auditor as often as they deem appropriate to be apprised of matters which are under review.

The AC meets every quarter to review the financial statements. In reviewing the financial statements, the AC assesses the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements. It recommends the financial statements to the Board for approval.

It also reviews fraud and whistleblowing cases reported to the Bank and investigated independently by Internal Audit. Annually, the AC reviews the policies for handling fraud and whistleblowing cases.

The AC holds at least four scheduled meetings each year. Additional meetings may be called by the AC Chairman to discuss specific issues whenever necessary.

Corporate Governance (Continued)

Risk Management Committee

The Risk Management Committee (RMC) comprises three Independent Non-Executive Directors. It assists the Board in overseeing the establishment and operation of a robust risk management system, policies, processes and procedures to identify, monitor, control and report risks. The RMC also oversees Senior Management's activities in managing credit, market, liquidity, operational, compliance, legal and other risks. It also reviews the Bank's framework in managing money laundering and terrorism financing risks.

Remuneration Committee

The Remuneration Committee (RC) comprises two Independent Non-Executive Directors and a Non-Independent Non-Executive Director. It reviews the remuneration policy of the Bank and the remuneration for directors, Shariah Committee members, CEO and key senior management officers, for reasonableness and alignment with UOB (Malaysia)'s strategic objectives and corporate values. The RC also supports the Board actively in overseeing the design and operation of the Bank's remuneration system, and recommends framework of remuneration for directors, Shariah Committee members, CEO and key senior management officers for the Board's approval.

Nominating Committee

The Nominating Committee (NC) comprises three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. The main responsibilities of the NC include reviewing nominations for appointment and re-appointments as well as removal of directors, Shariah Committee members, CEO and key senior management officers and the company secretary. NC also oversees the overall composition of the Board and Board Committees. Each year, the NC reviews the size and composition of the Board to ensure that independent directors form a majority of the Board.

Each year, NC assesses the effectiveness of the Board and Board Committees, as well as contribution and performance of each director to the effectiveness of the Board. It assesses the independence of each director annually based on the criteria in Bank Negara Malaysia's Guidelines on Corporate Governance. In order to promote independent oversight by the Board, an independent director of the Bank shall hold office for a maximum of 6 years or such other term as the NC deems fit but shall not exceed a total of 9 years. The NC also assesses the performance of Shariah Committee members, CEO, key senior management officers and the company secretary.

NC also ensures all directors receive an appropriate continuous development programme and oversees succession plans for the Board, CEO and key senior management officers.

Financial Reporting

In presenting the annual accounts and quarterly announcements, the Board is committed to present a balanced, clear and understandable assessment of the financial position and prospect of the Bank. The Board is assisted by the Audit Committee to oversee the Bank's financial reporting by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness. The Statement by Directors in respect of preparation of the annual audited financial statements of the Bank is set out on page 76.

Internal Audit

The Bank has a well-established internal audit function which reports functionally to the Audit Committee (AC) and administratively to the Chief Executive Officer. The primary role of the Internal Audit is to provide independent assessment of the adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. It operates within the framework defined in its Internal Audit Charter and adopts the *Standards for Professional Practice of Internal Auditing* set by the Institute of Internal Auditors and other relevant best practices, and is guided by *The Internal Audit Function* in Banks issued by the Basel Committee on Banking Supervision.

Internal Audit (IA) reviews and audits the Bank's businesses and operations; and the operations of its subsidiaries according to a risk-based audit plan. Audit projects are prioritised and scoped based on IA's assessment of the Bank's risks and controls over the various risk types. The internal audit plan is reviewed annually and tabled to the AC for approval.

The results of each audit are reported to the AC and Management; and their resolution action plans and progress are closely monitored. Significant findings, together with the status of rectification, are then discussed at the AC Meetings and the minutes are formally tabled to the Board of Directors. In addition, the Chief Internal Auditor also reports significant findings and other control concerns to the Deputy Chairman and Group Chief Executive Officer, as well as the Head of Group Audit monthly.

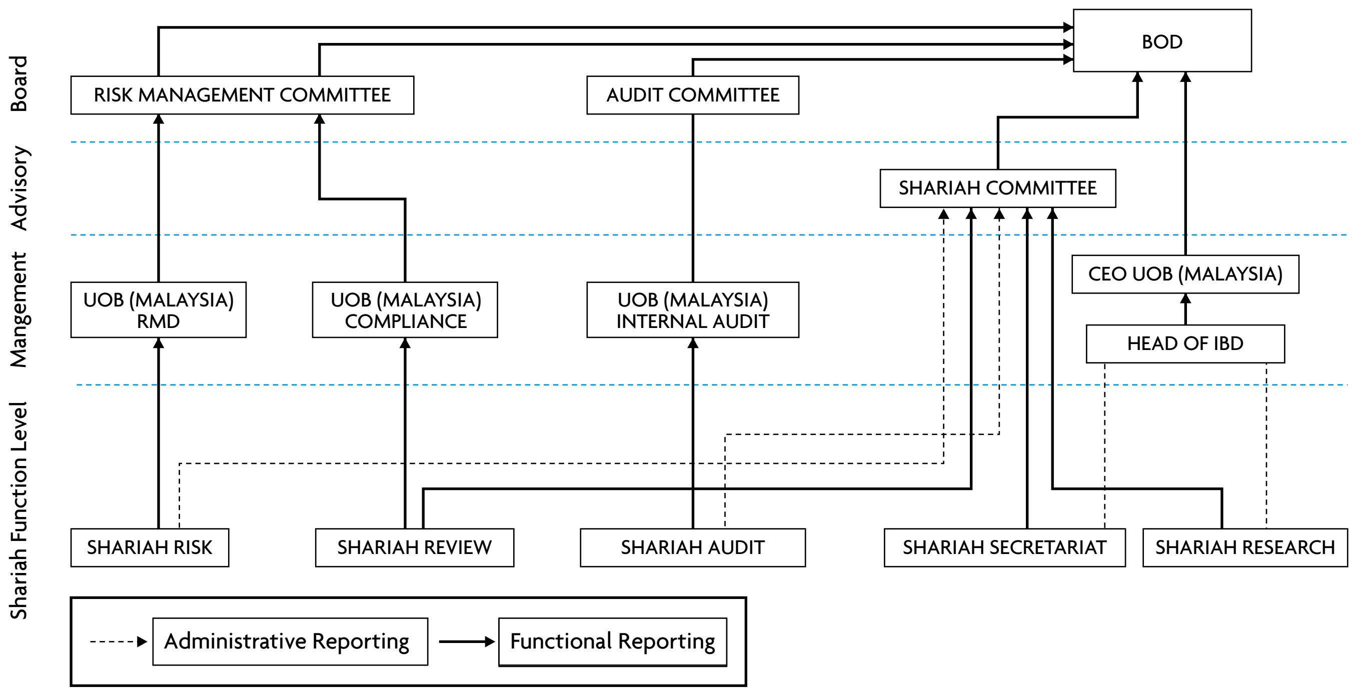
Statement on Shariah Governance

The Bank has developed its Shariah Governance Framework (the Framework) with close adherence to Shariah Governance Framework (SGF) of Bank Negara Malaysia (BNM). The Framework establishes the minimum governance standards governing the directors, management, Shariah functions and Shariah Committee. Within this framework all parties are bound to exercise their duty of care and diligence to ensure the Bank's Islamic Banking business, operation and affairs are in compliance to Shariah principles.

Corporate Governance (Continued)

The Framework is anchored by the Bank Shariah Governance Structure as follows:

Shariah Governance Structure:



The Board of Directors is ultimately accountable and responsible on the overall Shariah governance structure and Shariah compliance of UOB (Malaysia). The Board must ensure that the Shariah governance structure adopted by UOB (Malaysia) commensurate with the size, complexity and nature of its business.

Shariah Committee (SC) with qualified members to advise the Bank and to perform an oversight role on Shariah matters in relation to the Bank's Islamic Banking business and operations. While the directors bear the ultimate responsibility and accountability on the overall governance of the Bank, the SC shall be responsible and accountable for all its decisions, views and opinions related to Shariah.

SC is supported on functional basis by Shariah Secretariat, Shariah Research, and Shariah Review and administratively supported by Shariah Risk and Shariah Audit. The main duties and responsibilities of Shariah Secretariat and Shariah Research are to provide secretarial function to the Bank's SC, conducting research on Shariah issues and providing day to day Shariah advice to the Bank's internal parties.

Meanwhile, Shariah Review is required to execute regular assessment on Shariah compliance relating to Islamic Banking Window (IBW) activities and operation and to provide an independent examination and evaluation of the Bank's level of compliance to the Shariah principles as enunciated in the SC's decisions.

Shariah Risk on the other hand are bound to facilitate the process of identifying, measuring, controlling and monitoring Shariah non-compliance risks inherent in the Bank's related operations and activities in conjunction with the relevant business function coordinators. The structure requires Business and Support Unit to be responsible in identifying and managing the risk inherent in the products, services and activities which the unit is responsible for, with creation and enhancements of product structure and design as well as policies and operational process flow relating to products offered.

Finally Shariah Audit provides an independent assessment and objective assurance designed to add value and improve the degree of Shariah compliance in relation to the Bank's Islamic Banking operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance. The scope of Shariah Audit covers the bank's key Islamic Banking business activities and operation ranging from Shariah Governance process to financial statements.

On top of the above, the Management is responsible to provide adequate resources and capable manpower support to every function involved in the implementation of Shariah governance, in order to ensure end-to-end compliance to Shariah principles. The Management shall assume the duty of overseeing that the implementations of Shariah rulings issued by SC are managed by its various reporting lines and that the provisions in the Framework are complied with.

Pillar 3 Disclosure

UOB (Malaysia), in compliance with the requirements under Bank Negara Malaysia Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3), various additional quantitative and qualitative disclosures have been included in the annual report under the section 'Pillar 3 Disclosure'. This supplements the related information in the notes to the financial statements. The disclosures are to facilitate the understanding of the Bank's risk profile and assessment of the Bank's capital adequacy.

Effective July 2016, UOB (Malaysia) started to offer Islamic financial services under its Islamic Banking Window.

Scope of Application

In accordance with the accounting standards for financial reporting, all subsidiaries of the Bank are fully consolidated from the date the Bank obtains control until the date such control ceases. The Bank's investment in an associate is accounted for using the equity method from the date the Bank obtains significant influence over the associate until the date such significant influence ceases. For the purpose of computing capital adequacy requirements at the Bank level, investment in subsidiaries and investment in an associate are deducted from regulatory capital in compliance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

The transfer of funds or regulatory capital within the Group is generally subject to regulatory approval.

Capital Adequacy

Our approach to capital management is to ensure that the Group maintains strong capital levels to support our businesses and growth, meet regulatory capital requirements at all times and maintain a good credit rating.

We achieve these objectives through the Group's Internal Capital Adequacy Assessment Process (ICAAP) whereby we actively monitor and manage the Group's capital position over a medium-term horizon, involving the following:

- setting capital targets for the Bank. As part of this, we take into account future regulatory changes and stakeholder expectations;
- forecasting capital demand for material risks based on the Group's risk appetite. This is evaluated across all business segments and includes the Group's capital position before and after mitigation actions under adverse but plausible stressed conditions; and
- determining the availability and composition of different capital components.

Two committees oversee our capital planning and assessment process. The Risk Management Committee assists the Board with the management of risks arising from the business of the Group while the Risk and Capital Committee manages the Group's ICAAP, overall risk profile and capital requirements. The Group's capital position, capital management plan, contingency capital plan, as well as any capital management actions, are submitted to the senior management team and/or to the Board for approval.

The aggregate breakdown of Risk-Weighted Assets (RWA) by exposures in each category of the Bank for the current financial year ended 31 December 2016 were as follows:

RM'000

Item	Exposure Class	Exposures Pre Credit Risk Mitigation (CRM)	Exposures Post Credit Risk Mitigation (CRM)	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk				
1.1	Exempted Exposures under the Standardised Approach (SA)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	17,348,496	17,348,496	-	-
	Banks, Development Financial Institutions (DFIs) and Multilateral Development Banks (MDBs)	-	-	-	-
	Insurance Cos, Securities Firms and Fund Managers	13,085	68	68	6
	Corporates	801,334	799,311	799,075	63,926
	Other Assets	784,550	784,550	665,917	53,273
	Defaulted Exposures	8,042	8,042	12,062	965
	Total On-Balance Sheet Exposures	**18,955,507**	**18,940,467**	**1,477,122**	**118,170**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the current financial year ended 31 December 2016 were as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.1	Exempted Exposures under the Standardised Approach (SA)(Continued)				
	Off-Balance Sheet Exposures				
	OTC Derivatives	344,054	344,054	195,090	15,607
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	145,996	144,980	137,466	10,997
	Total Off-Balance Sheet Exposures	**490,050**	**489,034**	**332,556**	**26,604**
	Total On and Off-Balance Sheet Exposures (SA)	**19,445,557**	**19,429,501**	**1,809,678**	**144,774**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-Balance Sheet Exposures				
	Banks, DFIs and MDBs	5,572,921	5,572,921	1,064,291	85,143
	Corporates	27,653,372	23,335,956	24,711,738	1,976,939
	Equity (Simple Risk Weight)	126,021	126,021	501,191	40,096
	Defaulted Exposures	674,373	649,925	-	-
	Total On-Balance Sheet Exposures	**34,026,687**	**29,684,823**	**26,277,220**	**2,102,178**
	Off-Balance Sheet Exposures				
	OTC Derivatives	1,284,887	1,278,115	624,322	49,946
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	9,241,956	8,265,721	8,073,194	645,855
	Defaulted Exposures	23,645	21,128	-	-
	Total Off-Balance Sheet Exposures	**10,550,488**	**9,564,964**	**8,697,516**	**695,801**
	Total On and Off-Balance Sheet Exposures (FIRB)	**44,577,175**	**39,249,787**	**34,974,736**	**2,797,979**
1.3	Exposures under the Advance IRB Approach (AIRB)				
	On-Balance Sheet Exposures				
	Corporates	32,286	32,286	17,198	1,376
	Residential Mortgages	29,939,234	29,939,234	3,045,946	243,676
	Qualifying Revolving Retail	2,377,189	2,377,189	920,884	73,671
	Other Retail	15,531,334	15,531,334	2,686,449	214,916
	Defaulted Exposures	602,594	602,594	689,966	55,197
	Total On-Balance Sheet Exposures	**48,482,637**	**48,482,637**	**7,360,443**	**588,836**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the current financial year ended 31 December 2016 were as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.3	Exposures under the Advance IRB Approach (AIRB) (Continued)				
	Off-Balance Sheet Exposures				
	OTC Derivatives	5,984	5,984	4,358	349
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	9,618,905	9,618,905	1,230,541	98,443
	Defaulted Exposures	135	135	216	17
	Total Off-Balance Sheet Exposures	9,625,024	9,625,024	1,235,115	98,809
	Total On and Off-Balance Sheet Exposures (AIRB)	58,107,661	58,107,661	8,595,558	687,645
	Total Exposures under IRB Approach	102,684,836	97,357,448	43,570,294	3,485,624
	Total (Exempted Exposures and Exposures under the IRB Approach) after scaling factor	-	-	47,994,189	3,839,535
2.0	Large Exposures Risk Requirement	-	-	-	-
3.0	Market Risk	Long Position	Short Position		
	Interest Rate Risk	55,301,677	53,057,601	786,892	62,951
	Foreign Currency Risk	295,589	299,852	27,261	2,181
	Commodity Risk	198,588	169,400	129,380	10,350
	Options Risk	-	-	23,645	1,892
4.0	Operational Risk (Basic Indicator Approach)			4,980,184	398,415
5.0	Total RWA and Capital Requirements			53,941,551	4,315,324

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the current financial year ended 31 December 2015 were as follows:

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk				
1.1	Exempted Exposures under the Standardised Approach (SA)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	15,935,875	15,935,875	-	-
	Banks, DFIs and MDBs	100,036	100,036	20,007	1,600
	Insurance Cos, Securities Firms and Fund Managers	10,273	242	242	19
	Corporates	534,403	532,294	532,083	42,567
	Other Assets	994,158	994,158	802,583	64,207
	Defaulted Exposures	7,589	7,589	11,383	911
	Total On-Balance Sheet Exposures	**17,582,334**	**17,570,194**	**1,366,298**	**109,304**
	Off-Balance Sheet Exposures				
	OTC Derivatives	375,245	375,245	272,749	21,820
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	137,645	136,171	126,794	10,143
	Total Off-Balance Sheet Exposures	**512,890**	**511,416**	**399,543**	**31,963**
	Total On and Off-Balance Sheet Exposures (SA)	**18,095,224**	**18,081,610**	**1,765,841**	**141,267**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-Balance Sheet Exposures				
	Banks, DFIs and MDBs	3,345,265	3,345,265	863,741	69,099
	Corporates	25,185,715	22,388,111	25,271,451	2,021,716
	Equity (Simple Risk Weight)	78,532	78,532	310,390	24,831
	Defaulted Exposures	642,380	629,993	-	-
	Total On-Balance Sheet Exposures	**29,251,892**	**26,441,901**	**26,445,582**	**2,115,646**
	Off-Balance Sheet Exposures				
	OTC Derivatives	1,569,597	1,566,501	769,035	61,523
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	8,640,601	7,712,209	7,406,950	592,556
	Defaulted Exposures	21,174	20,859	-	-
	Total Off-Balance Sheet Exposures	**10,231,372**	**9,299,569**	**8,175,985**	**654,079**
	Total On and Off-Balance Sheet Exposures (FIRB)	**39,483,264**	**35,741,470**	**34,621,567**	**2,769,725**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the current financial year ended 31 December 2015 were as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.3	Exposures under the Advance IRB Approach (AIRB)				
	On-Balance Sheet Exposures				
	Corporates	23,967	23,967	6,419	514
	Residential Mortgages	28,067,570	28,067,570	3,041,079	243,286
	Qualifying Revolving Retail	2,236,755	2,236,755	942,361	75,389
	Other Retail	14,941,327	14,941,327	2,630,775	210,462
	Defaulted Exposures	626,266	626,266	779,713	62,377
	Total On-Balance Sheet Exposures	45,895,885	45,895,885	7,400,347	592,028
	Off-Balance Sheet Exposures				
	OTC Derivatives	3,881	3,881	2,890	231
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	6,530,388	6,530,388	866,078	69,286
	Defaulted Exposures	155	155	261	21
	Total Off-Balance Sheet Exposures	6,534,424	6,534,424	869,229	69,538
	Total On and Off-Balance Sheet Exposures (AIRB)	52,430,309	52,430,309	8,269,576	661,566
	Total Exposures under IRB Approach	91,913,573	88,171,779	42,891,143	3,431,291
	Total (Exempted Exposures and Exposures under the IRB Approach) after scaling factor	-	-	47,230,453	3,778,436
2.0	Large Exposures Risk Requirement	-	-	-	-
3.0	Market Risk	Long Position	Short Position		
	Interest Rate Risk	37,384,320	30,954,299	923,957	73,917
	Foreign Currency Risk	407,765	365,164	50,343	4,027
	Commodity Risk	430,565	428,670	165,404	13,232
	Options Risk	-	-	27,810	2,225
4.0	Operational Risk (Basic Indicator Approach)			4,673,789	373,903
5.0	Total RWA and Capital Requirements			53,071,756	4,245,741

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the current financial year ended 31 December 2016 were as follows:

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	RWA Absorbed by PSIA	Total RWA after effects of PSIA	Minimum Capital Requirement at 8%
1.0	Credit Risk						
1.1	Exempted Exposures under the Standardised Approach (SA)						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	792,096	792,096	-	-	-	-
	Banks, DFIs and MDBs	-	-	-	-	-	-
	Insurance Cos, Securities Firms and Fund Managers	-	-	-	-	-	-
	Corporates	-	-	-	-	-	-
	Other Assets	88	88	88	-	88	7
	Defaulted Exposures	-	-	-	-	-	-
	Total On-Balance Sheet Exposures	792,184	792,184	88	-	88	7
	Off-Balance Sheet Exposures						
	OTC Derivatives	-	-	-	-	-	-
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	-	-	-	-	-	-
	Total Off-Balance Sheet Exposures	-	-	-	-	-	-
	Total On and Off-Balance Sheet Exposures (SA)	792,184	792,184	88	-	88	7
1.2	Exposures under the Foundation IRB Approach (FIRB)						
	On-Balance Sheet Exposures						
	Banks, DFIs and MDBs	49	49	5	-	5	1
	Corporates	100,062	100,062	87,829	-	87,829	7,026
	Equity (Simple Risk Weight)	-	-	-	-	-	-
	Defaulted Exposures	-	-	-	-	-	-
	Total On-Balance Sheet Exposures	100,111	100,111	87,834	-	87,834	7,027
	Off-Balance Sheet Exposures						
	OTC Derivatives	-	-	-	-	-	-
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	-	-	-	-	-	-
	Total Off-Balance Sheet Exposures	-	-	-	-	-	-
	Total On and Off-Balance Sheet Exposures (FIRB)	100,111	100,111	87,834	-	87,834	7,027

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the current financial year ended 31 December 2016 were as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	RWA Absorbed by PSIA	Total RWA after effects of PSIA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)						
1.3	Exposures under the Advance IRB Approach (AIRB)						
	On-Balance Sheet Exposures						
	Corporates	-	-	-	-	-	-
	Residential Mortgages	330	330	78	-	78	6
	Qualifying Revolving Retail	-	-	-	-	-	-
	Other Retail	4,323	4,323	2,278	-	2,278	182
	Defaulted Exposures	-	-	-	-	-	-
	Total On-Balance Sheet Exposures	4,653	4,653	2,356	-	2,356	188
	Off-Balance Sheet Exposures						
	OTC Derivatives	-	-	-	-	-	-
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	718	718	152	-	152	12
	Total Off-Balance Sheet Exposures	718	718	152	-	152	12
	Total On and Off-Balance Sheet Exposures (AIRB)	5,371	5,371	2,508	-	2,508	200
	Total Exposures under IRB Approach	105,482	105,482	90,342	-	90,342	7,227
	Total (Exempted Exposures and Exposures under the IRB Approach) after scaling factor	-	-	95,851	-	95,851	7,668
2.0	Large Exposures Risk Requirement	-	-	-	-	-	-
3.0	Market Risk	Long Position	Short Position				
	Interest Rate Risk	-	-	-	-	-	-
	Foreign Currency Risk	-	-	-	-	-	-
	Commodity Risk	-	-	-	-	-	-
	Options Risk	-	-	-	-	-	-
4.0	Operational Risk (Basic Indicator Approach)			9,139	-	9,139	731
5.0	Total RWA and Capital Requirements			104,990	-	104,990	8,399

Capital Structure

The Bank, on 30 August 2013 issued RM500 million subordinated bonds at 4.55% p.a., maturing on 29 August 2023. Subsequently the Bank, on 8 May 2015 issued RM1 billion subordinated bonds at 4.65% p.a. maturing on 8 May 2025. Both subordinated bonds are for working capital, general funding and corporate funding purposes.

For the main features of the subordinated bonds, please refer to Note 18 in the financial statements.

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits	7,032,664	6,305,544	7,097,119	6,368,438
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	218,817	223,531	50,127	56,387
Regulatory adjustments applied in the calculation of CET1 Capital	(267,904)	(238,046)	(118,238)	(90,887)
Total CET1/Tier 1 Capital	8,246,132	7,553,584	8,291,563	7,596,493
Tier 2 Capital				
Tier 2 Capital instruments	1,500,000	1,500,000	1,500,000	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	277,107	169,563	277,107	175,551
- Collective impairment provisions	26,357	25,697	22,621	22,073
Regulatory adjustments applied in the calculation of Tier 2 Capital	68,111	65,250	(5,425)	(8,143)
Total Tier 2 Capital	1,871,575	1,760,510	1,794,303	1,689,481
Total Capital	10,117,707	9,314,094	10,085,866	9,285,974

The capital adequacy ratios of the Group and the Bank were as follows:

	Group		Bank	
	2016	2015	2016	2015
CET1/Tier 1 ratio	15.205%	14.155%	15.371%	14.314%
Total Capital	18.656%	17.455%	18.698%	17.497%
CET1/Tier 1 ratio (net of proposed dividends)	14.494%	13.455%	14.656%	13.610%
Total Capital (net of proposed dividends)	17.945%	16.754%	17.982%	16.793%

Capital Structure (Continued)

The capital adequacy ratios of the Islamic Banking Window are computed in accordance with the Bank Negara Malaysia Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-Weighted Assets Framework for Islamic Banking.

The capital structure for the Islamic Banking Window were as follows:

	2016 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital	
Capital fund	450,000
Accumulated losses	(406)
Other reserves	(353)
Regulatory adjustments applied in the calculation of CET1 Capital	(175)
Total CET1/Tier 1 Capital	449,066
Tier 2 Capital	
Regulatory adjustments applied in the calculation of Tier 2 Capital	-
Total Tier 2 Capital	-
Total Capital	449,066

The capital adequacy ratios of the Islamic Banking Window were as follows:

	2016
CET1/Tier 1 ratio	427.722%
Total Capital	427.722%

Risk Management

Risk Management Overview

Effective risk management is integral to the Bank's business success. The Bank's approach to risk management is to ensure that risks are managed within the levels established by the Bank's various senior management committees and approved by the Board and/or its committees.

The Bank has established a comprehensive framework of policies and procedures to identify, measure, monitor and control risks. These are guided by the Group's Risk Management Principles which advocate:

- delivery of sustainable long-term growth using sound risk management principles and business practices;
- continual improvement of risk discovery capabilities and risk controls; and
- business development based on a prudent, consistent and efficient risk management framework.

Risk Management Governance and Framework

The Board oversees a governance structure that is designed to ensure that the Bank's business activities are:

- conducted in a safe and sound manner and in line with the highest standards of professionalism;
- consistent with the Bank's overall business strategy and risk appetite; and
- subjected to adequate risk management and internal controls.

In this, the Board is supported by the Risk Management Committee (RMC).

The Bank has established senior management committees to assist in making business decisions with due consideration to risks and returns. The main senior management committees involved in this are the Executive Committee (EXCO), Management Committee (MC), Asset and Liability Committee (ALCO), In-Country Credit Committee (ICCC), Technology & Corporate Infrastructure Committee (TCIC), Operational Risk Management Committee (ORMC) and Risk and Capital Committee (RCC). These committees also assist the RMC in specific risk areas.

The RMC reviews the overall risk appetite and level of risk capital to maintain for the Bank. Senior management and the senior management committees are authorised to delegate risk appetite limits by location, business lines, and/or broad product lines.

Risk Appetite

The Bank has established a risk appetite framework to define the amount of risk that the Bank is able and willing to take in pursuit of its business objectives. The objective of establishing a risk appetite framework is not to limit risk-taking but to ensure that the Bank's risk profile remains within well-defined and tolerable boundaries. The framework was formulated based on the following key criteria:

- relevance to respective stakeholders, with appropriate levels of granularity;
- practical, consistent and easy to understand metrics for communication and implementation;
- alignment to key elements of the Bank's business strategy; and
- analytically substantiated and measurable metrics.

The risk appetite defines suitable thresholds and limits across key areas including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk and reputation risk. Our risk-taking approach focusses on businesses which we understand and are well equipped to manage the risk involved. Through this approach, we aim to minimise earnings volatility and concentration risk and ensure that our high credit rating, strong capital and funding base remain intact. This allows us to be a stable partner with our customers through changing economic conditions and cycles.

The Bank's risk appetite framework is updated and approved annually by the Board. Senior management monitors and reports the risk limits to the Board.

Basel Framework

The Bank has adopted the Basel Framework and observes the Bank Negara Malaysia (BNM) Risk Weighted Capital Adequacy Framework (Basel II) for banks incorporated in Malaysia. The Bank continues to adopt a prudent and proactive approach in navigating the evolving regulatory landscape, with emphasis on sound risk management principles in delivering sustainable returns.

The Bank has adopted the Foundation Internal Ratings-Based (FIRB) approach for its non-retail exposures and the Advanced Internal Ratings-Based (AIRB) approach for its retail exposures. For market risks, the Bank has adopted the Standardised Approach (SA). For operational risks, the Bank has adopted the Basic Indicator Approach (BIA).

The Bank has adopted the Internal Capital Adequacy Assessment Process (ICAAP) to assess on an ongoing basis the amount of capital necessary to support its activities. The ICAAP is reviewed periodically to ensure that the Bank remains well-capitalised after considering all material risks. Stress testing is conducted to determine capital adequacy under stressed conditions.

Credit Risk

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations fall due. Credit risk is the single largest risk that the Bank faces in its core business as a commercial bank, arising primarily from loans and other lending-related commitments to retail, corporate and institutional borrowers. Treasury and capital market operations, and investments also expose the Bank to counterparty and issuer credit risks.

The Bank's portfolio is also reviewed and stress-tested regularly, and the Bank continuously monitors the operating environment to identify emerging risks and to formulate mitigating actions.

Credit Risk Governance and Organisation

The Credit Working Group (CWG), ICCC and EXCO are the key oversight committees for credit risk and support the CEO and RMC in managing the Bank's overall credit risk exposures. The committees serve as the executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and systems. The CWG, ICCC and EXCO also review and assess the Bank's credit portfolios and credit risk profiles.

The Risk Management Division is responsible for the reporting, analysis and management of all elements of credit risk. It develops bank-wide credit policies and guidelines, and focuses on facilitating business development within a prudent, consistent and efficient credit risk management framework.

Credit Risk Policies and Processes

The Bank has established credit policies and processes to manage credit risk in the following key areas:

Credit Approval Process

To maintain the independence and integrity of the credit approval process, the credit origination and approval functions are clearly segregated. Credit approval authority is delegated to officers based on their experience, seniority and track record, and credit approval is based on a risk-adjusted scale according to a borrower's credit rating. All credit approval officers are guided by credit policies and credit acceptance guidelines that are periodically reviewed to ensure their continued relevance to the Bank's business strategy and business environment.

Credit Concentration Risk

Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. This is managed by setting exposure limits on obligors, portfolios, borrowers, industries and countries, generally expressed as a percentage of the Bank's eligible capital base.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The Bank also manages its country risk exposures within an established framework that involves setting limits for each country. Such limits are based on the country's risk rating, economic potential measured by its gross domestic product and the Bank's business strategy. Regular assessments of emerging risks and in-depth reviews of industry trends are performed to provide a forward-looking view on developments that could impact the Bank's portfolio.

Credit Stress Test

Credit stress testing is a core component of the Bank's credit portfolio management process. Various regulatory and internal stress tests are conducted periodically. The main purpose of credit stress testing is to provide a forward-looking assessment of the Bank's credit portfolio under adverse economic scenarios. Under stress scenarios such as a severe recession, significant losses from the credit portfolio may occur. Stress tests are used to assess if the Bank's capital can withstand such losses and their impact on profitability and balance sheet quality. Stress tests also help us to identify the vulnerability of various business units and would enable us to formulate appropriate mitigating actions.

The Bank's stress test scenarios consider potential and plausible macroeconomic and geopolitical events in varying degrees of likelihood and severity. These are developed through consultation with relevant business units and approved by senior management.

Credit Monitoring and Remedial Management

The Bank regularly monitors credit exposures, portfolio performance and emerging risks that may impact its credit risk profile. The Board and senior management are updated on credit trends through internal risk reports, so that mitigating actions can be taken if necessary.

Delinquency Monitoring

The Bank monitors closely the delinquency of borrowing accounts as it is a key indicator of credit quality. An account is considered as delinquent when payment is not received on due date. Any delinquent accounts, including a revolving credit facility (such as an overdraft) with limit excesses, is closely monitored and managed through a disciplined process by officers from business units and risk management function. Where appropriate, such accounts are also subject to more frequent credit reviews.

Classification and Loan Loss Impairment

The Bank classifies its credit portfolios according to the borrower's ability to repay the credit facility from their normal source of income.

Credit Risk (Continued)

Classification and Loan Loss Impairment (Continued)

All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with the Bank's Policy. Any account which is delinquent (or in excess for a revolving credit facility such as an overdraft) for more than 90 days will be categorised automatically as "Non-Performing". In addition, any account that exhibits weaknesses which is likely to jeopardise repayment on existing terms may be categorised as 'Non-Performing'.

Upgrading and declassification of a Non-Performing account to 'Pass' or 'Special Mention' status must be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. The Bank must also be satisfied that once the account is declassified, the account is unlikely to be classified again in the near future. A rescheduled or restructured account shall be categorised as Non-Performing when the account exhibits signs of increase in credit risk. The rescheduled or restructured account is to be placed on the appropriate classified grade based on the Bank's assessment of the financial condition of the borrower and the ability of the borrower to repay under the rescheduled or restructured terms. A rescheduled or restructured account must comply fully with the rescheduled or restructured terms before it can be declassified.

The Bank provides for impairment based on local regulatory requirements including BNM guidelines and MFRS 139 for local reporting purposes. Where necessary, additional impairment is provided for to comply with the Bank's impairment policy.

Bank Special Asset Management

Special Asset Management (SAM) manages the Non-Performing portfolios of the Bank. SAM proactively manages a portfolio of Non-Perfoming Loan (NPL) accounts, with the primary intention of nursing these accounts back to health and transferring them back to the respective business units. SAM manages accounts that the Bank intends to exit in order to maximise debt recovery.

Write-Off Policy

A classified account that is not secured by any realisable collateral will be written-off either when the prospect of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

Credit Risk (Continued)

(i) Credit Exposures by Sector:

The Bank as at 31 December 2016	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	4,686	-	1,246,812	-	-	-	-	1,251,498
Mining and Quarrying	-	-	1,828,668	-	258,699	-	-	-	-	2,087,367
Manufacturing	-	-	47,169	-	5,525,329	-	-	-	-	5,572,498
Electricity, Gas and Water	-	-	-	-	115,479	-	-	-	-	115,479
Construction	-	-	-	-	13,055,569	-	-	-	-	13,055,569
Wholesale, Retail Trade, Restaurant and Hotels	-	-	11,758	-	8,800,472	-	-	-	-	8,812,230
Transport, Storage and Communication	-	-	-	-	1,566,614	-	-	-	-	1,566,614
Finance, Insurance and Business Services	55,957	-	5,101,296	169,810	2,941,879	-	-	-	-	8,268,942
Real Estate	-	-	-	-	4,877,091	-	-	-	-	4,877,091
Community, Social and Personal Services	-	-	-	-	45,393	-	-	-	-	45,393
Households	-	-	-	-	6	24,863,056	33,183,335	-	-	58,046,397
Others	17,292,539	165,119	-	-	27,256	-	-	126,021	-	17,610,935
Other Assets not subject to Credit Risk	-	-	-	-	-	-	-	-	820,380	820,380
Grand Total	17,348,496	165,119	6,993,577	169,810	38,460,599	24,863,056	33,183,335	126,021	820,380	122,130,393

(ii) Credit Exposures by Remaining Contractual Maturities:

The Bank as at 31 December 2016	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
‹ 3 Months	-	32,133	2,683,292	17,609	2,591,766	209,492	-	-	-	5,534,292
3 - 6 Months	-	31,421	24,669	7,478	45,906	1,308	-	-	-	110,782
6 - 12 Months	-	61,366	2,141	3,382	13,879	-	-	-	-	80,768
1 - 3 Years	14,969,232	40,199	3,964,960	137,839	26,890,926	9,673,158	1,673,988	-	820,380	58,170,682
3 - 5 Years	1,584,398	-	263,750	3,474	5,983,322	381,319	273,198	-	-	8,489,461
› 5 Years	794,866	-	54,765	28	2,934,800	14,597,779	31,236,149	126,021	-	49,744,408
Grand Total	17,348,496	165,119	6,993,577	169,810	38,460,599	24,863,056	33,183,335	126,021	820,380	122,130,393

Credit Risk (Continued)

(i) Credit Exposures by Sector (Continued):

The Bank as at 31 December 2015	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	2,864	-	1,192,345	-	-	-	-	1,195,209
Mining and Quarrying	-	-	867,537	-	217,458	-	-	-	-	1,084,995
Manufacturing	-	-	37,596	-	6,053,272	-	-	-	-	6,090,868
Electricity, Gas and Water	-	-	-	-	92,297	-	-	-	-	92,297
Construction	-	-	29,292	-	13,026,238	-	-	-	-	13,055,530
Wholesale, Retail Trade, Restaurant and Hotels	-	-	30,084	-	7,022,074	-	-	-	-	7,052,158
Transport, Storage and Communication	-	-	-	-	945,231	-	-	-	-	945,231
Finance, Insurance and Business Services	34,464	-	3,248,806	294,930	2,085,648	-	-	-	-	5,663,848
Real Estate	-	-	-	-	3,307,320	-	-	-	-	3,307,320
Community, Social and Personal Services	-	-	-	-	24,301	-	-	-	-	24,301
Households	-	-	-	-	176	21,169,312	31,212,476	-	-	52,381,964
Others	15,915,191	75,595	932,364	-	1,086,329	-	-	78,532	-	18,088,011
Other Assets not subject to Credit Risk	-	-	-	-	-	-	-	-	1,027,066	1,027,066
Grand Total	15,949,655	75,595	5,148,543	294,930	35,052,689	21,169,312	31,212,476	78,532	1,027,066	110,008,798

(ii) Credit Exposures by Remaining Contractual Maturities (Continued):

The Bank as at 31 December 2015	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
< 3 Months	3,574,692	7,671	1,144,913	10,181	2,285,526	163,469	-	-	-	7,186,452
3 - 6 Months	-	-	96,956	1,875	18,358	461	-	-	-	117,650
6 - 12 Months	-	30,934	18,928	-	8,231	-	-	-	-	58,093
1 - 3 Years	11,930,426	36,990	3,466,868	268,000	19,100,869	6,223,005	1,612,586	-	1,027,066	43,665,810
3 - 5 Years	444,537	-	357,925	14,070	7,307,548	299,983	240,749	-	-	8,664,812
> 5 Years	-	-	62,953	804	6,332,157	14,482,394	29,359,141	78,532	-	50,315,981
Grand Total	15,949,655	75,595	5,148,543	294,930	35,052,689	21,169,312	31,212,476	78,532	1,027,066	110,008,798

Credit Risk (Continued)

(i) Credit Exposures by Sector for Islamic Banking Window:

Islamic Banking Window as at 31 December 2016	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	-	-	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	100,062	-	-	-	-	100,062
Wholesale, Retail Trade, Restaurant and Hotels	-	-	-	-	-	-	-	-	-	-
Transport, Storage and Communication	-	-	-	-	-	-	-	-	-	-
Finance, Insurance and Business Services	2,427	-	49	-	-	-	-	-	-	2,476
Real Estate	-	-	-	-	-	-	-	-	-	-
Community, Social and Personal Services	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	4,631	740	-	-	5,371
Others	789,669	-	-	-	-	-	-	-	-	789,669
Other Assets not subject to Credit Risk	-	-	-	-	-	-	-	-	88	88
Grand Total	792,096	-	49	-	100,062	4,631	740	-	88	897,666

(ii) Credit Exposures by Remaining Contractual Maturities for Islamic Banking Window:

Islamic Banking Window as at 31 December 2016	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
< 3 Months	-	-	-	-	-	-	-	-	-	-
3 - 6 Months	-	-	-	-	-	-	-	-	-	-
6 - 12 Months	-	-	-	-	-	-	-	-	-	-
1 - 3 Years	792,096	-	49	-	100,062	-	-	-	88	892,295
3 - 5 Years	-	-	-	-	-	-	-	-	-	-
> 5 Years	-	-	-	-	-	4,631	740	-	-	5,371
Grand Total	792,096	-	49	-	100,062	4,631	740	-	88	897,666

Credit Risk (Continued)

(iii) Past Due and Impaired Loans Analysed by Industry:

The Bank	2016 Past due but not impaired RM'000	2016 Impaired loans RM'000	2015 Past due but not impaired RM'000	2015 Impaired loans RM'000
Agriculture, Hunting, Forestry and Fishing	4,305	14,255	1,427	-
Mining and Quarrying	2,579	-	503	360
Manufacturing	214,907	134,662	280,344	204,103
Electricity, Gas and Water	18,481	-	-	-
Construction	813,722	162,417	670,814	200,318
Wholesale, Retail Trade, Restaurant and Hotels	274,376	126,630	384,065	140,881
Transport, Storage and Communication	7,802	99,836	29,089	100,232
Finance, Insurance and Business Services	33,479	138,881	42,620	17,355
Real Estate	250,293	47,759	251,394	48,921
Community, Social and Personal Services	2,990	953	4,961	862
Households				
- purchase of residential properties	1,100,148	359,551	1,303,155	370,721
- purchase of non residential properties	256,317	46,064	383,134	49,585
- others	177,369	95,339	224,600	82,843
	3,156,768	**1,226,347**	**3,576,106**	**1,216,181**

As at 31 December 2016, there were no past due/impaired financing under Islamic Banking Window.

(iv) Individual and Collective Impairment Provisions Analysed by Industry:

The Bank	2016 Individual impairment RM'000	2016 Collective impairment RM'000	2015 Individual impairment RM'000	2015 Collective impairment RM'000
Agriculture, Hunting, Forestry and Fishing	448	15,406	-	58,852
Mining and Quarrying	-	3,815	73	1,931
Manufacturing	58,437	198,300	62,125	186,924
Electricity, Gas and Water	-	3,582	-	4,428
Construction	44,670	133,803	33,022	125,323
Wholesale, Retail Trade, Restaurant and Hotels	30,356	192,325	32,818	185,436
Transport, Storage and Communication	558	44,586	126	7,543
Finance, Insurance and Business Services	50,066	112,731	5,318	70,651
Real Estate	1,859	144,638	1,818	94,228
Community, Social and Personal Services	65	2,407	134	954
Households				
- purchase of residential properties	25,124	123,570	26,740	127,758
- purchase of non residential properties	4,537	47,601	3,820	48,836
- others	17,550	102,284	17,860	105,631
Others	-	-	-	1,003
	233,670	**1,125,048**	**183,854**	**1,019,498**

Impaired loans and impairment provision by geographical area
Past due loans, impaired loans and impairment provision were from customers residing in Malaysia.

Credit Risk (Continued)

(iv) Individual and Collective Impairment Provisions Analysed by Industry (Continued):

Collective impairment provisions analysed by industry for Islamic Banking Window:

Islamic Banking Window	2016 Individual impairment RM'000	2016 Collective impairment RM'000
Construction	-	80
	-	80

(v) Charges and Write-Offs for Individual Impairment Provisions Analysed by Industry:

The Bank	2016 Individual impairment made during the year RM'000	2016 Write-offs during the year RM'000	2015 Individual impairment made during the year RM'000	2015 Write-offs during the year RM'000
Agriculture, Hunting, Forestry and Fishing	448	-	-	-
Mining and Quarrying	-	-	76	-
Manufacturing	48,563	23,666	42,197	27,816
Electricity, Gas and Water	-	-	-	-
Construction	16,990	-	35,397	-
Wholesale, Retail Trade, Restaurant and Hotels	32,241	9,185	46,545	27,533
Transport, Storage and Communication	1,093	690	25,974	-
Finance, Insurance and Business Services	47,978	460	2,589	727
Real Estate	1,383	219	248	-
Community, Social and Personal Services	3,083	23	27	-
Households				
- purchase of residential properties	31,771	6,909	27,708	3,749
- purchase of non residential properties	5,805	722	3,400	4,708
- others	86,466	84,736	88,847	82,761
	275,821	**126,610**	**273,008**	**147,294**

As at 31 December 2016, there were no individual impairment made under Islamic Banking Window.

Credit Risk (Continued)

(vi) Movements in Allowance for Losses on Loans, Advances and Financing Were as Follows:

The Bank	2016	2015
	RM'000	RM'000
Collective impairment		
Balance as at 1 January	1,019,498	909,718
Allowance made during the year	105,550	109,780
Balance as at 31 December	1,125,048	1,019,498
Individual impairment		
Balance as at 1 January	183,854	203,200
Allowance made during the year	275,821	273,008
Amount written back in respect of recoveries	(91,718)	(139,523)
Amount written-off	(126,610)	(147,294)
Interest recognition on impaired loans	(6,885)	(2,492)
Other adjustment	(792)	(3,045)
Balance as at 31 December	233,670	183,854

Islamic Banking Window	2016
	RM'000
Collective impairment	
Balance as at 14 July	-
Impairment loss made during the period	80
Balance as at 31 December	80

(vii) Geographical Analysis:

The Bank as at 31 December 2016	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	10,992,791	812,949	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at fair value through profit or loss (FVTPL)	228,055	-	228,055
Available-for-sale (AFS) securities	6,871,580	-	6,871,580
Loans, advances and financing	68,590,208	8,039,919	76,630,127
Derivative financial assets	720,445	48,536	768,981
Other assets	108,629	10,246	118,875
Statutory deposits with BNM	2,098,668	-	2,098,668
	90,843,517	8,911,650	99,755,167
Commitments and Contingencies	80,953,652	7,456,157	88,409,809

Credit Risk (Continued)

(vii) Geographical Analysis (Continued):

The Bank as at 31 December 2015	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	7,235,848	499,503	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Financial assets at FVTPL	1,834,666	-	1,834,666
AFS securities	5,228,465	-	5,228,465
Loans, advances and financing	64,297,031	6,761,244	71,058,275
Derivative financial assets	953,909	76,723	1,030,632
Other assets	106,506	11,236	117,742
Statutory deposits with BNM	2,212,280	-	2,212,280
	86,853,069	7,348,706	94,201,775
Commitments and Contingencies	78,103,509	8,888,839	86,992,348

Credit Exposures Under Basel II

Under Basel II, credit risk for the various asset classes may be computed using a combination of:

i) Standardised Approach (SA);
ii) Foundation Internal Ratings-Based (FIRB) Approach; and
iii) Advanced Internal Ratings-Based (AIRB) Approach.

The table below summarises the approaches adopted by the Bank for credit risk computation.

The Bank has adopted the FIRB Approach for its non-retail exposures and the AIRB Approach for its retail exposures.

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	19,430	39,250	58,108

*Amount under Standardised Approach refers to credit exposures where IRB Approach is not applicable.

The Bank had on 7 January 2010 received approval from BNM to migrate directly to the Internal Ratings Based Approach for credit risk beginning January 2010 as per the Risk Weighted Capital Adequacy Framework.

For exposures subject to the SA, approved External Credit Assessment Institutions (ECAI) ratings and prescribed risk weights based on asset class are used in the computation of regulatory capital.

The ECAI used by the Bank are Rating Agency Malaysia, Fitch Ratings, Moody's Investors Service, Malaysian Rating Corporation Berhad and Standard & Poor's. ECAI ratings are mapped to a common credit quality grade prescribed by BNM.

Credit Risk (Continued)

(viii) The Aggregate Breakdown of Credit Risk Exposures by Risk Weights of the Bank Were as Follows:

RM'000

Risk Weights	The Bank as at 31 December 2016							
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Funds Mangers	Corporates	Other Assets	Total Exposures after Netting and CRM	Total RWA
0%	17,348,496	-	-	-	748	118,633	17,467,877	-
10%	-	-	-	-	-	-	-	-
20%	-	165,117	141	-	-	-	165,258	33,052
35%	-	-	-	-	-	-	-	-
50%	-	2	47,516	-	1	-	47,519	23,759
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	156,711	882,347	701,747	1,740,805	1,740,805
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	8,042	-	8,042	12,062
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	17,348,496	165,119	47,657	156,711	891,138	820,380	19,429,501	1,809,678

Credit Risk (Continued)

(viii) The Aggregate Breakdown of Credit Risk Exposures by Risk Weights of the Bank Were as Follows (Continued):

RM'000

Risk Weights	The Bank as at 31 December 2015							
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Funds Mangers	Corporates	Other Assets	Total Exposures after Netting and CRM	Total RWA
0%	15,949,655	-	-	-	488	191,575	16,141,718	-
10%	-	-	-	-	-	-	-	-
20%	-	75,595	107,044	-	-	-	182,639	36,527
35%	-	-	-	-	-	-	-	-
50%	-	-	63,467	-	-	-	63,467	31,734
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	284,814	565,892	835,491	1,686,197	1,686,197
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	7,589	-	7,589	11,383
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	15,949,655	75,595	170,511	284,814	573,969	1,027,066	18,081,610	1,765,841

Credit Risk (Continued)

Credit Exposures Under Basel II (Continued)

The table below summarises the approaches adopted by the Bank for credit risk computation.

The Bank has adopted the FIRB Approach for its non-retail exposures and the AIRB Approach for its retail exposures under its Islamic Banking Window:

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	792	100	5

*Amount under Standardised Approach refers to credit exposures where IRB Approach is not applicable.

(viii) The aggregate breakdown of credit risk exposures by risk weights of the Islamic Banking Window were as follows:

RM'000

Risk Weights	As at 31 December 2016							
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Funds Mangers	Corporates	Other Assets	Total Exposures after Netting and CRM	Total RWA
0%	792,096	-	-	-	-	-	792,096	-
10%	-	-	-	-	-	-	-	-
20%	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	88	88	88
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	792, 096	-	-	-	-	88	792,184	88

Credit Risk (Continued)

(ix) Rated Exposures According to Ratings by ECAI's for the Financial Year Ended 31 December 2016:

RM'000

Ratings of Corporates by Approved ECAI					
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class					
<u>On and Off-Balance Sheet Exposures</u>					
<u>Credit Exposures (using Corporate Risk Weights)</u>					
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	165,119
Insurance Cos, Securities Firms and Fund Managers	-	-	-	-	156,711
Corporates	-	-	-	-	891,138
Total	-	-	-	-	1,212,968

RM'000

Ratings of Banking Institutions by Approved ECAI						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class						
<u>On and Off-Balance Sheet Exposures</u>						
Banks, DFIs and MDBs	-	-	-	-	-	47,657
Total	-	-	-	-	-	47,657

RM'000

Ratings of Sovereigns/Central Banks by Approved ECAI						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class						
<u>On and Off-Balance Sheet Exposures</u>						
Sovereigns/Central Banks	-	17,348,496	-	-	-	-
Total	-	17,348,496	-	-	-	-

Credit Risk (Continued)

(ix) Rated Exposures According to Ratings by ECAI's for the Financial Year Ended 31 December 2015:

RM'000

Ratings of Corporates by Approved ECAI					
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class					
On and Off-Balance Sheet Exposures					
Credit Exposures (using Corporate Risk Weights)					
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	75,595
Insurance Cos, Securities Firms and Fund Managers	-	-	-	-	284,814
Corporates	-	-	-	-	573,969
Total	**-**	**-**	**-**	**-**	**934,378**

RM'000

Ratings of Banking Institutions by Approved ECAI						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs	117,712	8	28,791	-	-	24,000
Total	**117,712**	**8**	**28,791**	**-**	**-**	**24,000**

RM'000

Ratings of Sovereigns/Central Banks by Approved ECAI						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class						
On and Off-Balance Sheet Exposures						
Sovereigns/Central Banks	-	15,949,655	-	-	-	-
Total	**-**	**15,949,655**	**-**	**-**	**-**	**-**

Credit Risk (Continued)

(ix) Rated Exposures According to Ratings by ECAI's for the Financial Year Ended 31 December 2016 for Islamic Banking Window:

RM'000

Ratings of Corporates by Approved ECAI					
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class					
On and Off-Balance Sheet Exposures					
Credit Exposures (using Corporate Risk Weights)					
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-
Insurance Cos, Securities Firms and Fund Managers	-	-	-	-	-
Corporates	-	-	-	-	-
Total	-	-	-	-	-

RM'000

Ratings of Banking Institutions by Approved ECAI						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs	-	-	-	-	-	-
Total	-	-	-	-	-	-

RM'000

Ratings of Sovereigns/Central Banks by Approved ECAI						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class						
On and Off-Balance Sheet Exposures						
Sovereigns/Central Banks	-	792,096	-	-	-	-
Total	-	792,096	-	-	-	-

Credit Risk (Continued)

Internal Credit Rating System

The Bank employs internal rating models to support the assessment of credit risk and assignment of exposures to rating grades or pools. Internal ratings are used pervasively by the Bank in the areas of credit approval, credit review and monitoring, credit stress testing, limits setting, pricing and collections.

The Bank has established a credit rating governance framework to ensure the reliable and consistent performance of the Bank's rating systems. The framework defines the roles and responsibilities of the various parties in the credit rating process, including independent model performance monitoring, annual model validation and independent reviews by Internal Audit.

Credit risk models are independently validated before they are implemented to ensure they are fit for purpose. The robustness of these rating models is monitored on an ongoing basis, and all models are subject to annual reviews conducted by model owners to ascertain that the chosen risk factors and assumptions continue to remain relevant for the respective portfolios. All new models, model changes and annual reviews are approved by the EXCO or Board, depending on the materiality of the portfolio.

Non-Retail Exposures

The Bank has adopted the FIRB approach for its non-retail exposures. Under this approach, the probability of default (PD) for each borrower is estimated using internal models. These PD models employ qualitative and quantitative factors to provide an assessment of the borrower's ability to meet their financial obligations, and are calibrated to provide an estimate of the likelihood of default over one-year time horizon. A default is considered to have occurred if:

- the obligor is unlikely to pay its credit obligations in full to the Bank, without recourse by the Bank to auction such as realising the security; or
- the obligor is past due for more than 90 days on any credit obligation to the Bank.

Supervisory loss given default (LGD) and exposure at default (EAD) parameters prescribed by the BNM are used together with the internal credit ratings to calculate risk weights and regulatory capital requirements.

While the Bank's internal risk rating grades may show some correlation with the rating grades of ECAI, they are not directly comparable or equivalent to the ECAI ratings.

Corporate Asset Class

The Bank has developed models to rate exposures in the Large Corporate and SME asset class. Credit risk factors used to derive a borrower's risk rating include its financial strength, quality of management, business risks, and the industry in which it operates. The borrower risk rating process is augmented by facility risk ratings, which take into account the type and structure of the facility, availability and type of collateral, and seniority of the exposure.

The Bank's internal rating grade structure for the Corporate asset class consists of 16 pass grades. The Large Corporate and SME models are mapped to the rating scale by calibration that takes into account the Bank's long-term average portfolio default rate.

Specialised Lending Asset Sub-Class

Within the corporate asset class, the Bank has three sub-classes for Specialised Lending: Income Producing Real Estate (IPRE), Commodities Finance (CF), and Project Finance (PF). Internal risk grades are derived based on a comprehensive assessment of financial and non-financial risk factors using internal scorecards.

The rating grade structure for IPRE exposures follows that of the corporate asset class, with 16 pass grades. Risk grades derived for CF and PF exposures are mapped to four supervisory slotting categories, which determines the risk weights to be applied to such exposures.

Bank Asset Class

The Bank's internal scorecard takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Equity Asset Class

The Bank adopts the following approaches for its equity investments:

i) Simple Risk Weight (SRW) method for its equity investment portfolio; and
ii) PD/LGD method for its investments in Tier-1 and Tier-2 perpetual securities issued by banks.

Investment exposures adopting the SRW method are subject to the supervisory risk weights, while investment exposures adopting the PD/LGD method are rated using the Bank's internal scorecard.

Retail Exposures

The Bank has adopted the AIRB Approach for its retail exposures, which comprises residential mortgages, qualifying revolving retail exposures and other retail exposures.

Credit Risk (Continued)

Retail Exposures (Continued)

Exposures within each of these asset classes are not managed individually, but as part of a pool of similar exposures based on borrower and transaction characteristics. Internal risk segmentation models are used to estimate PD, LGD and EAD parameters for each of these exposure pools based on historical internal loss data. Where internal loss data is insufficient to provide robust risk estimates, the segmentation models may incorporate internal and/or external proxies and, where necessary, may be augmented with appropriate margins of conservatism.

Residential Mortgage Asset Class

This includes any credit facility (such as housing loan, term loan, overdraft) secured against a mortgage of a residential property or properties which meet criteria stipulated by BNM. Residential mortgage exposures are assessed and managed using the Bank's framework of credit policies, procedures and the risk segmentation models.

Qualifying Revolving Retail Exposures (QRRE) Asset Class

This includes credit card exposures and unsecured credit lines which meet the criteria stipulated by BNM. QRRE are assessed and managed using a combination of application and behavioral scorecards, risk segmentation models, as well as internal credit policies and procedures.

Other Retail Asset Class

This includes commercial properties, share financing and any other retail exposures not classified as residential mortgage or QRRE. These exposures are assessed and managed using the Bank's framework of credit policies, procedures and risk segmentation models.

Credit Risk (Continued)

Credit Risk Profile

The following tables showed the breakdown of exposures by RWA and EAD for the Bank using the respective internal rating scale for the model applicable to the asset classes for the financial year ended 31 December 2016:

Exposures Under the IRB Approach by Risk Grade

CRR Band	1-9	10-16	17-20 (Default)
Non-Retail Exposures (EAD) (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	21,569,455	15,299,002	698,046
Specialised Lending (CF and PF)	-	-	-
Bank	6,795,202	150,718	-
Total Non-Retail Exposures	**28,364,657**	**15,449,720**	**698,046**
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	3,075,710	553,332	12,000
Specialised Lending (CF and PF)	-	-	-
Bank	-	-	-
Total Undrawn Commitments	**3,075,710**	**553,332**	**12,000**
Exposure Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	42%	38%	44%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	45%	45%	0%
Exposure Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	75%	110%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	20%	66%	0%

PD Range of Retail Exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Retail Exposures (EAD) (RM'000)				
Residential Mortgages	28,774,484	1,202,215	2,804,336	402,300
Qualifying Revolving Retail	3,724,219	637,753	1,616,202	44,933
Other Retail	14,437,691	2,375,789	1,870,916	155,553
Total Retail Exposures	**46,936,394**	**4,215,757**	**6,291,454**	**602,786**
Undrawn Commitments (RM'000)				
Residential Mortgages	2,279,498	398,670	139,374	-
Qualifying Revolving Retail	2,708,902	273,172	618,912	-
Other Retail	2,152,034	620,254	165,545	-
Total Undrawn Commitments	**7,140,434**	**1,292,096**	**923,831**	**-**
Exposure Weighted Average LGD				
Residential Mortgages	11.67%	13.33%	12.03%	12.03%
Qualifying Revolving Retail	32.16%	45.80%	43.29%	56.32%
Other Retail	16.17%	25.22%	26.10%	26.09%
Exposure Weighted Average Risk Weight				
Residential Mortgages	6.67%	20.75%	41.00%	74.69%
Qualifying Revolving Retail	6.09%	20.24%	62.43%	339.77%
Other Retail	12.07%	28.51%	41.46%	152.37%

Credit Risk (Continued)

Credit Risk Profile (Continued)

The following tables showed the breakdown of exposures by RWA and EAD for the Bank using the respective internal rating scale for the model applicable to the asset classes for the financial year ended 31 December 2015:

Exposures Under the IRB Approach by Risk Grade (Continued)

CRR Band	1-9	10-16	17-20 (Default)
Non-Retail Exposures (EAD) (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	19,643,454	14,166,471	665,297
Specialised Lending (CF and PF)	-	-	-
Bank	4,871,760	106,271	-
Total Non-Retail Exposures	**24,515,214**	**14,272,742**	**665,297**
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	3,238,173	507,440	6,594
Specialised Lending (CF and PF)	-	-	-
Bank	-	-	-
Total Undrawn Commitments	**3,238,173**	**507,440**	**6,594**
Exposure Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	42%	40%	45%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	45%	45%	0%
Exposure Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	79%	123%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	27%	64%	0%

PD Range of Retail Exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Retail Exposures (EAD) (RM'000)				
Residential Mortgages	26,192,528	1,227,022	3,392,590	400,336
Qualifying Revolving Retail	1,157,944	431,790	1,153,792	47,777
Other Retail	13,093,554	2,550,822	2,556,458	177,175
Total Retail Exposures	**40,444,026**	**4,209,634**	**7,102,840**	**625,288**
Undrawn Commitments (RM'000)				
Residential Mortgages	2,077,753	512,800	154,017	-
Qualifying Revolving Retail	313,009	92,269	101,494	-
Other Retail	2,145,428	705,576	247,136	240
Total Undrawn Commitments	**4,536,190**	**1,310,645**	**502,647**	**240**
Exposure Weighted Average LGD				
Residential Mortgages	11.64%	12.60%	11.87%	12.15%
Qualifying Revolving Retail	31.44%	47.39%	50.49%	61.83%
Other Retail	16.29%	22.89%	21.88%	23.37%
Exposure Weighted Average Risk Weight				
Residential Mortgages	6.68%	19.83%	39.02%	74.01%
Qualifying Revolving Retail	6.12%	21.64%	74.46%	417.46%
Other Retail	12.21%	26.14%	34.16%	160.44%

Credit Risk (Continued)

Credit Risk Profile (Continued)

The following tables showed the breakdown of exposures by RWA and EAD for the Islamic Banking Window using the respective internal rating scale for the model applicable to the asset classes for the financial year ended 31 December 2016:

Exposures Under the IRB Approach by Risk Grade (Continued)

CRR Band	1-9	10-16	17-20 (Default)
Non-Retail Exposures (EAD) (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	100,062	-	-
Specialised Lending (CF and PF)	-	-	-
Bank	49	-	-
Total Non-Retail Exposures	**100,111**	-	-
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	-	-	-
Specialised Lending (CF and PF)	-	-	-
Bank	-	-	-
Total Undrawn Commitments	-	-	-
Exposure Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	45%	0%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	45%	0%	0%
Exposure Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	88%	0%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	9%	0%	0%

PD Range of Retail Exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Retail Exposures (EAD) (RM'000)				
Residential Mortgages	-	740	-	-
Qualifying Revolving Retail	-	-	-	-
Other Retail	-	2,321	2,310	-
Total Retail Exposures	-	**3,061**	**2,310**	-
Undrawn Commitments (RM'000)				
Residential Mortgages	-	411	-	-
Qualifying Revolving Retail	-	-	-	-
Other Retail	-	307	-	-
Total Undrawn Commitments	-	**718**	-	-
Exposure Weighted Average LGD				
Residential Mortgages	0.00%	15.58%	0.00%	0.00%
Qualifying Revolving Retail	0.00%	0.00%	0.00%	0.00%
Other Retail	0.00%	59.22%	25.83%	0.00%
Exposure Weighted Average Risk Weight				
Residential Mortgages	0.00%	23.77%	0.00%	0.00%
Qualifying Revolving Retail	0.00%	0.00%	0.00%	0.00%
Other Retail	0.00%	64.18%	36.50%	0.00%

Credit Risk (Continued)

Retail exposures under the IRB Approach by Expected Loss (EL) Range for the financial year ended 31 December 2016 were as follows:

EL% Range of Retail Exposures	0.0% to 1.0%	1.0% to 5.0%	5.0% to 10.0%	10.0% to 30.0%	30.0% to 100%
Retail Exposures (EAD) (RM'000)					
Residential Mortgages	31,940,198	1,052,941	66,687	123,509	-
Qualifying Revolving Retail	4,391,880	1,202,221	161,776	197,539	69,691
Other Retail	17,778,008	762,666	228,392	45,682	25,201
Total Retail Exposures	**54,110,086**	**3,017,828**	**456,855**	**366,730**	**94,892**
Undrawn Commitments (RM'000)					
Residential Mortgages	2,807,192	10,012	338	-	-
Qualifying Revolving Retail	3,012,599	546,537	14,497	25,688	1,665
Other Retail	2,899,466	31,616	4,546	2,205	-
Total Undrawn Commitments	**8,719,257**	**588,165**	**19,381**	**27,893**	**1,665**
Exposure Weighted Average Risk Weight					
Residential Mortgages	8.72%	74.34%	76.94%	0.08%	0.00%
Qualifying Revolving Retail	7.64%	45.83%	110.99%	164.15%	182.38%
Other Retail	15.24%	52.31%	107.81%	159.07%	25.96%

Retail exposures under the IRB Approach by EL Range for the financial year ended 31 December 2015 were as follows:

EL% Range of Retail Exposures	0.0% to 1.0%	1.0% to 5.0%	5.0% to 10.0%	10.0% to 30.0%	30.0% to 100%
Retail Exposures (EAD) (RM'000)					
Residential Mortgages	30,169,572	877,492	32,050	133,362	-
Qualifying Revolving Retail	1,588,598	788,993	155,500	181,077	77,135
Other Retail	17,277,327	865,707	175,128	36,152	23,695
Total Retail Exposures	**49,035,497**	**2,532,192**	**362,678**	**350,591**	**100,830**
Undrawn Commitments (RM'000)					
Residential Mortgages	2,736,153	7,906	511	-	-
Qualifying Revolving Retail	378,515	117,511	6,307	3,983	455
Other Retail	3,039,823	51,030	4,752	2,535	240
Total Undrawn Commitments	**6,154,491**	**176,447**	**11,570**	**6,518**	**695**
Exposure Weighted Average Risk Weight					
Residential Mortgages	10.07%	62.13%	89.55%	0.09%	0.00%
Qualifying Revolving Retail	8.93%	50.61%	115.80%	181.72%	223.63%
Other Retail	15.63%	52.94%	113.47%	169.33%	21.57%

Credit Risk (Continued)

Retail exposures under the IRB Approach by EL Range for the financial year ended 31 December 2016 for Islamic Banking Window were as follows:

EL% Range of Retail Exposures	0.0% to 1.0%	1.0% to 5.0%	5.0% to 10.0%	10.0% to 30.0%	30.0% to 100%
Retail Exposures (EAD) (RM'000)					
Residential Mortgages	740	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-
Other Retail	4,631	-	-	-	-
Total Retail Exposures	**5,371**	-	-	-	-
Undrawn Commitments (RM'000)					
Residential Mortgages	411	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-
Other Retail	307	-	-	-	-
Total Undrawn Commitments	**718**	-	-	-	-
Exposure Weighted Average Risk Weight					
Residential Mortgages	23.77%	0.00%	0.00%	0.00%	0.00%
Qualifying Revolving Retail	0.00%	0.00%	0.00%	0.00%	0.00%
Other Retail	50.38%	0.00%	0.00%	0.00%	0.00%

Actual Loss by Asset Class

Actual loss consists of impairment loss allowance and write-off to the Bank's income statement for the financial year ended 31 December 2016.

Comparison of actual loss and expected loss by asset class RM'000

Asset Class	Actual Loss (as at 31 December 2016)	Expected Loss (as at 31 December 2015)	Actual Loss (as at 31 December 2015)	Expected Loss (as at 31 December 2014)
Corporate	75,540	440,350	51,618	290,912
Bank	-	4,606	-	4,053
Retail	66,000	189,546	66,223	182,120
Total	**141,540**	**634,502**	**117,841**	**477,085**

The actual loss in 2016 is lower than the expected loss computed as at 31 December 2015. The Bank continues to be proactive in its risk management approach to ensure that actual losses remained within Bank's expectations.

EL is the estimated credit loss from defaults over a one-year horizon. EL is the product of PD, LGD and EAD. A comparison of actual loss and expected loss provides an indication of the predictive power of the IRB models used by the Bank.

However, they are not directly comparable due to the following reasons:

i) EL as at 31 December 2015 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.
ii) EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

Credit Risk (Continued)

Actual loss consists of impairment loss allowance and write-off to the Bank's income statement for the financial year ended 31 December 2016.

Loans, Advances and Financing

Movements in Allowance for Losses on Loans, Advances and Financing Were as Follows:

	2016 RM'000	2015 RM'000
Collective impairment		
Balance as at 1 January	1,019,498	909,718
Allowance made during the year	105,550	109,780
Balance as at 31 December	**1,125,048**	**1,019,498**
Individual impairment		
Balance as at 1 January	183,854	203,200
Allowance made during the year	275,821	273,008
Amount written back in respect of recoveries	(91,718)	(139,523)
Amount written-off	(126,610)	(147,294)
Interest recognition on impaired loans	(6,885)	(2,492)
Other adjustment	(792)	(3,045)
Balance as at 31 December	**233,670**	**183,854**
Allowance for losses on loans, advances and financing		
(a) Individual impairment		
- made in the financial year	275,821	273,008
- written back in the financial year	(91,718)	(139,523)
(b) Collective impairment		
- made in the financial year	105,550	109,780
Impaired loans, advances and financing:		
- written-off	2,692	3,696
- recovered	(41,031)	(42,215)
	251,314	**204,746**

Movements in allowance for losses on loans, advances and financing for Islamic Banking Window were as follows:

	2016 RM'000
Collective impairment	
Balance as at 14 July	-
Impairment loss made during the period	80
Balance as at 31 December	**80**

Credit Risk Mitigation

Potential credit losses are mitigated using a variety of instruments such as collateral, derivatives and guarantees. As a fundamental credit principle, the Bank generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed and the value of the collateral is monitored periodically.

The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Bank are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

Appropriate haircuts are applied to the market value of collateral, reflecting the underlying nature of the collateral, quality, volatility and liquidity. In addition, collateral taken by the Bank has to fulfil certain eligibility criteria (such as legal certainty across relevant jurisdictions) in order to be eligible for IRB purposes.

In extending credit facilities to SMEs' personal guarantees are also often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

For IRB purposes, the Bank does not recognise personal guarantees as an eligible credit risk protection. Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit. To recognise the effects of guarantees under the FIRB approach, the Bank adopts the PD substitution approach whereby the PD of an eligible guarantor of an exposure will be used for calculating the capital requirement.

Exposures arising from FX and derivatives are typically mitigated through agreements such as the International Swaps and Derivatives Association (ISDA) Master Agreements and the Credit Support Annex (CSA). Such agreements help to minimise credit exposure by allowing the Bank to offset what it owes to a counterparty against what is due from that counterparty in the event of a default.

For IRB purpose, the Bank does not recognise ISDA netting. The Current Exposure method is used to estimate its FX and derivative exposures on a gross basis.

Credit Risk Mitigation (Continued)

The Credit Risk Mitigation (CRM) of the Bank for the financial year ended 31 December 2016 were as follows:

RM'000

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit Derivatives	Exposures covered by Eligible Financial Collateral	Exposures covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	17,348,496	-	-	-
Public Sector Entities	-	-	-	-
Banks, DFIs and MDBs	5,572,920	-	-	-
Insurances Cos, Securities Firms and Fund Managers	13,085	-	13,017	-
Corporates	28,486,992	547,400	2,543,609	1,775,830
Regulatory Retail	17,926,245	-	-	-
Residential Mortgages	29,963,494	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	784,550	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposures	126,021	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	1,058,856	-	9,899	6,623
Total On-Balance Sheet Exposures	**101,280,659**	**547,400**	**2,566,525**	**1,782,453**
Off-Balance Sheet Exposures				
OTC Derivatives	1,171,707	4,334	6,772	-
Credit Derivatives	-	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	19,428,093	90,931	813,521	163,731
Defaulted Exposures	13,152	-	109	2,121
Total Off-Balance Sheet Exposures	**20,612,952**	**95,265**	**820,402**	**165,852**
Total On and Off-Balance Sheet Exposures	**121,893,611**	**642,665**	**3,386,927**	**1,948,305**

Credit Risk Mitigation (Continued)

The CRM of the Bank for the financial year ended 31 December 2015 were as follows:

RM'000

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit Derivatives	Exposures covered by Eligible Financial Collateral	Exposures covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	15,935,875	-	-	-
Public Sector Entities	-	-	-	-
Banks, DFIs and MDBs	3,445,301	-	-	-
Insurances Cos, Securities Firms and Fund Managers	10,273	-	-	-
Corporates	25,744,086	976,742	1,520,770	1,288,976
Regulatory Retail	17,201,046	-	-	-
Residential Mortgages	28,067,999	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	994,158	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposures	78,532	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	1,097,773	-	1,037	9,896
Total On-Balance Sheet Exposures	**92,575,043**	**976,742**	**1,521,807**	**1,298,872**
Off-Balance Sheet Exposures				
OTC Derivatives	1,694,728	1,735	3,096	-
Credit Derivatives	-	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	15,539,235	211,409	813,569	116,297
Defaulted Exposures	9,041	-	200	70
Total Off-Balance Sheet Exposures	**17,243,004**	**213,144**	**816,865**	**116,367**
Total On and Off-Balance Sheet Exposures	**109,818,047**	**1,189,886**	**2,338,672**	**1,415,239**

Credit Risk Mitigation (Continued)

The CRM of the Islamic Banking Window for the financial year ended 31 December 2016 were as follows:

RM'000

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit Derivatives	Exposures covered by Eligible Financial Collateral	Exposures covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereign/Central Banks	792,096	-	-	-
Public Sector Entities	-	-	-	-
Banks, DFIs and MDBs	49	-	-	-
Insurances Cos, Securities Firms and Fund Managers	-	-	-	-
Corporates	100,062	-	-	-
Regulatory Retail	4,323	-	-	-
Residential Mortgages	330	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	88	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposures	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
Total On-Balance Sheet Exposures	**896,948**	**-**	**-**	**-**
<u>Off-Balance Sheet Exposures</u>				
OTC Derivatives	-	-	-	-
Credit Derivatives	-	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	718	-	-	-
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	**718**	**-**	**-**	**-**
Total On and Off-Balance Sheet Exposures	**897,666**	**-**	**-**	**-**

Off-Balance Sheet Exposures and Counterparty Credit Risk

Credit Exposures From Foreign Exchange (FX) and Derivatives

Pre-settlement limits for FX and derivative transactions are established using the potential future exposures (PFE) approach. This approach takes into consideration the transaction currency and tenor to address the credit risk exposures arising from adverse market movements.

The off-balance sheet exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2016 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	2,963,581		2,963,581	2,350,193
Transaction related contingent items	5,751,113		2,907,914	2,029,319
Short-term self-liquidating trade related contingencies	476,394		107,718	69,745
Foreign exchange related contracts	16,879,063	426,973	659,511	292,731
One year or less	16,559,657	413,612	627,679	262,095
Over one year to five years	319,406	13,361	31,832	30,636
Over five years	-	-	-	-
Interest/profit rate related contracts	23,997,679	262,909	865,127	479,241
One year or less	8,070,548	56,088	136,859	55,150
Over one year to five years	14,451,820	203,220	649,760	368,703
Over five years	1,475,311	3,601	78,508	55,388
Equity related contracts	866,900	1,641	36,086	14,320
One year or less	383,707	1,629	16,572	9,803
Over one year to five years	483,193	12	19,514	4,517
Over five years	-	-	-	-
Commodity contracts	576,522	18,699	74,456	37,529
One year or less	376,522	18,699	50,456	25,529
Over one year to five years	200,000	-	24,000	12,000
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	12,384,483		6,857,557	4,195,239
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,374,793		809,243	210,181
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	11,075,418		5,371,596	619,757
Unutilised credit card lines	63,863		12,773	12,250
Off-balance sheet for securitisation exposures	-		-	-
Total	88,409,809	710,222	20,665,562	10,310,505

Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Credit Exposures From FX and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2015 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	2,709,647		2,709,647	1,926,742
Transaction related contingent items	4,756,334		2,356,956	1,442,940
Short-term self-liquidating trade related contingencies	478,850		106,401	81,925
Foreign exchange related contracts	22,705,594	632,037	965,068	452,158
One year or less	22,269,024	580,338	886,191	373,404
Over one year to five years	436,570	51,699	78,877	78,754
Over five years	-	-	-	-
Interest/profit rate related contracts	22,702,771	145,234	740,766	496,438
One year or less	5,023,307	4,851	24,238	9,240
Over one year to five years	15,821,072	125,935	574,884	333,368
Over five years	1,858,392	14,448	141,644	153,830
Equity related contracts	754,267	13,450	54,439	24,726
One year or less	538,475	11,246	40,350	16,168
Over one year to five years	215,792	2,204	14,089	8,558
Over five years	-	-	-	-
Commodity contracts	1,070,028	77,446	188,449	71,353
One year or less	870,028	77,446	164,449	59,353
Over one year to five years	200,000	-	24,000	12,000
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	11,541,428		7,021,964	4,400,914
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	11,788,087		856,304	283,191
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	8,402,569		2,262,136	261,420
Unutilised credit card lines	82,773		16,555	16,555
Off-balance sheet for securitisation exposures	-		-	-
Total	86,992,348	868,167	17,278,685	9,458,362

Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Credit Exposures From FX and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window for the financial year ended 31 December 2016 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	-		-	-
Transaction related contingent items	-		-	-
Short-term self-liquidating trade related contingencies	-		-	-
Foreign exchange related contracts	-	-	-	-
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Interest/profit rate related contracts	-	-	-	-
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Equity related contracts	-	-	-	-
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Commodity contracts	-	-	-	-
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,071		718	152
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Unutilised credit card lines	-		-	-
Off-balance sheet for securitisation exposures	-		-	-
Total	1,071	-	718	152

Market Risk

Market risk is governed by the Bank's ALCO, which meets monthly to review and provide directions on market risk matters. The Market Risk Management (MRM) and Balance Sheet Risk Management (BSRM) of the Risk Management Division (RMD) supports the RMC, RCC, EXCO and ALCO with independent assessment of the market risk profile of the Bank.

The Bank's market risk framework comprises market risk policies and practices, the validation of valuation and risk models, which is performed by Head Office in Singapore, the control structure with appropriate delegation of authority and market risk limits. The Bank employs valuation methodologies that are in line with sound market practices. Valuation and Risk Models are independently validated. In addition, a New Product/Service Programme process ensures that market risk issues identified are adequately addressed prior to the launch of products and services. Management of derivatives risks is continuously reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

Overall market risk appetite is balanced at the Bank and business unit levels with the targeted revenue, and takes into account the capital position of the Bank. This ensures that the Bank remain well-capitalised even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits have proportional returns that are commensurate with the risks taken.

Market Risk appetite is provided for the trading exposure within the Bank.

Standardised Approach

The Bank currently adopts the Standardised Approach for the calculation of regulatory market risk capital but uses internal models to measure and control trading market risks. The financial products warehoused, measured and controlled with internal models include vanilla FX and FX options, plain vanilla interest rate, overnight index swap, cross currency basis swap spread, government bonds, quasi government bonds, corporate bonds, commodity contracts and commodity options.

Internal Model Approach

The Bank estimates a daily Value-at-Risk (VaR) within a 99 per cent confidence interval using the historical simulation method, as a control for market risk. The method assumes that possible future changes in market rates may be implied by observed historical market movements.

As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit or loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtest exceptions are tabled at ALCO with recommended actions and resolutions.

To complement the VaR measure, stress and scenario tests are performed to identify the Bank's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses to facilitate proactive management of market risks. The Bank daily VaR on 31 December 2016 was RM 2.03 million.

	Year end RM'000	High RM'000	Low RM'000	Average RM'000
2016				
Interest rate	1,441	5,578	1,036	2,894
Foreign exchange	1,255	11,483	121	2,225
Commodities	379	563	11	224
Total diversified VaR	2,034	13,186	980	3,388
2015				
Interest rate	2,568	4,168	504	2,744
Foreign exchange	940	8,598	348	2,414
Commodities	371	1,614	56	594
Total diversified VaR	2,291	9,443	1,087	3,532

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Bank's credibility and ability to transact, maintain liquidity and obtain new business. Operational risk includes legal risk, compliance risk, reputational risk and Shariah non-compliance risk but excludes strategic risk and business risk.

The Bank's objective is to manage operational risk at appropriate levels relative to the markets in which the businesses operate.

Operational risk is managed through a framework of policies and procedures by which Business and Support Units properly identify, assess, monitor, mitigate and report their risks. The ORMC attended by senior management meets monthly to provide oversight of operational risk matters across the Bank.

The strategy for managing operational risk in the Bank is anchored on the three lines of defence concept which are as follows:

- The first line of defence is accountable for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities. The responsibility for managing day-to-day operational risk rests with each Line of Business.

Operational Risk (Continued)

- In the second line, Operational Risk Management is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and reporting of operational risk issues to senior management, relevant management committees and Board of Directors.

- Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

A key component of the operational risk management framework is risk identification and control self-assessments. This is achieved through the bank-wide implementation of a set of operational risk tools:

a) Key Risk and Control Self-Assessment (KRCSA) - KRCSA is a tool for Business/Support Unit Heads to assess their unit's operational risk profile involves identifying and assessing, inherent risks of key processes, as well as evaluating the effectiveness of controls to mitigate the identified risks. Action plans to address operational risk issues are documented and monitored via Operational Risk Action Plans.

b) Key Operational Risk Indicators (KORI) are statistical data collected and monitored by Business and Support Units on an ongoing basis to enable early detection of operational control weaknesses.

c) A database of operational risk incident and losses has been established to facilitate the analysis of loss trends and root causes.

d) Management Risk Awareness (MRA) is a tool for Business/Support Units to self-declare existing material operational risks or newly identified material operational risks arising from new products/processes, change in business environment etc. that are encountered in the day-to-day business activities, but have not yet resulted in an operational incident, so that timely and appropriate risk mitigating actions can be implemented.

Several risk mitigation policies and programmes are in place to maintain a sound operating environment.

An outsourcing policy ensures that all significant risks arising from outsourcing arrangements are identified and effectively managed on a continuous basis.

A Product/Service Programme ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to product launch and is subject to periodic reviews.

A business continuity and crisis management programme has been developed and tested to ensure prompt recovery of critical business functions following unforeseen events. Senior management provides an annual attestation to the Board on the state of business continuity readiness of the Bank.

A technology risk management framework has been established, enabling the Bank to manage technology risks in a systematic and consistent manner.

Regulatory compliance risk refers to the risk of non-compliance with laws, regulations, rules, standards and codes of conduct. This risk is identified, monitored and managed through a structured framework of policies, procedures and guidelines maintained by the Bank. The framework also manages the risk of breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

The Bank actively manages fraud and bribery risks. Tools and policies, including a whistle-blowing programme, a material risk notification protocol and a fraud risk awareness training programme, have been developed to manage such risks. All employees are guided by a Code of Conduct, which includes anti-bribery and corruption provisions.

Reputation risk is the risk of adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion of the Bank's business practices, activities and financial condition. The Bank recognises the impact of reputation risk and a framework has been developed to identify and manage the risk across the Bank.

To mitigate operational losses resulting from significant risk events, a bank insurance programme covering crime, fraud, civil liability, property damage, public liability, as well as directors' and officers' liability has been put in place.

Equities (Disclosures for Banking Book Position)

The following table presented the equity exposures in the banking book.

These exposures were classified under AFS securities which were being measured at fair value.

RM'000

Type of Equities	Bank			
	31 December 2016		31 December 2015	
	Exposures	RWA	Exposures	RWA
Publicly traded equity exposures * mainly acquired via loan restructuring activities	**2,893**	**8,679**	3,737	11,210
All other equity exposures	**123,128**	**492,512**	74,795	299,180
	126,021	**501,191**	78,532	310,390

	Bank	
	2016 RM'000	2015 RM'000
Realised gains arising from sales and liquidation	**144**	31,311
Unrealised gains included in fair value reserve	**113,483**	65,994

Disclosure for Interest Rate Risk/Rate of Return Risk in the Banking Book (IRR/RORBB)

Interest Rate Risk/Rate of Return Risk in Banking Book

The ALCO maintains oversight of the effectiveness of the interest/profit rate risk management structure. The BSRM supports the ALCO in monitoring the interest/profit rate risk profile of the banking book.

The primary objective of interest/profit rate risk management is to protect and enhance capital or economic net worth through adequate, stable and reliable growth in net interest/profit earnings under a broad range of possible economic conditions.

Banking book interest/profit rate risk exposure is quantified on a monthly basis using a combination of static analysis tools and dynamic simulation techniques. Static analysis tools include repricing schedules and sensitivity analysis. They provide indications of the potential impact of interest/profit rate changes on interest/profit income and price value through the analysis of the sensitivity of assets and liabilities to changes in interest/profit rates. Interest/profit rate sensitivity varies with different repricing periods, currencies and embedded optionality, where applicable. Mismatches in the longer tenor will experience greater change in the price-value of interest/profit rate positions than similar positions in the shorter tenor.

In the dynamic simulation process, both the Net Interest/Profit Income (NII/NPI) and Economic Value of Equity (EVE) approaches are applied to assess interest/profit rate risk. The potential effects of interest/profit rate change on NII/NPI are estimated by simulating the possible future course of interest/profit rates, expected changes in business activities over time. Changes in interest/profit rates are simulated using different interest/profit rate scenarios such as changes in the shape of the yield curve, including high and low rates, as well as positive and negative tilt scenarios. NII/NPI simulation is performed to quantify a forward looking impact on NII/NPI for the next 12 months under various interest/profit rate scenarios to assess the impact of interest/profit rate movements on income.

In EVE sensitivity simulations, the present values for repricing cash flows are computed, with the focus on changes in EVE under different interest/profit rate scenarios. This economic perspective measures interest/profit rate risks across the full maturity profile of the balance sheet, including off-balance sheet items.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/profit rate movements on the balance sheet. Such tests are also

Disclosure for Interest Rate Risk/Rate of Return Risk in the Banking Book (IRR/RORBB) (Continued)

Interest Rate Risk/Rate of Return Risk in Banking Book (Continued)

performed to provide early warnings of potential extreme losses, facilitating the proactive management of interest/profit rate risks in an environment of rapid financial market changes.

The reported figures are based on the upward and downward parallel movement of the yield curve. The repricing profile of loans/financing is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers.

The risks arising from the trading book, such as interest/profit rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework that is discussed under the Market Risk section.

Interest/Profit Rate Sensitivity Analysis - Banking Book

The table below showed the results at 100 and 200 basis points parallel interest/profit rate shocks to EVE and NII/NPI. The reported figures were based on the upward and downward parallel movement of the yield curve. The repricing profile of loans/financings and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

Economic Value Of Equity (EVE)

	Increase/(Decrease) in basis point	Sensitivity of EVE	Increase/(Decrease) in basis point	Sensitivity of EVE
31 December 2016		RM'million		RM'million
Currency				
Total	**+ 200/(200)**	**96.4/(72.7)**	**+ 100/(100)**	**45.6/(39.6)**
MYR	+ 200/(200)	97.3/(73.2)	+ 100/(100)	46.0/(40.0)
USD	+ 200/(200)	(0.9)/0.5	+ 100/(100)	(0.4)/0.4
31 December 2015				
Currency				
Total	**+ 200/(200)**	**162.7/(159.0)**	**+ 100/(100)**	**80.8/(79.9)**
MYR	+ 200/(200)	166.8/(160.3)	+ 100/(100)	82.8/(81.3)
USD	+ 200/(200)	(4.1)/1.4	+ 100/(100)	(2.1)/1.4

Net Interest/Profit Income (NII/NPI)

	Increase/(Decrease) in basis point	Sensitivity of NII/NPI	Increase/(Decrease) in basis point	Sensitivity of NII/NPI
31 December 2016		RM'million		RM'million
Currency				
Total	**+ 200/(200)**	**401.3/(420.3)**	**+ 100/(100)**	**167.7/(172.6)**
MYR	+ 200/(200)	413.4/(413.4)	+ 100/(100)	173.7/(173.7)
USD	+ 200/(200)	(12.1)/(6.9)	+ 100/(100)	(6.0)/1.1
31 December 2015				
Currency				
Total	**+ 200/(200)**	**296.8/(307.1)**	**+ 100/(100)**	**109.5/(116.5)**
MYR	+ 200/(200)	303.7/(303.7)	+ 100/(100)	113.0/(113.1)
USD	+ 200/(200)	(6.9)/(3.4)	+ 100/(100)	(3.4)/(3.4)

Liquidity Risk

The Bank maintains sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals and loan/financing disbursements, participate in new investments, and repay borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits. In addition to these controls and policies, the Bank also actively manages and monitors daily BNM's and the Group's Basel III Liquidity Coverage Ratio (LCR). These policies, controls and limits enable the Bank to monitor and manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. These include minimising excessive funding concentrations by diversifying the sources and terms of funding as well as maintaining a portfolio of high quality and marketable liquid assets.

The Bank takes a conservative stance in its liquidity management by continuing to gather core deposits, ensuring that liquidity limits are strictly adhered to and that there are adequate liquid assets to meet cash shortfalls.

The distribution of deposits is managed actively to ensure a balance between cost effectiveness, continued accessibility to funds, and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Bank's core deposits and the maintenance of customer confidence.

Liquidity risk is aligned with the regulatory liquidity risk management framework, and is measured and managed on a projected cash flow basis. The Bank's liquidity is monitored under business-as-usual and stress scenarios. Cash flow mismatch limits are established to limit the Bank's liquidity exposure. The Bank also employs liquidity early warning indicators and trigger points to signal possible contingency situations.

With regard to the regulatory requirements on LCR which are effective from 1 June 2015, the Bank's ratios were above 100 per cent for both the All Currency LCR and the Ringgit Malaysia LCR as at 31 December 2016.

Contingency funding plans are in place to identify liquidity crisis using a series of warning indicators. Crisis escalation processes and various strategies including funding and communication have been developed to minimise the impact of any liquidity crunch.

The policy of the Bank is to be self-sufficient in its funding capabilities, notwithstanding that it has the support of UOBL Group in Singapore.

The table in Note 38 to the financial statements on page 143 - Bank presents the maturity mismatch analysis of the Bank's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Bank's activities. Behavioral adjustments were made on significant balance sheet items that had actual maturity dates that differed substantially from the Bank's contractual profile.

Profit Sharing Investment Accounts and Shariah Governance

Profit Sharing Investment Accounts

This disclosure is not applicable as UOB (Malaysia)'s Islamic Banking Window does not have any Profit Sharing Investment Accounts.

Shariah Governance

This is disclosed in UOB (Malaysia)'s Annual Report, under the section "Corporate Governance".

No actual Shariah non-compliance event has been detected for the financial period ended 31 December 2016. As such, no Shariah non-compliant income has been recorded for the year.

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2016

Financial Report

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016.

Principal Activities

The principal activities of the Bank are banking and related financial services. The principal activities and other information of the subsidiaries and the associate are set out in Notes 11 and 12 to the financial statements, respectively. There have been no significant changes in the nature of the principal activities during the financial year.

Results	Group RM'000	Bank RM'000
Profit before taxation	1,472,254	1,470,597
Income tax expense	(371,484)	(368,266)
Profit for the year	1,100,770	1,102,331

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

During the financial year, the Bank had made payment and recognised it as expense in its profit or loss amounting to RM323,140 on insurance premium for indemnity for its directors and officers.

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

Dividends

The amount of dividend paid by the Bank since 31 December 2015 was as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as reported in the directors' report for that year, a final single-tier dividend of 79.5 percent, on 470,000,000 ordinary shares was paid on 25 April 2016	373,650

At the forthcoming Annual General Meeting, a final single-tier dividend of 82.1 percent in respect of the financial year ended 31 December 2016 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM385,870,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders and Bank Negara Malaysia, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2017.

Directors

The names of the directors of the Group and the Bank in office since the beginning of the financial year to the date of this report are:

The Bank
Wee Cho Yaw
Ong Yew Huat
Wee Ee Cheong
Dato' Jeffrey Ng Tiong Lip
Fatimah Binti Merican
Robert Kwan Koh Wah (appointed on 4 January 2016)
Wong Kim Choong
Francis Lee Chin Yong (resigned on 31 January 2016)
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)

The Subsidiaries of the Bank
Chang Yeong Gung[1]
Josephine Lee Mae Yin
Khoo Chock Seang
Lam Sai Yoke[2]
Lum Chee Onn[3]
Por Peng Seong[4]
Teo Teck Hin

1 Director of all UOBM's subsidiaries, of which newly appointed for UOBM Nominees (Asing) Sdn Bhd and UOBM Nominees (Tempatan) Sdn Bhd on 23 June 2016.
2 Director resigned on 26 April 2016.
3 Director of UOB Properties Bhd, UOB Properties (KL) Bhd and UOB Credit Bhd, of which newly appointed on 23 June 2016.
4 Director resigned on 23 June 2016.

Directors' Benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than those arising from the share options granted under the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan of the ultimate holding company, United Overseas Bank Limited (UOBL).

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 28 to the financial statements or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

UOB Restricted Share and Share Appreciation Rights Plan (the Plans)

Following a review of the remuneration strategy across UOBL and its subsidiaries (UOBL Group), UOBL implemented the Plans on 28 September 2007, with a view to aligning the interests of participating employees with that of shareholders and the

UOB Restricted Share and Share Appreciation Rights Plan (the Plans) (Continued)

UOBL Group by fostering a culture of ownership and enhancing the competitiveness of the UOBL Group's remuneration for selected employees.

The Remuneration Committee of UOBL determined the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. Since 2014, no SAR has been granted as an instrument for share-based compensation. Grants from prior years continue to vest per schedule.

RS represent UOBL shares that are restricted by time and performance conditions as to when they vest. Upon vesting, participants will receive UOBL shares represented by the RS.

SAR are rights, which upon exercise, confer the right to receive such number of UOBL shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOBL shares comprised in the SAR, divided by the prevailing market value of a UOBL share. The grant value is determined with reference to the average of the closing prices of UOBL shares over the three days preceding the grant date. Upon vesting of SAR, participants have up to six years from the date of grant to exercise their rights.

Grants made in 2012 to 2013 are subject to the achievement of predetermined return on equity (ROE) targets, half of the grants will vest after two years, and the remainder after three years from the dates of grant.

For grants made in 2014 onwards, thirty percent will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy percent will vest after three years, subject to the achievement of the three-year ROE targets.

Participating employees who leave the UOBL Group before vesting of the RS and SAR will be forfeited their rights unless otherwise decided by the Remuneration Committee of UOBL.

The Plans shall be in force for a period of ten years or such other period as the Remuneration Committee of UOBL may determine. The Plans only allow the delivery of UOBL ordinary shares held in treasury by UOBL.

Directors' Interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Bank and its related corporations during the financial year were as follows:

		Number of ordinary shares of Singapore Dollar (S$) S$1 each				
		1.1.2016	Acquired	Disposed	Forfeited	31.12.2016
Ultimate holding company: UOBL						
Wee Cho Yaw	- Direct	19,921,917	645,327	-	-	20,567,244
	- Indirect	270,070,084	8,731,685	(20,000)	-	278,781,769
			-			
Wee Ee Cheong	- Direct	3,125,918	171,325	-	-	3,297,243
	- Indirect	161,463,970	5,226,491	-	-	166,690,461
Wong Kim Choong	- Indirect	67,433	10,410	-	-	77,843
Related company: United Overseas Insurance Limited						
Wee Cho Yaw	- Direct	38,100	-	-	-	38,100

		Number of options over ordinary shares of S$1 each under UOB Restricted Share Plan				
		1.1.2016	Granted	Vested	Forfeited	31.12.2016
Ultimate holding company: UOBL						
Wong Kim Choong	- Direct	33,450	18,800	(8,321)	(779)	43,150

Directors' Interests (Continued)

		Number of options over ordinary shares of S$1 each under UOB Share Appreciation Rights Plan				
		1.1.2016	Granted	Vested	Forfeited	31.12.2016
Ultimate holding company: UOBL						
Wong Kim Choong	- Direct	20,900	-	(18,810)	(2,090)	-

		Number of options over ordinary shares of S$1 each vested under UOB Share Appreciation Rights Plan				
		1.1.2016	Vested	Exercised/ lapsed	Forfeited	31.12.2016
Ultimate holding company: UOBL						
Wong Kim Choong	- Direct	129,650	18,810	(10,000)	-	138,460

Wee Cho Yaw and Wee Ee Cheong by virtue of their substantial interest in the shares of UOBL are also deemed to have substantial interest in shares of the Bank and all the Bank's subsidiaries to the extent the Bank has an interest.

Other than the above, no other directors in office at the end of the financial year had any interests in shares and share options in the Bank or its related corporations during the financial year.

Holding Companies

The holding and ultimate holding companies of the Bank are Chung Khiaw (Malaysia) Berhad, a company incorporated in Malaysia, and UOBL, a bank incorporated in Singapore, respectively.

Strategy and Performance for the Financial Year Ended 31 December 2016

2016 was a challenging year for the banking industry, with most banks, including UOB (Malaysia) preparing for moderate growth against a backdrop of heightened global volatility and weaker consumer sentiment. UOB (Malaysia)'s prudent management of resources backed by a solid and stable management team held us in good stead in this environment and we achieved commendable performance while maintaining our strong capital position and asset quality. We focused on ensuring balance sheet strength by being more selective in our loan growth while continuing to invest in our people and infrastructure. These put us in a good position to capitalise on opportunities as the market gains momentum. We continued to build our franchise and to identify new business opportunities to serve us for the long-term.

We remain positive about the long-term growth potential of Malaysia and the ASEAN region. In 2016, we continued to seize opportunities arising from intra-regional trade and growing consumer incomes. Encouraged by Malaysia's strong economic fundamentals, we launched our Islamic Banking Window in 2016. Our strategy for Islamic banking is to focus on delivering Shariah-compliant retail and wholesale banking solutions designed around the business and lifestyle needs of our customers.

Islamic banking is integral to our long-term strategy to grow our franchise in Malaysia. The increasing number of wholesale banking customers looking for alternative sources of funding to fuel their business expansions is expected to be a main driver for Islamic banking services. Our integrated Southeast Asian network enables us to facilitate intra-ASEAN Shariah-compliant transactions and to offer our commercial and corporate customers an alternative to conventional forms of financing. As the first of UOB Group's subsidiaries to offer Islamic banking, UOB (Malaysia) will provide leadership, best practice sharing and support for the rest of the Group as we grow this area of business.

Strategy and Performance for the Financial Year Ended 31 December 2016 (Continued)

In Wholesale Banking, we continued to leverage on our established regional network to provide our clients with comprehensive financing solutions and to help them achieve their domestic and regional expansion aspirations. We tapped on UOB Group's product capabilities to help us support enterprises in their expansion beyond their home markets. As a result, our Corporate and Commercial Banking functions continued to drive intra-Asian banking referrals and investments into Malaysia. Collaboration between our client coverage and product specialists teams helped strengthen our advisory capabilities resulting in deeper segment coverage both within Malaysia and across the Group. This enabled us to offer a more comprehensive suite of cross-border solutions to help fuel intra-regional trade flows.

We continued to fund projects related to the Economic Transformation Programme and Public-Private Partnership as well as capitalised on our extensive network and deep customer relationships to provide cash management, trade services, capital market and treasury solutions to our customers. Our client coverage teams focused on servicing the needs of our medium-sized commercial customers and we set up Enterprise Banking to help us serve the unique needs of these customers.

Our Transaction Banking business registered another successful year with solid growth on the back of increased demand for cash and trade products including payments, collections, liquidity management and working capital trade financing. We focused on developing our cash management capabilities by enhancing our internet platform and upskilling our advisory team to support more companies expanding and investing across Asia, especially those from the construction, infrastructure and agriculture sectors. We received international recognition for our efforts as we were voted the Best Foreign Cash Management Bank in Malaysia for the fourth year running in the Asiamoney Cash Management Poll.

Demand for financial hedging solutions resulting from greater currency and interest rate volatility contributed to growth across our Global Markets business. Such solutions were instrumental in supporting customers with regional businesses manage their foreign currency exposure. Demand for financial hedging solutions was largely driven by businesses with operations across the region.

Our Global Markets team was able to provide tailored solutions to meet the individual business needs of our customers from across multiple client segments including Financial Institutions Group, Business Banking, Commercial and Corporate Banking. Our teams across UOB (Malaysia) worked closely with product specialists at the Group level to meet the asset, liability and hedging requirements of our customers. This cross-collaboration enabled us to accelerate our speed to market and to provide our customers with access to products and solutions that were timely and responsive to market changes.

Just as we supported our corporate and commercial banking clients, we continued to invest in our retail banking capabilities to meet the needs of individuals and small business owners. In Business Banking, we focused on building a balanced portfolio of working capital financing and unsecured lending. Our small and medium-sized (SME) business customers were also supported by an efficient credit underwriting model that improved the approval time for loan facilities.

Foreign exchange and deposits in Business Banking accounts remained strong income streams as we continued to help our customers manage market risks and volatility with the provision of new foreign exchange solutions. We launched the UOB Business mobile application to enable SME business owners take advantage of foreign exchange rates, monitor currency volatility and manage their currency risks anytime, anywhere. To strengthen our customer-focused culture, we collaborated with the Asian Banking School (ABS) to launch an executive certification programme aimed at SME bankers. The UOB-ABS SME Banking Executive Certificate is a three-month programme that combines classroom-based training with practical skills to address the financial needs of small businesses.

Personal Financial Services registered a commendable performance in 2016. Our mortgage loan business performed well while our new credit card customer base surpassed the industry average. In a targeted effort to engage with the fast-growing millennial customer base, we launched the YOLO credit card. We will continue to develop products and services that meet the needs and lifestyle choices of this growing customer base.

In 2016, we continued to focus on wealth management through our commitment to deliver sound financial advisory capabilities and tailored financial solutions. We launched the Wealth Navigator, a portfolio management solution designed to help our customers build, protect and optimise their returns in a volatile market environment. The significant demand for our innovative structured investment product, the UOB Malaysia Principal Guaranteed EPFR Multi Asset Long Only 5% VT Index Structured Investment, gained industry recognition in 2016. It was named Deal of the Year at the prestigious Structured Retail Products Asia Pacific Awards 2016 for its ability to replicate institutional fund flow patterns and to meet customers' investment objectives of achieving stable returns while safeguarding capital in a volatile market environment.

At UOB (Malaysia), we strive to provide the right solutions for our customers based on their financial objectives and risk profile. We introduced the Wealth Management System, an automated risk profiling system designed to enhance our financial advisory services and match our customers' needs with the appropriate solutions. We will continue to harness digital technology to help our customers achieve their goals while providing a simple and consistent banking experience.

Outlook

The global economy is expected to pick up in 2017 supported by the recovery of global trade and manufacturing, as well as stabilising growth conditions across major advanced and emerging economies. Global economic conditions are likely to improve further if the United States and China embark on near-term fiscal stimulus programmes and the US Federal Reserve proceeds with more gradual interest rate rises. However, we believe risks will persist in the form of heightened political uncertainties and continued financial market volatility.

Malaysia's gross domestic product is projected to expand moderately in 2017 driven by government and private sector investments. Commodity and currency volatility will continue to pose challenges to the economy but steady domestic demand will help sustain private consumption growth. Over the longer term, Malaysia's economy continues to look attractive given its stable fundamentals and ongoing policy reforms to stimulate economic growth through improved labour productivity.

Against this economic outlook for 2017, UOB (Malaysia) will remain focused on achieving sustainable and stable growth. Maintaining a strong balance sheet and defending our asset quality remain a priority. We are sharpening our focus on improving efficiencies and will remain prudent and disciplined in managing expenses. We will continue to be more selective in our loans business and ensure the robustness of our risk management and compliance practices.

We are building on our strengths and investing in capabilities of our people and our technology infrastructure. For our customers, we will create a more distinctive, seamless and consistent experience with products and solutions designed around their business and lifestyle needs, both in conventional and Islamic banking. In everything we do, we continue to be guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders.

Rating by External Rating Agencies

Rating Agency Malaysia (RAM) reaffirmed the Bank's long-term Financial Institution Rating (FIR) at AAA/Stable and short-term rating at P1. Concurrently, RAM also reaffirmed the issue rating of the Bank's RM1 billion Subordinated Bonds (2015/2025) at AA1/Stable.

A financial institution rated AAA has a superior capacity to meet its financial obligations, this is the highest long-term FIR assigned by RAM. A financial institution rated P1 has a strong capacity to meet its short-term financial obligations, this is the highest short-term FIR assigned by RAM. An issue rated AA has high safety for payment of financial obligations. The issuer is resilient against adverse changes in circumstances, economic conditions and/or operating environments. The subscript 1 indicates that the rank is at the higher end of its generic rating category.

Other Statutory Information

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

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

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

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

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

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

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

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

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

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

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

Other Statutory Information (Continued)

(f) In the opinion of the directors:

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

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

Significant Event

Islamic Banking Window license has been granted by Bank Negara Malaysia on 8 July 2016. During the financial year, the Bank has commenced its Islamic Banking Operations. The results of the Islamic Banking Operations are disclosed in the Note 44 to the financial statements.

Auditors

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

Auditors' remunerations are disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2017.

Ong Yew Huat **Wong Kim Choong**

Statement by Directors

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

We, Ong Yew Huat and Wong Kim Choong, being two of the directors of United Overseas Bank (Malaysia) Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 80 to 165 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Bank as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2017.

Ong Yew Huat **Wong Kim Choong**

Statutory Declaration

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

I, Wong Kim Choong, being the director primarily responsible for the financial management of United Overseas Bank (Malaysia) Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 80 to 165 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Wong Kim Choong
at Kuala Lumpur in the Federal Territory
on 15 March 2017

Wong Kim Choong

Before me,

Shariah Committee's Report

In the name of Allah, the Most Beneficent, the Most Merciful

"O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent" [4:29]

In compliance with Shariah Governance Framework, we are submitting the following report:

We, the members of the Shariah Committee of UOB (Malaysia) are responsible for the oversight of Shariah matters related to the Bank's business, affairs and activities. Although the directors are ultimately responsible and accountable for all Shariah matters under the Bank, the directors rely on our independent advice on the same. The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to the directors and Bank Negara Malaysia accordingly.

We have concluded twelve meetings to discuss, elaborate and review various Shariah product structures and documentations, transactions, services and operations of the Bank during the financial year ended 31 December 2016. In the course of our meetings, we have approved nineteen Shariah products and provided Shariah opinion on various matters relating to the Bank and observed the conducted review by Shariah officers to form an opinion as to whether the Bank has complied with the Shariah rulings, resolutions and guidelines issued by the Shariah Committee and Shariah Advisory Council of Bank Negara Malaysia.

In our opinion:

(i) The Bank has developed sufficient internal policies, frameworks, manuals and operating procedures to ensure end-to-end Shariah compliance in doing Islamic business;

(ii) The main sources of Shariah income of the Bank during the financial year ended 31 December 2016 that we have reviewed are in compliance with the Shariah rules and principles;

(iii) The contracts and legal documents of the Shariah products used by the Bank that we reviewed are in compliance with the Shariah rules and principles;

(iv) No Shariah non-compliant event was reported during the financial year ended 31 December 2016;

(v) The Shariah product proposals including concepts used by the Bank which have been reviewed and advised by us are in compliance with the Shariah rules and principles;

(vi) The Bank has taken sufficient and proactive steps in ensuring competency of its staff through continuous training programmes and various learning tools; and

(vii) The Bank is not required to pay zakat and therefore noted that no disclosure relating to zakat payment is required.

To the best of our knowledge and based on the information provided to us during meetings, we, the members of the Shariah Committee of the Bank, hereby confirm that the Islamic Banking business, affairs and activities of the Bank for the year ended 31 December 2016 are in compliance with Shariah rules and principles.

Dr Samsuri Sharif	Prof. Dr Norhashimah Mohd Yasin
Chairman, Shariah Committee	Member, Shariah Committee

Kuala Lumpur, Malaysia
15 March 2017

Independent Auditors' Report

to the Members of United Overseas Bank (Malaysia) Bhd
(Incorporated in Malaysia)

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of UOB (Malaysia), which comprise the statements of financial position as at 31 December 2016 of the Group and of the Bank, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 165.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 1965 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent Auditors' Report (Continued)

to the Members of United Overseas Bank (Malaysia) Bhd (Continued)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (Continued)

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

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

Ernst & Young AF: 0039 Chartered Accountants	Chan Hooi Lam No. 2844/02/18(J) Chartered Accountant

Kuala Lumpur, Malaysia
15 March 2017

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Assets					
Cash and short-term funds	3	11,805,740	7,735,351	11,805,740	7,735,351
Securities purchased under resale agreements	4	644,041	4,984,364	644,041	4,984,364
Deposits and placements with financial institutions	5	589,100	-	589,100	-
Financial assets at fair value through profit or loss (FVTPL)	6	228,055	1,834,666	228,055	1,834,666
Available-for-sale (AFS) securities	7	6,871,580	5,228,465	6,871,580	5,228,465
Loans, advances and financing	8	76,450,132	70,872,652	76,630,127	71,058,275
Derivative financial assets	21	768,981	1,030,632	768,981	1,030,632
Other assets	9	474,366	940,277	488,042	944,645
Statutory deposits with Bank Negara Malaysia	10	2,098,668	2,212,280	2,098,668	2,212,280
Investment in subsidiaries	11	-	-	40	50
Investment in an associate	12	11,554	11,313	13,522	13,522
Property, plant and equipment	13	530,574	503,202	231,728	208,910
Tax recoverable		-	168	-	-
Deferred tax assets	14	46,052	40,903	46,052	40,903
Total assets		100,518,843	95,394,273	100,415,676	95,292,063
Liabilities					
Deposits from customers	15	82,735,289	76,073,106	82,739,210	76,078,163
Deposits and placements of banks and other financial institutions	16	4,872,703	6,837,537	4,872,733	6,837,567
Bills and acceptances payable		227,516	305,544	227,516	305,544
Derivative financial liabilities	21	731,064	1,033,434	731,064	1,033,434
Other liabilities	17	1,864,044	1,711,546	1,861,718	1,709,288
Tax payable		70,905	140,984	69,850	140,960
Subordinated bonds	18	1,503,784	1,499,727	1,503,784	1,499,727
Deferred tax liabilities	14	14,554	15,817	-	-
Total liabilities		92,019,859	87,617,695	92,005,875	87,604,683
Equity attributable to equity holders of the Bank					
Share capital	19	470,000	470,000	470,000	470,000
Reserves	20	8,028,984	7,306,578	7,939,801	7,217,380
Total equity		8,498,984	7,776,578	8,409,801	7,687,380
Total liabilities and equity		100,518,843	95,394,273	100,415,676	95,292,063
Commitments and contingencies	34	88,409,809	86,992,348	88,409,809	86,992,348

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

Income Statements

For the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Operating revenue	23	5,397,105	5,091,067	5,405,578	5,099,712
Interest income	24	4,537,239	4,322,373	4,545,878	4,331,174
Interest expense	25	(2,617,511)	(2,423,857)	(2,617,582)	(2,423,958)
Net interest income		1,919,728	1,898,516	1,928,296	1,907,216
Net income from Islamic Banking Operations	44	4,925	-	4,925	-
Other operating income	26	866,766	784,834	866,757	784,677
Operating income		2,791,419	2,683,350	2,799,978	2,691,893
Other operating expenses	27	(1,073,897)	(1,042,966)	(1,082,291)	(1,052,416)
Operating profit before allowance for impairment on loans, advances and financing, impairment losses and provision for commitments and contingencies		1,717,522	1,640,384	1,717,687	1,639,477
Allowance for impairment on loans, advances and financing	29	(249,733)	(204,746)	(251,314)	(204,746)
Impairment loss on					
- Property, plant and equipment		-	(573)	-	-
Write back/(provision) for commitments and contingencies - net	17 (a)	4,224	(22,874)	4,224	(22,874)
		1,472,013	1,412,191	1,470,597	1,411,857
Share of net profit of an associate		241	1,279	-	-
Profit before taxation		1,472,254	1,413,470	1,470,597	1,411,857
Income tax expense	30	(371,484)	(346,795)	(368,266)	(344,311)
Profit for the year attributable to equity holders of the Bank		1,100,770	1,066,675	1,102,331	1,067,546
Basic/diluted earnings per share (sen)	31	234.2	227.0		
Dividends per share (sen)	32	82.1	79.5		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2016

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year	1,100,770	1,066,675	1,102,331	1,067,546
Other comprehensive (loss)/income:				
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:				
Net loss on revaluation of AFS securities	(9,226)	(2,458)	(9,226)	(2,458)
Income tax effect (Note 14)	2,966	615	2,966	615
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(6,260)	(1,843)	(6,260)	(1,843)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Revaluation of land and buildings	-	49,917	-	-
Tax effect on the movement of revalued lands and buildings (Note 14)	1,546	(9,024)	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	1,546	40,893	-	-
Total other comprehensive (loss)/income for the year, net of tax	(4,714)	39,050	(6,260)	(1,843)
Total comprehensive income for the year attributable to equity holders of the Bank	1,096,056	1,105,725	1,096,071	1,065,703

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

Statements of Changes in Equity

For the financial year ended 31 December 2016

Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserve RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
		◄ Non-distributable				►	Distributable	
2016								
Balance as at 1 January 2016		470,000	322,555	470,000	145,190	63,289	6,305,544	7,776,578
Profit for the year		-	-	-	-	-	1,100,770	1,100,770
Other comprehensive income/(loss)		-	-	-	1,546	(6,260)	-	(4,714)
Total comprehensive income		-	-	-	1,546	(6,260)	1,100,770	1,096,056
Transactions with owners:								
Dividend paid								
- final dividend for the financial year ended 31 December 2015	32	-	-	-	-	-	(373,650)	(373,650)
Balance as at 31 December 2016		470,000	322,555	470,000	146,736	57,029	7,032,664	8,498,984

Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserve RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
		◄ Non-distributable				►	Distributable	
2015								
Balance as at 1 January 2015		470,000	322,555	470,000	104,297	65,132	5,691,949	7,123,933
Profit for the year		-	-	-	-	-	1,066,675	1,066,675
Other comprehensive income/(loss)		-	-	-	40,893	(1,843)	-	39,050
Total comprehensive income		-	-	-	40,893	(1,843)	1,066,675	1,105,725
Transactions with owners:								
Dividend paid								
- final dividend for the financial year ended 31 December 2014	32	-	-	-	-	-	(453,080)	(453,080)
Balance as at 31 December 2015		470,000	322,555	470,000	145,190	63,289	6,305,544	7,776,578

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

Statements of Changes in Equity

For the financial year ended 31 December 2016 (Continued)

Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
		◄ Non-distributable			►	Distributable	
2016							
Balance as at 1 January 2016		470,000	322,555	470,000	56,387	6,368,438	7,687,380
Profit for the year		-	-	-	-	1,102,331	1,102,331
Other comprehensive loss		-	-	-	(6,260)	-	(6,260)
Total comprehensive income		-	-	-	(6,260)	1,102,331	1,096,071
Transactions with owners:							
Dividend paid							
- final dividend for the financial year ended 31 December 2015	32	-	-	-	-	(373,650)	(373,650)
Balance as at 31 December 2016		470,000	322,555	470,000	50,127	7,097,119	8,409,801

Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
		◄ Non-distributable			►	Distributable	
2015							
Balance as at 1 January 2015		470,000	322,555	470,000	58,230	5,753,972	7,074,757
Profit for the year		-	-	-	-	1,067,546	1,067,546
Other comprehensive loss		-	-	-	(1,843)	-	(1,843)
Total comprehensive income		-	-	-	(1,843)	1,067,546	1,065,703
Transactions with owners:							
Dividend paid							
- final dividend for the financial year ended 31 December 2014	32	-	-	-	-	(453,080)	(453,080)
Balance as at 31 December 2015		470,000	322,555	470,000	56,387	6,368,438	7,687,380

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

Statements of Cash Flows

For the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Cash flows from operating activities					
Profit before taxation		1,472,254	1,413,470	1,470,597	1,411,857
Adjustments for:					
Share of net profit of an associate		(241)	(1,279)	-	-
(Gain)/loss on disposal of property, plant and equipment	26	(37)	119	(37)	119
Depreciation of property, plant and equipment	27	53,746	46,893	44,572	40,399
Allowance for impairment on loans, advances and financing	29	249,733	204,746	251,314	204,746
Net unrealised loss/(gain) on financial assets at FVTPL	26	1,285	(1,397)	1,285	(1,397)
(Write back)/provision for commitments and contingencies - net	17(a)	(4,224)	22,874	(4,224)	22,874
Dividend income	26	(943)	(1,028)	(943)	(1,028)
Interest income from AFS securities	24	(217,200)	(239,800)	(217,200)	(239,800)
Gain from sale/recovery of AFS securities	26	(29,293)	(41,444)	(29,293)	(41,444)
Unrealised foreign exchange loss		58,325	168,860	58,325	168,860
Gain from sale of financial assets at FVTPL	26	(12,156)	(4,497)	(12,156)	(4,497)
Loss from trading derivatives	26	6,451	3,851	6,451	3,851
Unrealised (gain)/loss from trading derivatives	26	(26,614)	9,295	(26,614)	9,295
Unrealised loss/(gain) on fair value hedge	26	4,057	(273)	4,057	(273)
Gain from sale of precious metals	26	(1,277)	(2,733)	(1,277)	(2,733)
Unrealised loss/(gain) from revaluation of precious metal	26	53	(371)	53	(371)
Gain on dissolution of a subsidiary	26	-	-	(144)	-
Impairment loss on property, plant and equipment		-	573	-	-
Amortisation of subordinated bonds		-	116	-	116
Amortisation of premium less accretion of discount from					
- financial assets at FVTPL	24	527	627	527	627
- AFS securities	24	10,780	11,928	10,780	11,928
Operating profit before working capital changes		1,565,226	1,590,530	1,556,073	1,583,129
(Increase)/decrease in operating assets:					
Loans, advances and financing		(5,827,213)	(4,151,023)	(5,823,166)	(4,147,441)
Financial assets at FVTPL		1,616,955	562,739	1,616,955	562,739
Securities purchased under resale agreements		4,340,323	(4,484,538)	4,340,323	(4,484,538)
Statutory deposits with BNM		113,612	(251,930)	113,612	(251,930)
Derivative financial assets		261,651	(124,686)	261,651	(124,686)
Other assets		467,135	(297,824)	457,827	(301,018)
		972,463	(8,747,262)	967,202	(8,746,874)

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

Statements of Cash Flows

For the financial year ended 31 December 2016 (Continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Cash flows from operating activities (Continued)					
Increase/(decrease) in operating liabilities:					
Deposits from customers		6,662,183	3,016,386	6,661,047	3,019,185
Deposits and placements of banks and other financial institutions		(1,964,834)	(1,987,732)	(1,964,834)	(1,987,732)
Bills and acceptances payable		(78,028)	(1,426,873)	(78,028)	(1,426,873)
Derivative financial liabilities		(282,207)	400,806	(282,207)	400,806
Other liabilities		98,397	(194,506)	98,329	(195,106)
		4,435,511	(191,919)	4,434,307	(189,720)
Cash generated from/(used in) operations		6,973,200	(7,348,651)	6,957,582	(7,353,465)
Tax paid		(443,295)	(232,787)	(441,559)	(232,501)
Net cash generated from/(used in) operating activities		6,529,905	(7,581,438)	6,516,023	(7,585,966)
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		44	95	44	95
Purchase of property, plant and equipment	13	(81,125)	(73,262)	(67,397)	(68,734)
Interest income from AFS securities		217,200	239,800	217,200	239,800
Net (purchase)/sale of AFS securities		(1,633,828)	4,051,894	(1,633,828)	4,051,894
Capital repayment from an associate		-	86,451	-	86,451
Net proceeds from dissolution of a subsidiary		-	-	154	-
Dividend received		943	1,028	943	1,028
Net cash (used in)/generated from investing activities		(1,496,766)	4,306,006	(1,482,884)	4,310,534
Cash flows from financing activities					
Net proceeds from issuance of subordinated bonds		-	500,000	-	500,000
Dividend paid	32	(373,650)	(453,080)	(373,650)	(453,080)
Net cash (used in)/generated from financing activities		(373,650)	46,920	(373,650)	46,920
Net increase/(decrease) in cash and cash equivalents		4,659,489	(3,228,512)	4,659,489	(3,228,512)
Cash and cash equivalents at beginning of the year		7,735,351	10,963,863	7,735,351	10,963,863
Cash and cash equivalents at end of the year		12,394,840	7,735,351	12,394,840	7,735,351
Analysis of cash and cash equivalents					
Cash and short-term funds		11,805,740	7,735,351	11,805,740	7,735,351
Deposits and placements with financial institutions		589,100	-	589,100	-
		12,394,840	7,735,351	12,394,840	7,735,351

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

Notes to the Financial Statements

1. Corporate Information

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 11, Menara UOB, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

The holding and ultimate holding companies of the Bank are Chung Khiaw (Malaysia) Berhad, a company incorporated in Malaysia, and United Overseas Bank Limited, a bank incorporated in Singapore, respectively.

The principal activities of the Bank during the financial year are banking and related financial services. The principal activities of the subsidiaries and the associate are set out in Notes 11 and 12, respectively. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 March 2017.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

2.2 Changes in Accounting Policies

Adoption of new and amended Malaysian Financial Reporting Standards (MFRS) issued

The accounting policies as set out in Note 2.4 adopted by the Group and the Bank are consistent with those adopted in previous years, except as follows:

The Group and the Bank adopted the following MFRS and amendments to MFRS beginning on or after 1 January 2016

Annual Improvements to MFRSs 2012–2014 Cycle
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 101 Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
Amendments to MFRS 127 Equity Method in Separate Financial Statements

The adoption of the MFRS and amendments to MFRS above did not have any material impact on the financial statements of the Group and the Bank in the current financial year.

2.3 Standards Issued but not yet Effective

As at the date of authorisation of these financial statements, the following MFRS and Interpretation Committee (IC) Interpretation have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Bank.

Effective for financial periods beginning on or after 1 January 2017

Annual Improvements to MFRS Standards 2014–2016 Cycle
Amendments to MFRS 107 Disclosure Initiative
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Annual Improvements to MFRS Standards 2014–2016 Cycle
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Clarifications to MFRS 15
Amendments to MFRS 140 Transfers of Investment Property
IC Int.22: Foreign Currency Transaction and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

Effective for financial periods to be determined by the MASB

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank upon their initial application except as described below:

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and

2. Significant Accounting Policies (Continued)

2.3 Standards Issued but not yet Effective (Continued)

MFRS 9 Financial Instruments (Continued)
all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

MFRS 9 Financial Instruments: Classification and Measurement
MFRS 9 has three measurement categories - amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments is required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest/profit. For financial liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

MFRS 9 Financial Instruments: Impairment
The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses (ECL). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

MFRS 9 Financial Instruments: Hedge Accounting
The requirements per general hedge accounting have been simplified for hedge effectiveness testing and may result in more designation of hedged items for accounting purposes.

The Group and the Bank are in the process of assessing the financial implication for adopting the MFRS 9.

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are entities of which the Group has control. Subsidiaries are consolidated where the Group obtains control and ceases when the Group ceases control.

Specifically, the Group control an investee if and only if, the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries and Basis of Consolidation (Continued)

(ii) Basis of Consolidation (Continued)

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of acquisition, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the cost of acquisition, then the gain is recognised immediately in profit or loss.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in an associate is carried in the statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate.

The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes, when applicable, in the statement of changes in equity. In applying the equity method, unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

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

The most recently available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Bank's separate financial statements, investment in an associate is stated at cost less impairment loss.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(d) Recognition of Interest/Profit Income

Interest/profit income is recognised using the effective interest/profit method. Interest/profit income includes the amortisation of premium or accretion of discount. The effective interest/profit method applies the rate that exactly discounts estimated future cash receipts through the effective life of the financial instrument to the net carrying amount of the financial asset.

(e) Recognition of Fees, Commission Income, Dividends and Other Income

Fees and commission income are recognised in the accounting period when services are rendered. For services that are provided over a period of time, material fees and commission income are recognised over the service period.

Dividends from subsidiaries and an associate, securities at fair value through profit or loss and available-for-sale securities are recognised on a declared basis.

(f) Securities Purchased Under Resale Agreements

Securities purchased under resale agreements are a collateralised lending whereby the lender buys securities or money market instruments (representing the collateral) from the borrower and simultaneously agrees to sell them back to the borrower at a specified price and date. The commitment to resell the securities is reflected as an asset at amortised cost on the statements of financial position.

(g) Financial Assets and Financial Liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit or loss

Financial instruments are classified as held for trading if they are acquired for short-term profit taking. Financial derivatives are classified as held for trading unless they are designated as hedging instruments.

Financial instruments are designated as fair value through profit or loss if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, except where such derivative does not significantly modify the cash flows of the instrument.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories and are available for sale are classified in this category.

Non-trading liabilities

Non-derivative financial liabilities that are not held for active trading or designated as fair value through profit or loss are classified as non-trading liabilities.

(ii) Measurement

Initial measurement

Financial instruments are initially recognised at their fair value plus transaction costs directly attributable to the acquisition or issuance of the instruments. For financial instruments classified as fair value through profit or loss, transaction costs are expensed off.

Subsequent measurement

Financial instruments classified as held for trading and/or designated as fair value through profit or loss are measured at fair value with fair value changes recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest/profit and dividend income. Exchange differences, interest/profit and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Available-for-sale assets are measured at fair value with fair value changes taken to the fair value reserve, and subsequently to profit or loss upon disposal or impairment of assets.

Impairment loss is recognised when there is objective evidence, such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators, that the recoverable amount of the asset is below its carrying amount.

All other financial instruments are measured at amortised cost using the effective interest/profit method, less impairment, if any.

Interest/profit earned/incurred and dividend received/receivable on all non-derivative financial instruments are recognised as interest/profit income/expense and dividend income, accordingly.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(g) Financial Assets and Financial Liabilities (Continued)

(iii) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(iv) Recognition and Derecognition

Financial instruments are recognised when the Group becomes a party to the contractual provision of the instruments. All regular purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred/disclosed, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to profit or loss.

(v) Classification of impaired loans, advances and financing

The Bank classifies a loan or advance or financing as impaired when there is objective evidence that the loan or advance or financing is impaired. In addition, the Bank also complies with Bank Negara Malaysia's Guidelines on Classification and Impairment Provisions for Loans/Financing which states that, based on repayment conduct, a loan or financing should be classified as impaired:

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

- where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan/financing exhibits weaknesses in accordance with the banking institution's credit risk grading framework.

Upgrading or de-classification of an impaired account shall be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. The Bank must also be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

(vi) Write-Off Policy

An impaired account that is not secured by any realisable collateral will be written-off either when the prospect of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

(vii) Impairment

Individual impairment

Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each reporting date.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

For financial assets carried at amortised costs, impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the appropriate original effective interest/profit rate. The loss is recognised in profit or loss.

For available-for-sale assets, impairment loss is determined as the difference between the asset's cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. The loss is transferred from the fair value reserve to profit or loss.

Collective impairment

Collective impairment is made for estimated losses inherent in but not currently identifiable to individual financial assets. The provision is made based on management's experience and judgement and taking into account country and portfolio risks.

For the purpose of evaluating collective impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(g) Financial Assets and Financial Liabilities (Continued)

(vii) Impairment (Continued)

Collective impairment (Continued)

Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(h) Impairment of Non-Financial Assets

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(i) Financial Derivatives

Financial derivatives with positive and negative fair values are presented as assets and liabilities in the statements of financial position, respectively.

Such financial derivatives are initially recognised at fair value as the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in the fair value of derivative are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss where the hedge items affect profit or loss.

Derivatives embedded in other financial instruments are accounted for separately as derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at fair value through profit or loss.

(j) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment, except for freehold land and certain leasehold land and buildings, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land, leasehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(j) Property, Plant and Equipment, and Depreciation (Continued)

increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Freehold land is not depreciated. Capital work-in-progress is not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Leasehold lands	50 years or lease period, whichever is shorter
Buildings	2%
Office furniture, fittings and equipment	10 - 20%
Computer equipment and software	12.5 - 33⅓%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(k) Leases

(i) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings/financing. In calculating the present value of the minimum lease payments, the discount factor used is the interest/profit rate implicit in the lease, when it is practicable to determine, otherwise, the Bank's incremental borrowing rate is used.

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

The depreciation policy for the lease assets is in accordance with that for depreciable property, plant and equipment.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases except where property held under operating leases that would otherwise meet the definition of investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

Payments made under operating leases are charged to profit or loss on the straight-line basis over the lease period.

(l) Fair Value Measurement

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the reporting date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models.

(m) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Bank's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(n) Income and Deferred Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised in OCI or directly in equity, in which case the deferred tax is also recognised in OCI or directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Deferred tax assets and deferred tax liabilities are offset as it is a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred taxes relates to the same taxable entity and the same taxation authority.

(o) Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Post-Employment Benefits - Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

(p) Share-Based Payment

Cost of equity-settled share based compensation (being the fair value at grant date) is expensed to the profit or loss over the vesting period with corresponding increase in the amount due to the ultimate holding company.

The estimated number of grants to be ultimately vested and its financial impacts are reviewed quarterly and adjustments made accordingly to reflect changes in the non-market vesting conditions.

(q) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements maturing in less than one month held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of changes in value.

(r) Bills and Acceptances Payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(s) Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation where an outflow of resources to settle the obligation is probable and a reliable estimate can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(t) Subordinated Bonds

Subordinated bonds are classified as liabilities in the statements of financial position as there is a contractual obligation to make cash payments of either principal or interest/profit or both to holders of the debt securities and that the Group and the Bank are contractually obligated to settle the financial instrument in cash.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(u) Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(v) Precious Metal

Included in the other assets and other liabilities are precious metal accounts resulting from the Bank's broker-dealer activities. These are accounted for at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the income statements under the caption of 'other operating income'.

(w) Hedge Accounting

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group and the Bank formally designate and document the hedge relationship to which the Group or the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

(i) Fair Value Hedges

The change in the fair value of a hedging instrument is recognised in profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest/profit rate (EIR or EPR). The amortisation using the EIR or EPR may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

The Group and the Bank have an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its subordinated bonds as disclosed in Note 18(b).

(ii) Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(iii) Hedges of A Net Investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(w) Hedge Accounting (Continued)

(iii) Hedges of A Net Investment (Continued)

of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

2.5 Significant Accounting Estimates and Judgements

In the preparation of the financial statements, management was required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have a significant effect on the amount recognised in the financial statements include the following:

(a) Fair Value Estimation for Financial Assets at FVTPL and AFS Securities

The fair values of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including, but not limited to reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

The securities held by the Group and the Bank which are not traded in an active market and which are determined using valuation techniques are as disclosed in Note 22(b).

(b) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The amount of deferred tax assets which has not been recognised by the Group is as disclosed in Note 14.

(c) Allowances for Losses on Loans, Advances and Financing

The Group and the Bank assess at the end of each reporting period whether there is objective evidence that a loan or advance or financing is impaired. Loans, advances and financing that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, default rate, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The amounts of allowances for losses on loans, advances and financing recognised by the Group and the Bank are as disclosed in Note 8.

(d) Impairment of AFS Securities

Management's judgement is required to evaluate the duration and extent by which the fair value of the AFS securities are below its carrying value and when there is indication of impairment in the carrying value of the financial instruments.

Impairment is recognised when there has been a significant or prolonged decline in fair value below the carrying value.

The carrying amounts of the Group's and the Bank's AFS securities are as disclosed in Note 7.

(e) Revaluation of Freehold Land, Leasehold Land and Buildings

The Group carries all its freehold land, leasehold land and buildings at fair value, with changes in fair value being recognised in OCI.

The key assumptions used to determine the fair value of freehold land, leasehold land and buildings are further explained in Note 22(c).

3. Cash and Short-Term Funds

	Group and Bank	
	2016 RM'000	2015 RM'000
Cash and balances with banks and other financial institutions	995,640	639,951
Money at call and deposit placements maturing within one month	10,810,100	7,095,400
	11,805,740	7,735,351

4. Securities Purchased Under Resale Agreements (Reverse Repos)

Reverse Repos are treated as collateralised lending and the amounts lent are reported as assets.

	Group and Bank	
	2016 RM'000	2015 RM'000
Assets received for Reverse Repo transactions, at amortised cost	644,041	4,984,364

5. Deposits and Placements with Financial Institutions

	Group and Bank	
	2016 RM'000	2015 RM'000
Bank Negara Malaysia	589,100	-

6. Financial Assets at Fair Value Through Profit or Loss (FVTPL)

	Group and Bank	
	2016 RM'000	2015 RM'000
Held-for-trading securities		
At fair value:		
Malaysian Government treasury bills	119,049	-
Malaysian Government securities	59,526	313,261
Negotiable instruments of deposits	-	1,190,049
Bankers' acceptances	49,480	-
Total held-for-trading securities	228,055	1,503,310
Designated as FVTPL, companies incorporated in Malaysia but denominated in United States Dollar		
Private debt securities	-	331,356
Total financial assets at FVTPL	228,055	1,834,666

7. Available-For-Sale (AFS) Securities

	Group and Bank	
	2016 RM'000	2015 RM'000
At fair value		
Money market instruments:		
Malaysian Government treasury bills	-	158,046
Malaysian Government securities	3,745,842	3,368,246
Bank Negara Malaysia bills	-	14,256
Negotiable instruments of deposits	1,600,220	925,079
Cagamas bonds	1,262,029	529,118
	6,608,091	4,994,745
Private debt securities of companies incorporated:		
In Malaysia:		
Quoted corporate bonds	177,152	194,872
Impairment loss	(39,960)	(39,960)
	137,192	154,912
Quoted securities:		
Shares of corporations in Malaysia	2,893	3,737
Unquoted securities:		
Shares	123,128	74,795
At cost:		
Unquoted securities:		
Private debt securities	276	276
Total AFS securities	6,871,580	5,228,465
Movements in allowance for impairment on private debt securities are as follows:		
Balance as at 1 January/31 December	(39,960)	(39,960)

8. Loans, Advances and Financing

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Overdrafts	3,141,034	3,020,017	3,141,034	3,020,017
- Term loans/financing and revolving credits				
- Housing loans/financing	27,404,206	25,588,836	27,404,206	25,588,836
- Syndicated term loans/financing	827,109	726,714	827,109	726,714
- Other term loans/financing*	35,039,619	32,701,629	35,221,195	32,887,252
Credit cards receivables	2,458,943	2,304,693	2,458,943	2,304,693
Bills receivables	2,052,783	1,121,872	2,052,783	1,121,872
Trust receipts	2,127,203	1,939,287	2,127,203	1,939,287
Claims on customers under acceptance credits	4,826,146	4,695,198	4,826,146	4,695,198
Staff loans	44,929	48,637	44,929	48,637
Others	14,479	11,694	14,479	11,694
	77,936,451	72,158,577	78,118,027	72,344,200
Unearned interest/income	(129,182)	(82,573)	(129,182)	(82,573)
Gross loans, advances and financing	77,807,269	72,076,004	77,988,845	72,261,627
Allowances for impairment on loans, advances and financing				
- Individual impairment	(233,670)	(183,854)	(233,670)	(183,854)
- Collective impairment	(1,123,467)	(1,019,498)	(1,125,048)	(1,019,498)
Net loans, advances and financing	76,450,132	70,872,652	76,630,127	71,058,275

* Other term loans/financing include the following:

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Loans/financing to subsidiaries				
- UOB Properties Bhd	-	-	141,154	145,173
- UOB Properties (KL) Bhd	-	-	40,422	40,450
	-	-	181,576	185,623
Loan/financing to a related company				
- UOB Centre of Excellence (M) Sdn Bhd	-	5,406	-	5,406

(i) Gross loans, advances and financing by maturity structure:

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Maturing within one year	22,108,480	18,698,162	22,108,480	18,698,162
One year to three years	4,099,853	4,280,129	4,281,429	4,465,752
Three years to five years	4,591,593	4,258,005	4,591,593	4,258,005
Over five years	47,007,343	44,839,708	47,007,343	44,839,708
	77,807,269	72,076,004	77,988,845	72,261,627

8. Loans, Advances and Financing (Continued)

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(ii) Gross loans, advances and financing by type of customer:				
Domestic banking institutions	29,626	21,180	29,626	21,180
Domestic non-banking financial institutions				
- Stockbroking companies	13,007	10,029	13,007	10,029
- Others	441,181	126,148	441,181	126,148
Domestic business enterprises				
- Small and medium enterprises	16,430,245	15,262,243	16,430,245	15,262,243
- Others	15,553,005	15,151,497	15,734,581	15,337,120
Individuals	37,300,286	34,743,663	37,300,286	34,743,663
Foreign entities	8,039,919	6,761,244	8,039,919	6,761,244
	77,807,269	72,076,004	77,988,845	72,261,627
(iii) Gross loans, advances and financing by interest rate sensitivity:				
Fixed rate				
- Housing loans/financing	33,940	37,756	33,940	37,756
- Other fixed rate loans/financing	7,956,309	8,131,801	7,956,309	8,131,801
Variable rate				
- Base rate/base lending/financing rate-plus	49,800,201	47,593,910	49,800,201	47,593,910
- Cost-plus	18,953,635	15,086,407	19,135,211	15,272,030
- Other variable rates	1,063,184	1,226,130	1,063,184	1,226,130
	77,807,269	72,076,004	77,988,845	72,261,627
(iv) Gross loans, advances and financing by economic sector:				
Agriculture, hunting, forestry and fishing	1,235,844	1,193,721	1,235,844	1,193,721
Mining and quarrying	1,942,858	986,162	1,942,858	986,162
Manufacturing	5,626,009	6,290,410	5,626,009	6,290,410
Electricity, gas and water	92,441	65,959	92,441	65,959
Construction	7,250,289	7,592,538	7,250,289	7,592,538
Wholesale, retail trade, restaurants and hotels	9,454,824	9,083,236	9,454,824	9,083,236
Transport, storage and communication	1,252,791	1,018,265	1,252,791	1,018,265
Finance, insurance and business services	3,279,876	2,190,185	3,279,876	2,190,185
Real estate	5,071,053	3,631,753	5,252,629	3,817,376
Community, social and personal services	150,689	147,596	150,689	147,596
Households				
- purchase of residential properties	28,258,859	26,459,480	28,258,859	26,459,480
- purchase of non residential properties	8,988,061	8,474,411	8,988,061	8,474,411
- others	5,203,675	4,942,288	5,203,675	4,942,288
	77,807,269	72,076,004	77,988,845	72,261,627

8. Loans, Advances and Financing (Continued)

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

	Group and Bank	
	2016 RM'000	2015 RM'000
At beginning of the financial year	1,216,181	1,069,069
Classified as impaired during the financial year	872,015	854,466
Amounts recovered	(322,069)	(318,031)
Reclassified as non-impaired	(417,263)	(245,202)
Amounts written-off	(122,517)	(144,121)
At end of the financial year	1,226,347	1,216,181
Individual impairment	(233,670)	(183,854)
Net impaired loans, advances and financing	992,677	1,032,327
Ratio of net impaired loans, advances and financing to net loans, advances and financing	1.3%	1.5%

(vi) Movements in allowance for impairment on loans, advances and financing are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Collective impairment				
Balance as at 1 January	1,019,498	909,718	1,019,498	909,718
Impairment loss during the financial year (Note 29)	103,969	109,780	105,550	109,780
Balance as at 31 December	1,123,467	1,019,498	1,125,048	1,019,498

	Group and Bank	
	2016 RM'000	2015 RM'000
Individual impairment		
Balance as at 1 January	183,854	203,200
Impairment loss during the financial year (Note 29)	275,821	273,008
Amounts written back in respect of recoveries (Note 29)	(91,718)	(139,523)
Amounts written-off	(126,610)	(147,294)
Interest recognised on impaired loans	(6,885)	(2,492)
Others	(792)	(3,045)
Balance as at 31 December	233,670	183,854

8. Loans, Advances and Financing (Continued)

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

	Group and Bank	
	2016 RM'000	2015 RM'000
Agriculture, hunting, forestry and fishing	14,255	-
Mining and quarrying	-	360
Manufacturing	134,662	204,103
Construction	162,417	200,318
Wholesale, retail trade, restaurants and hotels	126,630	140,881
Transport, storage and communication	99,836	100,232
Finance, insurance and business services	138,881	17,355
Real estate	47,759	48,921
Community, social and personal services	953	862
Households		
- purchase of residential properties	359,551	370,721
- purchase of non residential properties	46,064	49,585
- others	95,339	82,843
	1,226,347	1,216,181

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

	2016 RM'000	2015 RM'000
In Malaysia	1,226,347	1,216,181

9. Other Assets

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables, deposits and prepayments (Note (a))	125,204	534,473	138,738	538,841
Accrued interest/profit receivable	101,508	104,660	101,508	104,660
Amount due from subsidiaries (Note (b))	-	-	142	-
Precious metal accounts (Note (c))	247,654	301,144	247,654	301,144
	474,366	940,277	488,042	944,645

(a) The Bank has an equity interest in House Network Sdn Bhd (HOUSe), where the Bank holds RM1 paid up ordinary share capital, which is included in other receivables, deposits and prepayments.

The principal activities of HOUSe are that of management and administrative services for the shared Automated Teller Machine (ATM) network amongst its member banks. The other three partners of HOUSe are HSBC Bank Malaysia Berhad, OCBC Bank Malaysia Berhad and Standard Chartered Bank Malaysia Berhad.

(b) Amount due from subsidiaries are unsecured, interest free and repayable on demand.

(c) As at 31 December 2016, precious metal accounts comprise the following:

(i) Precious metals on-loan to customers of the Bank are directly sought from the gold market amounting to RM28,016,000 (2015: RM95,238,000). The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM47,310,000 (2015: RM42,483,000) net of cash collateral received from the customers of RM24,495,000 (2015: RM27,396,000).

(ii) Precious metals lent to the ultimate holding company and another financial institution amounting to RM129,090,000 (2015: nil) and nil (2015: RM45,726,000), respectively.

(iii) Precious metal accounts due from financial institutions amounting to RM67,733,000 (2015: RM145,092,000).

9. Other Assets (Continued)

The gross amounts loaned to customers and precious metals lent to the ultimate holding company and another financial institution are marked-to-market based on the quoted market prevailing prices of the respective precious metals as quoted by the London Bullion Market Association.

10. Statutory Deposits With Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia (BNM) in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009. The amounts are set at a predetermined percentage of total eligible liabilities.

11. Investment in Subsidiaries

	Bank	
	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost		
Balance as at 1 January	50	50
Dissolution of a subsidiary	(10)	-
Balance as at 31 December	40	50

The subsidiaries of the Bank, all of which are incorporated in Malaysia and held directly by the Bank (except as indicated*), are as follows:

	Paid-up capital	Group's effective interest		Principal activities
		2016	2015	
	RM	%	%	
UOB Smart Solutions Sdn Bhd (dissolved on 14 April 2016)	10,000	-	100	Dormant
UOB Properties (KL) Bhd* (held directly by UOB Properties Bhd)	2	100	100	Property investment holding and property management company
UOB Properties Bhd	7	100	100	Property holding company
UOBM Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
United Overseas Nominees (Tempatan) Sdn Bhd (in Members' voluntary winding up)	20	100	100	Dormant
United Overseas Nominees (Asing) Sdn Bhd (in Members' voluntary winding up)	10,000	100	100	Dormant
UOB Credit Bhd	2	100	100	Dormant
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOB 2006 Nominees (Asing) Sdn Bhd (in Members' voluntary winding up)	10,000	100	100	Nominee services

All trading transactions of UOBM Nominees (Tempatan) Sdn Bhd, UOBM Nominees (Asing) Sdn Bhd and UOB 2006 Nominees (Tempatan) Sdn Bhd are entered into as agents for the Bank and the records accordingly are incorporated into the books and financial statements of the Bank.

All of the subsidiaries are audited by Ernst & Young.

12. Investment in an Associate

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	33,277	119,728	33,277	119,728
Share of post-acquisition deficit	(1,968)	(2,209)	-	-
Capital repayment	-	(86,451)	-	(86,451)
	31,309	31,068	33,277	33,277
Accumulated impairment loss	(19,755)	(19,755)	(19,755)	(19,755)
	11,554	11,313	13,522	13,522

The details of the associate, which is incorporated in Malaysia, are as follows:

	Group's effective interest 2016 %	Group's effective interest 2015 %	Principal activities	Accounting model applied
Uni.Asia Capital Sdn Bhd (Uni.Asia Capital)	49	49	Investment holding company	Equity

The financial statements of Uni.Asia Capital is not coterminous with the Bank and has its financial year end at 31 March to conform with its holding company's financial year end.

The summarised financial information of the associate is as follows:

	2016 RM'000	2015 RM'000
Assets and liabilities		
Current assets	23,686	24,475
Total assets	23,686	24,475
Current liabilities	24	1,304
Total liabilities	24	1,304
Results		
Revenue	751	3,447
Profit before taxation	666	3,461
Profit for the year	491	2,612

At 31 December 2016, the amount of goodwill included within the Group's carrying amount of investment in an associate is RM19,755,000 (2015: RM19,755,000).

13. Property, Plant and Equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2016								
Cost or valuation								
At 1 January								
At cost	-	-	-	201,217	380,399	7,494	90,780	679,890
At valuation	60,382	81,068	183,931	-	-	-	-	325,381
	60,382	81,068	183,931	201,217	380,399	7,494	90,780	1,005,271
Additions	-	-	-	11,239	41,928	122	27,836	81,125
Reclassification	-	-	3,244	4,057	6,013	-	(13,314)	-
Disposals	-	-	-	(85)	(1,820)	-	-	(1,905)
At 31 December	60,382	81,068	187,175	216,428	426,520	7,616	105,302	1,084,491
Representing:								
At cost	-	-	-	216,428	426,520	7,616	105,302	755,866
At valuation	60,382	81,068	187,175	-	-	-	-	328,625
At 31 December	60,382	81,068	187,175	216,428	426,520	7,616	105,302	1,084,491
Accumulated depreciation								
At 1 January	-	13,615	76,592	138,214	267,156	5,702	-	501,279
Depreciation charge (Note 27)	-	1,166	7,616	11,610	32,593	761	-	53,746
Disposals	-	-	-	(85)	(1,813)	-	-	(1,898)
At 31 December	-	14,781	84,208	149,739	297,936	6,463	-	553,127
Impairment loss								
At 1 January/31 December	-	-	790	-	-	-	-	790
Net carrying amount								
At cost	-	-	-	66,689	128,584	1,153	105,302	301,728
At valuation	60,382	66,287	102,177	-	-	-	-	228,846
At 31 December	60,382	66,287	102,177	66,689	128,584	1,153	105,302	530,574

13. Property, Plant and Equipment (Continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2015								
Cost or valuation								
At 1 January								
At cost	-	-	-	195,186	344,650	7,396	66,544	613,776
At valuation	47,932	62,374	165,158	-	-	-	-	275,464
	47,932	62,374	165,158	195,186	344,650	7,396	66,544	889,240
Additions	-	-	-	2,883	40,899	98	29,382	73,262
Revaluation surplus	12,450	18,694	18,773	-	-	-	-	49,917
Reclassification	-	-	-	3,860	1,286	-	(5,146)	-
Disposals	-	-	-	(712)	(6,436)	-	-	(7,148)
At 31 December	60,382	81,068	183,931	201,217	380,399	7,494	90,780	1,005,271
Representing:								
At cost	-	-	-	201,217	380,399	7,494	90,780	679,890
At valuation	60,382	81,068	183,931	-	-	-	-	325,381
At 31 December	60,382	81,068	183,931	201,217	380,399	7,494	90,780	1,005,271
Accumulated depreciation								
At 1 January	-	12,732	71,145	127,192	245,737	4,514	-	461,320
Depreciation charge (Note 27)	-	883	5,447	11,538	27,837	1,188	-	46,893
Disposals	-	-	-	(516)	(6,418)	-	-	(6,934)
At 31 December	-	13,615	76,592	138,214	267,156	5,702	-	501,279
Impairment loss								
At 1 January	-	-	217	-	-	-	-	217
Additions	-	-	652	-	-	-	-	652
Writeback	-	-	(79)	-	-	-	-	(79)
At 31 December	-	-	790	-	-	-	-	790
Net carrying amount								
At cost	-	-	-	63,003	113,243	1,792	90,780	268,818
At valuation	60,382	67,453	106,549	-	-	-	-	234,384
At 31 December	60,382	67,453	106,549	63,003	113,243	1,792	90,780	503,202

13. Property, Plant and Equipment (Continued)

Bank	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2016								
Cost								
At 1 January	-	-	-	198,359	380,372	7,494	33,537	619,762
Additions	-	-	-	10,129	41,887	122	15,259	67,397
Reclassification	-	-	-	2,530	6,013	-	(8,543)	-
Disposals	-	-	-	(85)	(1,820)	-	-	(1,905)
At 31 December	-	-	-	210,933	426,452	7,616	40,253	685,254
Accumulated depreciation								
At 1 January	-	-	-	138,007	267,143	5,702	-	410,852
Depreciation charge (Note 27)	-	-	-	11,231	32,580	761	-	44,572
Disposals	-	-	-	(85)	(1,813)	-	-	(1,898)
At 31 December	-	-	-	149,153	297,910	6,463	-	453,526
Net carrying amount								
At 31 December	-	-	-	61,780	128,542	1,153	40,253	231,728
2015								
Cost								
At 1 January	-	-	-	194,619	344,624	7,396	11,537	558,176
Additions	-	-	-	2,675	40,898	98	25,063	68,734
Reclassification	-	-	-	1,777	1,286	-	(3,063)	-
Disposals	-	-	-	(712)	(6,436)	-	-	(7,148)
At 31 December	-	-	-	198,359	380,372	7,494	33,537	619,762
Accumulated depreciation								
At 1 January	-	-	-	127,144	245,729	4,514	-	377,387
Depreciation charge (Note 27)	-	-	-	11,379	27,832	1,188	-	40,399
Disposals	-	-	-	(516)	(6,418)	-	-	(6,934)
At 31 December	-	-	-	138,007	267,143	5,702	-	410,852
Net carrying amount								
At 31 December	-	-	-	60,352	113,229	1,792	33,537	208,910

13. Property, Plant and Equipment (Continued)

The net carrying amount of land and buildings, had these assets been carried at cost less accumulated depreciation, are as follows:

	Group	
	2016 RM'000	2015 RM'000
Freehold land	18,508	18,508
Freehold building	12,945	10,119
Long leasehold land and building	23,901	24,902
	55,354	53,529

14. Deferred Tax Assets/(Liabilities)

	Group		Bank	
Deferred tax assets/(liabilities)	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	25,086	(9,679)	40,903	(5,209)
Charged to the income statements (Note 30)	1,900	43,174	2,183	45,497
Recognised in other comprehensive income	4,512	(8,409)	2,966	615
At 31 December	31,498	25,086	46,052	40,903

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets, net	46,052	40,903	46,052	40,903
Deferred tax liabilities, net	(14,554)	(15,817)	-	-
	31,498	25,086	46,052	40,903

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	87,607	82,975	87,478	82,697
Deferred tax liabilities	(56,109)	(57,889)	(41,426)	(41,794)
	31,498	25,086	46,052	40,903

14. Deferred Tax Assets/(Liabilities) (Continued)

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

Deferred tax assets

	Group	
	Provisions RM'000	Total RM'000
At 1 January 2015	35,442	35,442
Charged to income statements	47,533	47,533
At 31 December 2015	82,975	82,975
Charged to income statements	4,632	4,632
At 31 December 2016	87,607	87,607

Deferred tax liabilities

	Group		
	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000
At 1 January 2015	25,710	19,411	45,121
Charged to income statements	4,359	-	4,359
Recognised in other comprehensive income	9,024	(615)	8,409
At 31 December 2015	39,093	18,796	57,889
Charged to income statements	2,732	-	2,732
Recognised in other comprehensive income	(1,546)	(2,966)	(4,512)
At 31 December 2016	40,279	15,830	56,109

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

Deferred tax assets

	Bank	
	Provisions RM'000	Total RM'000
At 1 January 2015	32,969	32,969
Charged to income statement	49,728	49,728
At 31 December 2015	82,697	82,697
Charged to income statement	4,781	4,781
At 31 December 2016	87,478	87,478

14. Deferred Tax Assets/(Liabilities) (Continued)

Deferred tax liabilities

	Bank		
	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000
At 1 January 2015	18,767	19,411	38,178
Charged to income statement	4,231	-	4,231
Recognised in other comprehensive income	-	(615)	(615)
At 31 December 2015	22,998	18,796	41,794
Charged to income statement	2,598	-	2,598
Recognised in other comprehensive income	-	(2,966)	(2,966)
At 31 December 2016	25,596	15,830	41,426

The amounts of net deferred tax assets, calculated at the current applicable tax rate, which are not recognised in the financial statements due to uncertainty of its realisation, are as follows:

	Group	
	2016 RM'000	2015 RM'000
Unutilised tax losses	131	131
Unabsorbed capital allowances	11,069	11,069
	11,200	11,200

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

15. Deposits From Customers

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Demand deposits #	21,416,915	19,486,339	21,419,651	19,490,243
Savings deposits	1,490,000	1,320,941	1,490,000	1,320,941
Fixed deposits #	52,610,387	46,918,827	52,611,572	46,919,980
Negotiable instruments of deposits	343	331	343	331
Others	7,217,644	8,346,668	7,217,644	8,346,668
	82,735,289	76,073,106	82,739,210	76,078,163

15. Deposits From Customers (Continued)

Demand deposits and fixed deposits include the following:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Demand deposit from subsidiaries				
- UOB Properties Bhd	-	-	1,545	2,637
- UOB Properties (KL) Bhd	-	-	1,191	1,232
- UOB Smart Solutions Sdn Bhd	-	-	-	35
	-	-	2,736	3,904
Demand deposit from related companies				
- UOB Centre of Excellence (M) Sdn Bhd	140	6,990	140	6,990
- Chung Khiaw Realty Limited	2,251	1,803	2,251	1,803
	2,391	8,793	2,391	8,793
Fixed deposit from a subsidiary				
- UOB Properties Bhd	-	-	1,185	1,153
Fixed deposit from a related company				
- Chung Khiaw Realty Limited	6,076	5,917	6,076	5,917

(i) The maturity structure of fixed deposits and negotiable instruments of deposits is as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Due within six months	34,720,159	33,536,308	34,721,344	33,537,461
Six months to one year	17,634,725	13,146,945	17,634,725	13,146,945
One year to three years	254,502	108,715	254,502	108,715
Three years to five years	1,344	127,190	1,344	127,190
	52,610,730	46,919,158	52,611,915	46,920,311

(ii) The deposits are sourced from the following customers:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Business enterprises				
- Subsidiaries	-	-	3,921	5,057
- Related companies	8,467	14,710	8,467	14,710
- Others	33,876,004	30,208,081	33,876,004	30,208,081
Individuals	43,478,554	39,893,837	43,478,554	39,893,837
Others	5,372,264	5,956,478	5,372,264	5,956,478
	82,735,289	76,073,106	82,739,210	76,078,163

16. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks in Malaysia	1,980,357	727,430	1,980,357	727,430
Bank Negara Malaysia*	1,384,357	1,520,239	1,384,357	1,520,239
Other financial institutions**	1,507,989	4,589,868	1,508,019	4,589,898
	4,872,703	6,837,537	4,872,733	6,837,567

* Included in the deposits from BNM is an amount of RM1,381,483,000 (2015: RM1,518,498,000) placed by BNM for the purposes of funding the Fund for Small and Medium Industries 2 and New Entrepreneurs Fund 2. The amounts loaned to customers of the Bank under these schemes are included in loans and advances.

** Included in the deposits from other financial institutions are the deposit placement from ultimate holding company amounting to RM1,467,450,000 (2015: RM4,552,097,000), deposit placement from subsidiaries amounting to RM30,000 (2015: RM30,000) and deposit placement from fellow subsidiaries amounting to RM32,518,000 (2015: RM31,348,000).

17. Other Liabilities

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Provision for commitments and contingencies (Note (a))	20,292	24,516	20,292	24,516
Accrued interest payable	778,697	639,669	778,697	638,768
Accruals and provisions for operational expenses	172,502	182,031	171,057	180,916
Amount due to subsidiaries	-	-	-	26
Other payables and accruals (Note (b))	667,038	626,435	666,157	626,167
Deferred income (Note (c))	225,515	238,895	225,515	238,895
	1,864,044	1,711,546	1,861,718	1,709,288

(a) Movements in provision for commitments and contingencies are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	24,516	1,642	24,516	1,642
(Write back of)/provision made during the year	(4,224)	22,874	(4,224)	22,874
At 31 December	20,292	24,516	20,292	24,516

(b) Included in other payables and accruals are 'Customer Gold Accounts' amounting to RM274,544,000 (2015: RM338,859,000).

(c) Included in deferred income is upfront cash payment from a Bancassurance partnership signed in 2011 for a contractual 12 years period until 2023.

18. Subordinated Bonds

At amortised cost

	Group and Bank	
	2016 RM'000	2015 RM'000
RM500 million subordinated bonds 2013/2023, at par (Note (a))	500,000	500,000
RM1.0 billion subordinated bonds 2015/2025, at par (Note (b))	1,003,784	999,727
	1,503,784	1,499,727
Of which fair value hedge (loss)/gain (Note (b))	(3,784)	273

(a) On 30 August 2013, the Bank issued RM500 million Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) (the Bonds 1).

The Bonds 1 bear interest at the rate of 4.55% per annum from 30 August 2013 to 30 August 2018 and thereafter, the rate of interest will be reset to a fixed rate per annum equal to the Initial Spread (1.05%) plus the prevailing 5 years Malaysian Government Securities Rate.

The Bonds 1 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 August 2018 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 28 February and 30 August each year commencing 28 February 2014.

The Bonds 1 qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

(b) On 8 May 2015, the Bank issued RM1.0 billion Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) (the Bonds 2).

The Bonds 2 bear interest at the rate of 4.65% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bonds 2 may be redeemed at par at the option of the Bank, in part or in whole, on 8 May 2020 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 8 May and 8 November each year commencing 9 November 2015.

The Bonds 2 have been rated AA1 by RAM and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

As at 31 December 2016, the Group had an interest rate swap agreement in place with notional amount of RM500 million (2015: RM500 million) whereby the Group receives a fixed interest rate of 4.65% per annum and pays variable interests rate of KLIBOR 6M plus 0.590% to 0.725% on the notional amount. The swap is being used to hedge exposure to changes in fair value of fixed rate of the Bonds 2.

The movement in fair value of the interest rate swap of RM4,057,000 (2015: RM273,000) are recognised in trading and investment income during the year. There is no ineffectiveness recognised for this hedge (Note 21).

19. Share Capital

	Group and Bank	
	2016	2015
	RM'000	RM'000
Authorised:		
2,000,000,000 ordinary shares of RM1 each, at the beginning and end of the financial year	2,000,000	2,000,000
Issued and fully paid-up:		
470,000,000 ordinary shares of RM1 each, at the beginning and end of the financial year	470,000	470,000

20. Reserves

	Note	Group		Bank	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Non-distributable					
Share premium		322,555	322,555	322,555	322,555
Statutory reserve	(a)	470,000	470,000	470,000	470,000
Revaluation reserve	(b)	146,736	145,190	-	-
Net unrealised reserve on AFS securities		57,029	63,289	50,127	56,387
		996,320	1,001,034	842,682	848,942
Distributable					
Retained profits	(c)	7,032,664	6,305,544	7,097,119	6,368,438
Total reserves		8,028,984	7,306,578	7,939,801	7,217,380

(a) The statutory reserve is maintained in compliance with Section 12 and Section 47(2)(f) of the Financial Services Act 2013 (FSA), Section 12 and Section 57(2)(f) of the Islamic Financial Services Act 2013 (IFSA) and is not distributable as dividends.

(b) The revaluation reserve is in respect of gain from revaluation of freehold land, leasehold land and buildings.

(c) The Bank may distribute dividends out of its entire retained profits as at 31 December 2016 under the single tier system.

21. Financial Derivatives

Financial derivatives are instruments whose values change in response to the change in one or more "underlying", such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

21. Financial Derivatives (Continued)

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2016			
Foreign exchange contracts			
- forwards	8,801,305	361,477	69,132
- swaps	7,708,573	57,101	255,638
- options	747,239	11,610	8,564
Interest rate related contracts			
- swaps	27,438,123	270,447	331,307
- futures	874,770	248	16
Equity related contracts			
- swaps	237,424	43,247	43,247
- options	748,187	6,153	6,153
Commodity related contracts			
- swaps	305,016	16,773	15,981
- futures	50,281	866	1,026
- options	221,225	1,059	-
		768,981	731,064
2015			
Foreign exchange contracts			
- forwards	9,996,576	442,551	120,441
- swaps	11,827,268	176,849	346,826
- options	1,388,973	13,254	14,038
Interest rate related contracts			
- swaps	26,004,788	151,792	306,647
- futures	987,160	320	-
Equity related contracts			
- swaps	1,090,723	168,144	168,044
- options	208,905	248	248
Commodity related contracts			
- swaps	844,468	76,701	76,610
- futures	35,430	27	580
- options	225,560	746	-
		1,030,632	1,033,434

21. Financial Derivatives (Continued)

The table above analyses the principal amounts and the positive and negative fair values of the Group's financial derivatives. The notional amounts of these instruments indicate the value of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive and negative fair values represent the favourable and unfavourable fair values respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

Fair value hedge

The Bank uses fair value hedge to protect changes in fair value of fixed rate of the Bonds 2 (Note 18). The Bank primarily uses interest rate swap as hedge of interest rate risk.

The net gain and loss arising from fair value hedge during the year is as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain/(loss) on hedging instrument	4,057	(273)	4,057	(273)
(Loss)/gain on the hedged item attributable to the hedged risk (Note 26)	(4,057)	273	(4,057)	273
	-	-	-	-

There is no ineffectiveness recognised for this hedge.

22. Fair Value of Assets and Liabilities

(a) Determination of fair value and fair value hierarchy

Where available, quoted and observable market prices are used as the measure of fair values, such as for government treasury bills and securities and quoted securities. Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones being as follows:

(i) Fair values of securities that are actively traded are determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of unquoted equity securities are estimated using a number of methods, including net tangible assets, earnings ratios and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Fair value of precious metals are determined based on prevailing quoted market prices.

(iii) For financial derivatives, where quoted and observable market prices are not available, fair values are arrived at using internal pricing models. As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(iv) Fair value of land and buildings is determined by a registered valuer, using the comparison approach.

Level 1 - Unadjusted quoted prices in active market for identical financial instruments
Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
Level 3 - Inputs that are not based on observable market data

22. Fair Value of Assets and Liabilities (Continued)

(b) **Financial instruments and non-financial assets carried at fair value**

The following tables show the Group'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	2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	178,575	49,480	-	228,055
AFS securities*	6,610,984	137,192	123,128	6,871,304
Derivative financial assets	-	768,981	-	768,981
Precious metal accounts	247,654	-	-	247,654
Land and buildings	-	-	228,846	228,846
Total	7,037,213	955,653	351,974	8,344,840
Liabilities				
Derivative financial liabilities	-	731,064	-	731,064
Total	-	731,064	-	731,064

Group	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	1,503,310	331,356	-	1,834,666
AFS securities*	4,998,482	154,912	74,795	5,228,189
Derivative financial assets	-	1,030,632	-	1,030,632
Precious metal accounts	301,144	-	-	301,144
Land and buildings	-	-	234,384	234,384
Total	6,802,936	1,516,900	309,179	8,629,015
Liabilities				
Derivative financial liabilities	-	1,033,434	-	1,033,434
Total	-	1,033,434	-	1,033,434

22. Fair Value of Assets and Liabilities (Continued)

(b) Financial instruments and non-financial assets carried at fair value (Continued)

Bank	2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	178,575	49,480	-	228,055
AFS securities*	6,610,984	137,192	123,128	6,871,304
Derivative financial assets	-	768,981	-	768,981
Precious metal accounts	247,654	-	-	247,654
Total	7,037,213	955,653	123,128	8,115,994
Liabilities				
Derivative financial liabilities	-	731,064	-	731,064
Total	-	731,064	-	731,064

Bank	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	1,503,310	331,356	-	1,834,666
AFS securities*	4,998,482	154,912	74,795	5,228,189
Derivative financial assets	-	1,030,632	-	1,030,632
Precious metal accounts	301,144	-	-	301,144
Total	6,802,936	1,516,900	74,795	8,394,631
Liabilities				
Derivative financial liabilities	-	1,033,434	-	1,033,434
Total	-	1,033,434	-	1,033,434

* Excluding unquoted private debt securities.

22. Fair Value of Assets and Liabilities (Continued)

(c) **Fair value of financial assets not carried at fair value**

The fair value of fixed rate loans, advances and financing are estimated based on discounted cash flows using prevailing market rates of loans, advances and financing of similar credit risks and maturity. For fair values of variable rate loans, advances and financing , the fair values are estimated to approximate their carrying amounts.

The fair value of the Bonds 2 is estimated based on prevailing market rates of the subordinated bonds of similar credit risks and maturity. For fair value of the Bonds 1, the fair value is estimated to approximate their carrying amounts.

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial statement.

Group	2016		2015	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Assets				
Gross loans, advances and financing	77,807,269	77,218,077	72,076,004	71,566,218
Liabilities				
Subordinated bonds	1,503,784	1,501,510	1,499,727	1,496,790
Bank				
Assets				
Gross loans, advances and financing	77,988,845	77,399,653	72,261,627	71,751,841
Liabilities				
Subordinated bonds	1,503,784	1,501,510	1,499,727	1,496,790

The following tables show the fair values of the Group's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy.

Group	2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans, advances and financing	-	77,218,077	-	77,218,077
Liabilities				
Subordinated bonds	-	1,501,510	-	1,501,510

	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans, advances and financing	-	71,566,218	-	71,566,218
Liabilities				
Subordinated bonds	-	1,496,790	-	1,496,790

22. Fair Value of Assets and Liabilities (Continued)

(c) Fair value of financial assets not carried at fair value (Continued)

The following tables show the fair values of the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy.

Bank	2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans, advances and financing	-	77,399,653	-	77,399,653
Liabilities				
Subordinated bonds	-	1,501,510	-	1,501,510

	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans, advances and financing	-	71,751,841	-	71,751,841
Liabilities				
Subordinated bonds	-	1,496,790	-	1,496,790

The following table presents the changes in Level 3 financial assets and non-financial assets for the financial year end ended:

Reconciliation of fair value/revalued amount:

	Group and Bank	Group
	AFS securities: unquoted shares RM'000	Land and buildings RM'000
At 1 January 2015	85,048	191,370
Re-measurement		
- recognised in income statement	-	(573)
- recognised in other comprehensive income	(10,253)	49,917
Depreciation (recognised in other operating expenses)	-	(6,330)
At 31 December 2015	74,795	234,384
Additions	-	3,244
Re-measurement		
- recognised in other comprehensive income	48,333	-
Depreciation (recognised in other operating expenses)	-	(8,782)
At 31 December 2016	123,128	228,846

AFS securities: unquoted shares

Unquoted securities were revalued using the Cost/Asset Based Approach, specifically the Adjusted Net Assets Method. This method uses the assets and liabilities on the statements of financial position of the respective unquoted securities audited financial statements as at 31 December 2015 and 2014 by adopting the fair value of each item as disclosed in the notes to the accounts, where applicable.

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

22. Fair Value of Assets and Liabilities (Continued)

(c) Fair value of financial assets not carried at fair value (Continued)

Land and buildings

Land and buildings were revalued on 28 August 2015 by Knight Frank Malaysia Sdn Bhd, a registered valuer, by using the comparison approach. The investment method is also used as a check against the comparison approach.

The comparison approach generally compares and analyses recent recorded transactions of similar type of properties in the locality or similar locations and making the relevant adjustments for differences in factors that affect value. Listings and offers may also be considered. The investment method considers income and expense data relating to the properties being valued and estimates value through a capitalisation process by converting an income amount into a value estimate. This process may consider direct relationships including yield or discount rates (reflecting measures of return on investment).

The updated preliminary assessment by Knight Frank Malaysia Sdn Bhd on 31 December 2016 revealed that there have been no significant changes in the value reported as per previous revaluation report on 28 August 2015. The preliminary assessment was conducted based on limited available information.

Area	Significant unobservable valuation input:	Range
Central	Price per square metre	RM2,853 - RM9,644
North	Price per square metre	RM2,054 - RM5,021
South	Price per square metre	RM1,547 - RM10,735
East Coast	Price per square metre	RM1,942 - RM2,169
East Malaysia	Price per square metre	RM2,802 - RM4,951

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

(d) Fair values of financial instruments that are carried at cost and which the fair values could not be reliably measured

Included in the AFS securities as at 31 December 2016 were investment equity securities of RM276,000 (2015: RM276,000) of the Group and the Bank that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long-term investment purpose.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Group and the Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant.

(e) Fair values of financial instruments carried at cost or amortised cost

For cash and short-term funds, securities purchased under resale agreements, deposits and placements with/of banks and other financial institutions, deposits from customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts in the statements of financial position due to their short-term maturity.

23. Operating Revenue

Operating revenue of the Group and the Bank comprise interest income, commission income, investment income/(loss) and other income derived from banking operations.

24. Interest Income

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income from loans, advances and financing	3,820,351	3,576,123	3,828,990	3,584,924
Interest income from impaired loans, advances and financing	86,351	82,144	86,351	82,144
Money at call and deposit placements with financial institutions	377,050	389,202	377,050	389,202
Financial assets at FVTPL	44,692	46,935	44,692	46,935
AFS securities	217,200	239,800	217,200	239,800
Others	2,902	724	2,902	724
	4,548,546	4,334,928	4,557,185	4,343,729
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(527)	(627)	(527)	(627)
- AFS securities	(10,780)	(11,928)	(10,780)	(11,928)
	4,537,239	4,322,373	4,545,878	4,331,174

25. Interest Expense

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits from customers	2,485,118	2,294,367	2,485,189	2,294,468
Deposits and placements of banks and other financial institutions	61,022	64,537	61,022	64,537
Subordinated bonds	68,553	58,336	68,553	58,336
Others	2,818	6,617	2,818	6,617
	2,617,511	2,423,857	2,617,582	2,423,958

26. Other Operating Income

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fee income				
- Commission	247,229	243,612	247,229	243,612
- Guarantee fees	87,894	70,941	87,894	70,941
- Service charges and fees	219,126	204,633	219,382	204,893
- Commitment fee	29,813	29,764	29,822	29,774
- Arrangement and participation fee	24,508	7,781	24,508	7,781
	608,570	556,731	608,835	557,001

26. Other Operating Income (Continued)

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trading and investment income				
- Gain from sale of financial assets at FVTPL	12,156	4,497	12,156	4,497
- Loss from trading derivatives	(6,451)	(3,851)	(6,451)	(3,851)
- Unrealised gain/(loss) from trading derivatives	26,614	(9,295)	26,614	(9,295)
- Unrealised (loss)/gain on fair value hedge (Note 21)	(4,057)	273	(4,057)	273
- Gain from sale of precious metals	1,277	2,733	1,277	2,733
- Unrealised (loss)/gain from revaluation of precious metals	(53)	371	(53)	371
- Gain from sale/recovery of AFS securities	29,293	41,444	29,293	41,444
- Unrealised (loss)/gain on financial assets at FVTPL	(1,285)	1,397	(1,285)	1,397
- Gross dividends from:				
- AFS securities quoted in Malaysia	943	1,028	943	1,028
	58,437	38,597	58,437	38,597
Other income				
- Foreign exchange gain, net	185,028	172,898	185,028	172,898
- Rental income from operating leases	431	468	-	42
- Gain/(loss) on disposal of property, plant and equipment	37	(119)	37	(119)
- Gain on dissolution of a subsidiary	-	-	144	-
- Others	14,263	16,259	14,276	16,258
	199,759	189,506	199,485	189,079
	866,766	784,834	866,757	784,677

27. Other Operating Expenses

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Personnel expenses	670,005	682,716	666,230	678,864
Establishment related expenses	229,003	203,876	241,432	217,464
Promotion and marketing related expenses	41,108	40,613	41,077	40,569
General administrative expenses	133,781	115,761	133,552	115,519
	1,073,897	1,042,966	1,082,291	1,052,416
Personnel expenses				
- Wages, salaries and bonus	529,107	533,393	525,990	530,235
- Defined contribution plan	83,428	82,616	82,978	82,157
- Other employee benefits	57,470	66,707	57,262	66,472
	670,005	682,716	666,230	678,864

27. Other Operating Expenses (Continued)

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Establishment related expenses				
- Depreciation of property, plant and equipment (Note 13)	53,746	46,893	44,572	40,399
- Information technology costs	63,215	57,004	63,215	57,004
- Repair and maintenance	21,737	20,488	20,801	19,442
- Rental of premises	15,141	13,890	34,120	31,483
- Others	75,164	65,601	78,724	69,136
	229,003	203,876	241,432	217,464
Promotion and marketing related expenses				
- Advertising and publicity	41,108	40,613	41,077	40,569
General administrative expenses				
- Fees and commissions paid	48,919	41,513	48,732	41,334
- Auditors' remuneration				
- Statutory audit	520	515	500	490
- Assurance related services	80	78	80	78
- Other	44	12	44	12
	644	605	624	580
- Others	84,218	73,643	84,196	73,605
	133,781	115,761	133,552	115,519

28. Chief Executive Officer, Non-Executive Directors and Shariah Committee Members' Remuneration

Remuneration in aggregate paid for the financial year is as follows:

	Group and Bank	
	2016 RM'000	2015 RM'000
Chief Executive Officer		
- Salary and other remuneration	1,465	1,463
- Fees	-	60
- Bonus	1,403	1,310
- Benefits-in-kind	902	835
Non-executive directors		
- Fees	730	573
Shariah Committee members	263	-
	4,763	4,241

28. Chief Executive Officer, Non-Executive Directors and Shariah Committee Members' Remuneration (Continued)

The number of directors of the Group and the Bank whose total remuneration paid during the financial year fell within the following bands are analysed below:

	Number of directors	
	2016	2015
Chief Executive Officer		
RM1 to RM4,500,000	1	1
Non-executive directors		
RM1 to RM100,000	1	5
RM100,001 to RM200,000	4	2

The total remuneration (including benefits-in-kind) of the directors of the Bank is as follows:

	Remuneration received from the Bank				
	Salary RM'000	Fees RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
2016					
Chief Executive Officer					
Wong Kim Choong	1,465	-	1,403	902	3,770
Non-executive directors					
Wee Cho Yaw	-	100	-	-	100
Ong Yew Huat	-	200	-	-	200
Dato' Jeffrey Ng Tiong Lip	-	140	-	-	140
Fatimah Binti Merican	-	135	-	-	135
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)	-	155	-	-	155
	1,465	730	1,403	902	4,500
2015					
Chief Executive Officer					
Wong Kim Choong	1,463	60	1,310	835	3,668
Non-executive directors					
Wee Cho Yaw	-	90	-	-	90
Ong Yew Huat	-	150	-	-	150
Dato' Jeffrey Ng Tiong Lip	-	53	-	-	53
Fatimah Binti Merican	-	17	-	-	17
Francis Lee Chin Yong (resigned on 31 January 2016)	-	100	-	-	100
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)	-	110	-	-	110
Abdul Latif Bin Yahaya (retired on 17 June 2015)	-	53	-	-	53
	1,463	633	1,310	835	4,241

29. Allowance for Impairment on Loans, Advances and Financing

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Allowance for impaired loans, advances and financing				
(a) individual impairment (Note 8 (vi))				
- made in the financial year	275,821	273,008	275,821	273,008
- written back in the financial year	(91,718)	(139,523)	(91,718)	(139,523)
(b) collective impairment (Note 8 (vi))				
- made in the financial year	103,969	109,780	105,550	109,780
Impaired loans, advances and financing				
- written-off	2,692	3,696	2,692	3,696
- recovered	(41,031)	(42,215)	(41,031)	(42,215)
	249,733	204,746	251,314	204,746

30. Income Tax Expense

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax				
- Malaysian income tax in respect of current financial year	372,014	391,000	369,156	390,839
- Under/(over) provision in prior financial years	1,370	(1,031)	1,293	(1,031)
	373,384	389,969	370,449	389,808
Deferred tax (Note 14)				
- Relating to origination and reversal of temporary differences	(6,063)	(38,635)	(6,231)	(40,943)
- Under/(over) in prior financial years	4,163	(4,539)	4,048	(4,554)
	(1,900)	(43,174)	(2,183)	(45,497)
	371,484	346,795	368,266	344,311

30. Income Tax Expense (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	1,472,254	1,413,470	1,470,597	1,411,857
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	353,341	353,368	352,943	352,964
Effects of income not subject to tax	(186)	(7,461)	(186)	(7,461)
Effects of expenses not deductible for tax purposes	12,854	6,778	10,168	4,393
Effects of share of an associate's post-tax profit included in Group's profit before taxation	(58)	(320)	-	-
Under/(over) provision of tax expense in prior years	1,370	(1,031)	1,293	(1,031)
Under/(over) provision of deferred tax in prior years	4,163	(4,539)	4,048	(4,554)
Tax expense for the year	371,484	346,795	368,266	344,311

31. Earnings Per Share

The basic/diluted earnings per ordinary share of the Group has been calculated based on the profit for the year attributable to ordinary shareholders of the Group of RM1,100,770,000 (2015: RM1,066,675,000) and on the number of ordinary shares of RM1 each in issue during the year of 470,000,000 (2015: 470,000,000).

32. Dividends

	Group and Bank 2016		Group and Bank 2015	
	Net dividend per share sen	Amout of dividend, net of tax RM'000	Net dividend per share sen	Amout of dividend, net of tax RM'000
Final dividend recognised during the year in respect of the previous financial year	79.5	373,650	96.4	453,080
Proposed final dividend for the current financial year	82.1	385,870	79.5	373,650

At the forthcoming Annual General Meeting, a final single-tier dividend of 82.1 percent in respect of the financial year ended 31 December 2016 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM385,870,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders and Bank Negara Malaysia, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2017.

33. Significant Related Party Transactions and Balances

(a) **Related parties and relationships**

The related parties of and their relationship with the Bank (other than those disclosed in Notes 11 and 12) are as follows:

Related parties	Relationship
United Overseas Bank Limited	Ultimate holding company
Chung Khiaw (Malaysia) Berhad	Holding company
Chung Khiaw Realty Limited	Fellow subsidiary
UOB Centre of Excellence (M) Sdn Bhd	Fellow subsidiary
UOB Asset Management (Malaysia) Berhad	Fellow subsidiary
UOB Bullion and Futures Limited	Fellow subsidiary
United Overseas Bank (Thai) Public Company Limited	Fellow subsidiary

(b) **Key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank include non-executive directors of the Bank and certain members of senior management of the Bank.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These significant related party transactions were carried out on commercial terms and at market rates. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

2016	Ultimate holding company RM'000	Holding company RM'000	Subsidiaries RM'000	An associate RM'000	Key management personnel RM'000	Fellow subsidiaries RM'000
Income						
- Interest on placements, loans and advances	201	-	8,639	-	142	148
- Commitment fee	-	-	9	-	-	-
- Service charge income	36	30	257	-	-	34
	237	30	8,905	-	142	182
Expenditure						
- Interest on deposits	16,321	-	33	738	737	1,311
- Interest on subordinated bonds	22,750	-	-	-	-	-
- Rental expense	-	-	18,979	-	-	710
- Other expenses	43,203	-	5,044	-	-	-
	82,274	-	24,056	738	737	2,021
Assets						
- Cash and short-term funds	71,820	-	-	-	-	3,345
- Deposits and placements with financial institutions	-	-	-	-	-	10,246
- Loans, advances and financing	-	-	181,576	-	3,731	-
- Other assets	129,090	63	142	-	-	-
	200,910	63	181,718	-	3,731	13,591

33. Significant Related Party Transactions and Balances (Continued)

	Ultimate holding company RM'000	Holding company RM'000	Subsidiaries RM'000	An associate RM'000	Key management personnel RM'000	Fellow subsidiaries RM'000
2016 (Continued)						
Liabilities						
- Deposits from customers	-	-	3,921	23,637	27,812	8,467
- Deposits and placements of banks and other financial institutions	1,467,450	-	30	-	-	32,518
- Other liabilities	24,548	-	-	-	-	-
- Subordinated bonds	500,000	-	-	-	-	-
	1,991,998	-	3,951	23,637	27,812	40,985
2015						
Income						
- Interest on placements, loans and advances	257	-	8,802	-	229	247
- Commission income	3	-	-	-	-	-
- Commitment fee	-	-	10	-	-	-
- Service charge income	36	30	257	-	-	34
- Other income	3,423	-	-	-	-	-
	3,719	30	9,069	-	229	281
Expenditure						
- Interest on deposits	26,831	-	32	2,035	604	1,297
- Interest on subordinated bonds	22,563	-	-	-	-	-
- Rental expense	-	-	17,773	-	-	679
- Other expenses	38,441	-	5,030	-	-	-
	87,835	-	22,835	2,035	604	1,976
Assets						
- Cash and short-term funds	111,214	-	-	-	-	7,775
- Deposits and placements with financial institutions	-	-	-	-	-	11,236
- Loans, advances and financing	-	-	185,623	-	4,353	5,406
- Other assets	-	31	-	-	-	-
	111,214	31	185,623	-	4,353	24,417
Liabilities						
- Deposits from customers	-	-	5,057	24,280	25,302	14,710
- Deposits and placements of banks and other financial institutions	4,552,097	-	30	-	-	31,348
- Other liabilities	27,656	-	26	-	-	-
- Subordinated bonds	500,000	-	-	-	-	-
	5,079,753	-	5,113	24,280	25,302	46,058

33. Significant Related Party Transactions and Balances (Continued)

The remuneration of key management personnel included in the income statements was as follows:

	Group and Bank	
	2016 RM'000	2015 RM'000
Short-term employee benefits	22,657	26,781
Post employment benefits: Defined contribution plan	3,209	3,210
Share-based payment*	5,723	5,129
	31,589	35,120

* In prior financial years, key management personnel of the Bank were granted options to subscribe in shares of the ultimate holding company under the Restricted Share Plan and Share Appreciation Rights Plan. As at 31 December 2016, the number of options held by key management personnel under these two plans were 231,455 (2015: 198,225) and 20,900 (2015: 131,925), respectively.

34. Commitments and Contingencies

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

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2016			
Direct credit substitutes	2,963,581	2,963,581	2,350,193
Transaction-related contingent items	5,751,113	2,907,914	2,029,319
Short-term self-liquidating trade-related contingencies	476,394	107,718	69,745
Foreign exchange related contracts			
- less than one year	16,559,657	627,679	262,095
- more than one year to less than five years	319,406	31,832	30,636
Interest rate related contracts			
- less than one year	8,070,548	136,859	55,150
- more than one year to less than five years	14,451,820	649,760	368,703
- five years and above	1,475,311	78,508	55,388
Equity related contracts			
- less than one year	383,707	16,572	9,803
- more than one year to less than five years	483,193	19,514	4,517
Commodity related contracts			
- less than one year	376,522	50,456	25,529
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- less than one year	13,374,793	809,243	210,181
- more than one year	12,384,483	6,857,557	4,195,239
- unconditionally cancellable	11,139,281	5,384,369	632,007
Total	88,409,809	20,665,562	10,310,505

34. Commitments and Contingencies (Continued)

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2015			
Direct credit substitutes	2,709,647	2,709,647	1,926,742
Transaction-related contingent items	4,756,334	2,356,956	1,442,940
Short-term self-liquidating trade-related contingencies	478,850	106,401	81,925
Foreign exchange related contracts			
- less than one year	22,269,024	886,191	373,404
- more than one year to less than five years	436,570	78,877	78,754
Interest rate related contracts			
- less than one year	5,023,307	24,238	9,240
- more than one year to less than five years	15,821,072	574,884	333,368
- five years and above	1,858,392	141,644	153,830
Equity related contracts			
- less than one year	538,475	40,350	16,168
- more than one year to less than five years	215,792	14,089	8,558
Commodity related contracts			
- less than one year	870,028	164,449	59,353
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- less than one year	11,788,087	856,304	283,191
- more than one year	11,541,428	7,021,964	4,400,914
- unconditionally cancellable	8,485,342	2,278,691	277,975
Total	86,992,348	17,278,685	9,458,362

Disclosure of the principal amount (exclude intercompany deals) and credit equivalent of the commitments and contingencies are as per BNM's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3).

35. Capital Commitments

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure for property, plant and equipment - authorised and contracted for	18,622	28,000	16,143	21,472

36. Lease Commitments

The Group and the Bank have non-cancellable long-term lease commitments in respect of related premises and equipment on hire, all of which are classified as operating leases.

A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Future minimum rental payments				
- Not later than 1 year	11,637	11,941	30,751	31,056
- Later than 1 year and not later than 5 years	7,250	10,657	26,364	48,887
	18,887	22,598	57,115	79,943

37. Financial Risk Management

The Group's and the Bank's business activities involve the use of financial instruments, including derivatives. These activities expose the Group and the Bank to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk and liquidity risk.

The Bank's financial risks are centrally managed by the various specialist committees within the delegated authority by the Board of Directors. These various specialist committees formulate and review policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals endorsed by these committees are subject to approval by the Executive Committee (EXCO) and/or Board of Directors. The Risk Management Division assumes the independent oversight of risks undertaken by the Bank, and takes the lead in the formulation and approval of risk policies, controls and processes. The Market Risk Control Unit within the Risk Management Division enforces Global Market Division's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the Bank's Internal Audit Division.

The main financial risks that the Group and the Bank are exposed to and how they are being managed are set out below:

(a) Credit Risk

Credit risk is the risk of loss arising from any failure by a customer or counterparty to meet its financial obligations when such obligations fall due.

The EXCO is delegated the authority by the Board of Directors to oversee all credit matters. It also oversees the implementation of the Bank's Basel II Internal Ratings-Based Approach (IRBA) framework and the respective IRBA models and risk estimates.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all impaired and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked and analysed by business and product lines. Significant trends are reported to the Credit Working Group and EXCO.

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(i) Credit Exposure

Group	2016 RM'000	2015 RM'000
Cash and short-term funds	11,805,740	7,735,351
Securities purchased under resale agreements	644,041	4,984,364
Deposits and placements with financial institutions	589,100	-
Financial assets at FVTPL	228,055	1,834,666
AFS securities	6,871,580	5,228,465
Loans, advances and financing	76,450,132	70,872,652
Derivative financial assets	768,981	1,030,632
Other assets	118,875	117,742
Statutory deposits with BNM	2,098,668	2,212,280
	99,575,172	94,016,152
Other assets not subject to credit risk	943,671	1,378,121
	100,518,843	95,394,273
Commitments and contigencies	88,409,809	86,992,348

Bank	2016 RM'000	2015 RM'000
Cash and short-term funds	11,805,740	7,735,351
Securities purchased under resale agreements	644,041	4,984,364
Deposits and placements with financial institutions	589,100	-
Financial assets at FVTPL	228,055	1,834,666
AFS securities	6,871,580	5,228,465
Loans, advances and financing	76,630,127	71,058,275
Derivative financial assets	768,981	1,030,632
Other assets	118,875	117,742
Statutory deposits with BNM	2,098,668	2,212,280
	99,755,167	94,201,775
Other assets not subject to credit risk	660,509	1,090,288
	100,415,676	95,292,063
Commitments and contigencies	88,409,809	86,992,348

As a fundamental credit principle, the Group and the Bank generally do not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

In extending credit facilities to small and medium enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the customer's creditworthiness is not sufficient to justify an extension of credit.

Master agreements such as International Swaps and Derivatives Association agreements and Credit Support Annex are established with active counterparties to manage credit risk arising from foreign exchange and derivative activities. Such agreements allow the Group and the Bank to cash-settle transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(ii) The following table sets out the credit risk concentration by economic sectors of the Group and the Bank:

	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Group								
2016								
Agriculture, hunting, forestry and fishing	-	-	-	1,235,844	(15,854)	-	1,219,990	1,310,370
Mining and quarrying	-	-	-	1,942,858	(3,815)	-	1,939,043	517,101
Manufacturing	-	-	-	5,626,009	(256,737)	-	5,369,272	8,141,785
Electricity, gas and water	-	-	-	92,441	(3,582)	-	88,859	114,802
Construction	-	-	10,821	7,250,289	(178,473)	-	7,082,637	15,155,359
Wholesale, retail trade, restaurants and hotels	-	-	-	9,454,824	(222,681)	-	9,232,143	9,337,779
Transport, storage and communication	-	-	38,640	1,252,791	(45,144)	-	1,246,287	1,036,123
Finance, insurance and business services	13,038,881	228,055	6,821,765	3,279,876	(162,797)	2,986,524	26,192,304	35,494,657
Real estate	-	-	354	5,071,053	(144,916)	-	4,926,491	1,542,670
Community, social and personal services	-	-	-	150,689	(2,472)	-	148,217	34,591
Households								
- purchase of residential properties	-	-	-	28,258,859	(148,694)	-	28,110,165	-
- purchase of non residential properties	-	-	-	8,988,061	(52,138)	-	8,935,923	-
- others	-	-	-	5,203,675	(119,834)	-	5,083,841	12,915,945
Others	-	-	-	-	-	-	-	2,808,627
Other assets not subject to credit risk	-	-	-	-	-	943,671	943,671	-
	13,038,881	228,055	6,871,580	77,807,269	(1,357,137)	3,930,195	100,518,843	88,409,809

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(ii) The following table sets out the credit risk concentration by economic sectors of the Group and the Bank (Continued):

Group 2015	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	1,193,721	(58,852)	-	1,134,869	1,009,848
Mining and quarrying	-	-	-	986,162	(2,004)	-	984,158	431,586
Manufacturing	-	-	-	6,290,410	(249,049)	-	6,041,361	6,611,977
Electricity, gas and water	-	-	-	65,959	(4,428)	-	61,531	119,100
Construction	-	-	11,138	7,592,538	(158,345)	-	7,445,331	12,451,579
Wholesale, retail trade, restaurants and hotels	-	-	-	9,083,236	(219,206)	-	8,864,030	7,991,034
Transport, storage and communication	-	-	36,412	1,018,265	(7,669)	-	1,047,008	481,603
Finance, insurance and business services	12,719,715	1,834,666	5,180,476	2,190,185	(75,968)	3,360,654	25,209,728	43,284,051
Real estate	-	-	439	3,631,753	(96,046)	-	3,536,146	917,637
Community, social and personal services	-	-	-	147,596	(1,089)	-	146,507	1,887,036
Households								
- purchase of residential properties	-	-	-	26,459,480	(154,498)	-	26,304,982	-
- purchase of non residential properties	-	-	-	8,474,411	(52,656)	-	8,421,755	-
- others	-	-	-	4,942,288	(123,542)	-	4,818,746	10,987,633
Others	-	-	-	-	-	-	-	819,264
Other assets not subject to credit risk	-	-	-	-	-	1,378,121	1,378,121	-
	12,719,715	1,834,666	5,228,465	72,076,004	(1,203,352)	4,738,775	95,394,273	86,992,348

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(ii) The following table sets out the credit risk concentration by economic sectors of the Group and the Bank (Continued):

	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Bank								
2016								
Agriculture, hunting, forestry and fishing	-	-	-	1,235,844	(15,854)	-	1,219,990	1,310,370
Mining and quarrying	-	-	-	1,942,858	(3,815)	-	1,939,043	517,101
Manufacturing	-	-	-	5,626,009	(256,737)	-	5,369,272	8,141,785
Electricity, gas and water	-	-	-	92,441	(3,582)	-	88,859	114,802
Construction	-	-	10,821	7,250,289	(178,473)	-	7,082,637	15,155,359
Wholesale, retail trade, restaurants and hotels	-	-	-	9,454,824	(222,681)	-	9,232,143	9,337,779
Transport, storage and communication	-	-	38,640	1,252,791	(45,144)	-	1,246,287	1,036,123
Finance, insurance and business services	13,038,881	228,055	6,821,765	3,279,876	(162,797)	2,986,524	26,192,304	35,494,657
Real estate	-	-	354	5,252,629	(146,497)	-	5,106,486	1,542,670
Community, social and personal services	-	-	-	150,689	(2,472)	-	148,217	34,591
Households								
- purchase of residential properties	-	-	-	28,258,859	(148,694)	-	28,110,165	-
- purchase of non residential properties	-	-	-	8,988,061	(52,138)	-	8,935,923	-
- others	-	-	-	5,203,675	(119,834)	-	5,083,841	12,915,945
Others	-	-	-	-	-	-	-	2,808,627
Other assets not subject to credit risk	-	-	-	-	-	660,509	660,509	-
	13,038,881	228,055	6,871,580	77,988,845	(1,358,718)	3,647,033	100,415,676	88,409,809

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(ii) The following table sets out the credit risk concentration by economic sectors of the Group and the Bank (Continued):

	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Bank								
2015								
Agriculture, hunting, forestry and fishing	-	-	-	1,193,721	(58,852)	-	1,134,869	1,009,848
Mining and quarrying	-	-	-	986,162	(2,004)	-	984,158	431,586
Manufacturing	-	-	-	6,290,410	(249,049)	-	6,041,361	6,611,977
Electricity, gas and water	-	-	-	65,959	(4,428)	-	61,531	119,100
Construction	-	-	11,138	7,592,538	(158,345)	-	7,445,331	12,451,579
Wholesale, retail trade, restaurants and hotels	-	-	-	9,083,236	(219,206)	-	8,864,030	7,991,034
Transport, storage and communication	-	-	36,412	1,018,265	(7,669)	-	1,047,008	481,603
Finance, insurance and business services	12,719,715	1,834,666	5,180,476	2,190,185	(75,968)	3,360,654	25,209,728	43,284,051
Real estate	-	-	439	3,817,376	(96,046)	-	3,721,769	917,637
Community, social and personal services	-	-	-	147,596	(1,089)	-	146,507	1,887,036
Households								
- purchase of residential properties	-	-	-	26,459,480	(154,498)	-	26,304,982	-
- purchase of non residential properties	-	-	-	8,474,411	(52,656)	-	8,421,755	-
- others	-	-	-	4,942,288	(123,542)	-	4,818,746	10,987,633
Others	-	-	-	-	-	-	-	819,264
Other assets not subject to credit risk	-	-	-	-	-	1,090,288	1,090,288	-
	12,719,715	1,834,666	5,228,465	72,261,627	(1,203,352)	4,450,942	95,292,063	86,992,348

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(iii) Credit quality of gross loans, advances and financing and debt securities

Gross loans, advances and financing as graded in accordance with BNM Guidelines are as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Pass	75,896,233	70,252,993	76,077,809	70,438,616
Special mention	684,689	606,830	684,689	606,830
Substandard	1,008,390	1,011,782	1,008,390	1,011,782
Doubtful	79,632	64,774	79,632	64,774
Loss	138,325	139,625	138,325	139,625
	77,807,269	72,076,004	77,988,845	72,261,627

Gross impaired debt securities of the Group and the Bank as at 31 December 2016 were RM66,260,000 (2015: RM66,260,000) and allowance for impairment of RM39,960,000 (2015: RM39,960,000) was made for these securities.

(iv) Ageing analysis of past due but not impaired and impaired assets

Group and Bank	2016		2015	
	Past due but not impaired RM'000	Impaired RM'000	Past due but not impaired RM'000	Impaired RM'000
Current	-	78,202	-	41,847
Within 90 days	3,156,768	103,826	3,576,106	105,475
Over 90 to 180 days	-	122,351	-	204,612
Over 180 days	-	921,968	-	864,247
	3,156,768	1,226,347	3,576,106	1,216,181

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(v) Past due but not impaired and impaired assets analysed by industry

Group and Bank	2016			2015		
	Past due but not impaired RM'000	Impaired RM'000	Individual impairment RM'000	Past due but not impaired RM'000	Impaired RM'000	Individual impairment RM'000
Agriculture, hunting, forestry and fishing	4,305	14,255	448	1,427	-	-
Mining and quarrying	2,579	-	-	503	360	73
Manufacturing	214,907	134,662	58,437	280,344	204,103	62,125
Electricity, gas and water	18,481	-	-	-	-	-
Construction	813,722	162,417	44,670	670,814	200,318	33,022
Wholesale, retail trade, restaurants and hotels	274,376	126,630	30,356	384,065	140,881	32,818
Transport, storage and communication	7,802	99,836	558	29,089	100,232	126
Finance, insurance and business services	33,479	138,881	50,066	42,620	17,355	5,318
Real estate	250,293	47,759	1,859	251,394	48,921	1,818
Community, social and personal services	2,990	953	65	4,961	862	134
Households						
- purchase of residential properties	1,100,148	359,551	25,124	1,303,155	370,721	26,740
- purchase of non residential properties	256,317	46,064	4,537	383,134	49,585	3,820
- others	177,369	95,339	17,550	224,600	82,843	17,860
	3,156,768	1,226,347	233,670	3,576,106	1,216,181	183,854

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(vi) Effects of holding collaterals

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group and the Bank are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

The credit risk of financial assets of the Group and the Bank are mitigated by the collaterals held against the financial assets.

Effects of holding collaterals on impaired loans, advances and financing

All impaired loans, advances and financing are subject to individual assessment impairment review as at the current and previous financial year end. The collateral mitigates credit risk and would reduce the extent of impairment allowance for the assets subject to impairment review.

Group and Bank	Financial effect RM'000	Maximum exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
2016			
Impaired loans, advances and financing	908,071	1,226,347	318,276
2015			
Impaired loans, advances and financing	998,052	1,216,181	218,129

For loans, advances and financing, individual assessment allowance as at the date of the statements of financial position would have been higher by approximately RM908,071,000 (2015: RM998,052,000) without the collaterals held.

(vii) Repossessed collaterals

These are assets obtained by taking possession of collaterals held as security against loans, advances and financing.

Repossessed collaterals are sold as soon as practicable. Repossessed collaterals are recognised in other assets on the statements of financial position. The Group and the Bank do not occupy repossessed properties for its business use.

For the financial years ended 31 December 2016 and 2015, there were no repossessed collaterals.

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(viii) Credit exposure analysed by geography

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2016			
Cash and short-term funds	10,992,791	812,949	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	228,055	-	228,055
AFS securities	6,871,580	-	6,871,580
Loans, advances and financing	68,410,213	8,039,919	76,450,132
Derivative financial assets	720,445	48,536	768,981
Other assets	108,629	10,246	118,875
Statutory deposits with BNM	2,098,668	-	2,098,668
	90,663,522	8,911,650	99,575,172
Commitments and contingencies	80,953,652	7,456,157	88,409,809
2015			
Cash and short-term funds	7,235,848	499,503	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Deposits and placements with financial institutions	-	-	-
Financial assets at FVTPL	1,834,666	-	1,834,666
AFS securities	5,228,465	-	5,228,465
Loans, advances and financing	64,111,408	6,761,244	70,872,652
Derivative financial assets	953,909	76,723	1,030,632
Other assets	106,506	11,236	117,742
Statutory deposits with BNM	2,212,280	-	2,212,280
	86,667,446	7,348,706	94,016,152
Commitments and contingencies	78,103,509	8,888,839	86,992,348

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(viii) Credit exposure analysed by geography (Continued)

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2016			
Cash and short-term funds	10,992,791	812,949	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	228,055	-	228,055
AFS securities	6,871,580	-	6,871,580
Loans, advances and financing	68,590,208	8,039,919	76,630,127
Derivative financial assets	720,445	48,536	768,981
Other assets	108,629	10,246	118,875
Statutory deposits with BNM	2,098,668	-	2,098,668
	90,843,517	8,911,650	99,755,167
Commitments and contingencies	80,953,652	7,456,157	88,409,809
2015			
Cash and short-term funds	7,235,848	499,503	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Deposits and placements with financial institutions	-	-	-
Financial assets at FVTPL	1,834,666	-	1,834,666
AFS securities	5,228,465	-	5,228,465
Loans, advances and financing	64,297,031	6,761,244	71,058,275
Derivative financial assets	953,909	76,723	1,030,632
Other assets	106,506	11,236	117,742
Statutory deposits with BNM	2,212,280	-	2,212,280
	86,853,069	7,348,706	94,201,775
Commitments and contingencies	78,103,509	8,888,839	86,992,348

37. Financial Risk Management (Continued)

(b) Market Risk

(i) Foreign exchange risk
Foreign exchange risk is the risk to earnings and value of financial instruments arising from adverse fluctuations in foreign exchange rates, caused by fundamental and economic factors.

The Group's and the Bank's foreign exchange exposures arise mainly from its foreign exchange position-taking, proprietary business, and customer facilitation business. To mitigate foreign currency risk, the Group and the Bank predominately use foreign currency outright forward and swap contracts to hedge its foreign exchange exposures.

Foreign exchange risk is managed through policies and market risk limits approved by the EXCO. The limits are independently monitored by Product Control Department of Risk Management Division.

At the reporting date, the Group's and the Bank's foreign exchange exposures have no significant impact to the financial position of the Group and the Bank.

(ii) Interest/Profit rate risk
Interest/profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest/profit rates.

Banking book interest rate/rate of return exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall banking book interest/rate of return risk management process which is conducted in accordance with the Bank's policies as approved by the Board of Directors.

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest/profit rate shocks were negative RM40 million and RM73 million (2015: negative RM80 million and RM159 million), respectively. This is computed on the banking book for major currencies (Ringgit Malaysia and US Dollar). The reported figures are based on the worst case of an upward and downward parallel movement of the yield curve. The repricing profile of loans/financing and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

(iii) Value-at-Risk
The Bank adopts a daily Value-at-Risk (VaR) to estimate market risk within a 99% confidence interval using the historical simulation method. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. The level of VaR is dependent on the exposures, as well as market prices and volatilities. The Bank computes market risk based on historical simulation VaR, this entails the estimation of tail loss based on the most recent historical data, which may not always reflect the extreme loss event. The Bank runs market risk stress to complement the market risk historical simulation VaR. The table below shows the VaR profile by risk classes.

	Year end RM'000	High RM'000	Low RM'000	Average RM'000
2016				
Interest/profit rate	1,441	5,578	1,036	2,894
Foreign exchange	1,255	11,483	121	2,225
Commodities	379	563	11	224
Total diversified VaR	2,034	13,186	980	3,388
2015				
Interest/profit rate	2,568	4,169	504	2,744
Foreign exchange	940	8,598	348	2,414
Commodities	371	1,614	56	594
Total diversified VaR	2,291	9,443	1,087	3,532

38. Liquidity Risk

Liquidity risk is the risk that the Group and the Bank are unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and disbursement of loans, advances and financing.

The Group and the Bank manage liquidity risk in accordance with the liquidity framework approved by the Asset and Liability Committee (ALCO) which is also adequate to meet the requirements under Bank Negara Malaysia's Liquidity Coverage Ratio. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group and the Bank are also required by the respective local regulator to maintain cash and other high quality liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but has historically provided a stable source of long-term funding for the Bank.

Group 2016	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	11,826,146	-	-	-	-	11,826,146
Securities purchased under resale agreements	649,306	-	-	-	-	649,306
Deposits and placements with financial institutions	592,214	-	-	-	-	592,214
Financial assets at FVTPL	149,482	19,537	1,478	62,909	-	233,406
AFS securities	1,700,252	138,876	214,913	5,105,413	445,084	7,604,538
Loans, advances and financing	19,551,156	3,572,063	4,300,726	24,360,966	57,977,083	109,761,994
Derivative financial assets	262,405	101,206	184,504	220,866	-	768,981
Statutory deposits with BNM	-	-	-	-	2,098,668	2,098,668
	34,730,961	3,831,682	4,701,621	29,750,154	60,520,835	133,535,253
Liabilities						
Deposits from customers	53,283,523	12,236,346	18,394,566	371,437	-	84,285,872
Deposits and placements of banks and other financial institutions	3,487,267	32,393	24,315	194,517	1,138,336	4,876,828
Bills and acceptances payable	227,516	-	-	-	-	227,516
Derivative financial liabilities	228,376	69,998	209,280	222,166	1,244	731,064
Subordinated bonds	11,375	23,040	34,816	755,250	1,116,059	1,940,540
	57,238,057	12,361,777	18,662,977	1,543,370	2,255,639	92,061,820
Net maturity mismatches	(22,507,096)	(8,530,095)	(13,961,356)	28,206,784	58,265,196	
Off-balance sheet liabilities						
Credit and commitments	20,443,431	3,733,542	5,930,722	27,311,265	6,993,169	64,412,129
Derivatives	9,753	(47,642)	(27,432)	25	-	(65,296)
Net maturity mismatches	20,453,184	3,685,900	5,903,290	27,311,290	6,993,169	64,346,833

38. Liquidity Risk (Continued)

Group 2015	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	7,740,949	-	-	-	-	7,740,949
Securities purchased under resale agreements	5,009,027	-	-	-	-	5,009,027
Financial assets at FVTPL	995,481	213,457	347,112	312,740	10,839	1,879,629
AFS securities	5,547,364	208,984	275,260	3,918,278	9,405	9,959,291
Loans, advances and financing	17,327,285	3,071,899	3,450,674	23,140,687	56,121,137	103,111,682
Derivative financial assets	431,253	124,045	277,158	183,728	14,448	1,030,632
Statutory deposits with BNM	-	-	-	-	2,212,280	2,212,280
	37,051,359	3,618,385	4,350,204	27,555,433	58,368,109	130,943,490
Liabilities						
Deposits from customers	53,675,641	9,376,544	13,835,655	474,653	-	77,362,493
Deposits and placements of banks and other financial institutions	4,481,525	358,977	548,778	233,780	1,226,273	6,849,333
Bills and acceptances payable	303,666	1,878	-	-	-	305,544
Derivative financial liabilities	440,270	192,061	218,089	177,787	5,227	1,033,434
Subordinated bonds	11,375	23,141	34,625	731,627	1,208,913	2,009,681
	58,912,477	9,952,601	14,637,147	1,617,847	2,440,413	87,560,485
Net maturity mismatches	(21,861,118)	(6,334,216)	(10,286,943)	25,937,586	55,927,696	
Off-balance sheet liabilities						
Credit and commitments	15,425,169	3,329,243	29,338,398	9,579,613	6,617,156	64,289,579
Derivatives	7,968	114,484	54,103	(364)	-	176,191
Net maturity mismatches	15,433,137	3,443,727	29,392,501	9,579,249	6,617,156	64,465,770

Bank 2016	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	11,826,146	-	-	-	-	11,826,146
Securities purchased under resale agreements	649,306	-	-	-	-	649,306
Deposits and placements with financial institutions	592,214	-	-	-	-	592,214
Financial assets at FVTPL	149,482	19,537	1,478	62,909	-	233,406
AFS securities	1,700,252	138,876	214,913	5,105,413	445,084	7,604,538
Loans, advances and financing	19,731,151	3,572,063	4,300,726	24,360,966	57,977,083	109,941,989
Derivative financial assets	262,405	101,206	184,504	220,866	-	768,981
Statutory deposits with BNM	-	-	-	-	2,098,668	2,098,668
	34,910,956	3,831,682	4,701,621	29,750,154	60,520,835	133,715,248

38. Liquidity Risk (Continued)

Bank (Continued) 2016	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	53,287,444	12,236,346	18,394,566	371,437	-	84,289,793
Deposits and placements of banks and other financial institutions	3,487,297	32,393	24,315	194,517	1,138,336	4,876,858
Bills and acceptances payable	227,516	-	-	-	-	227,516
Derivative financial liabilities	228,376	69,998	209,280	222,166	1,244	731,064
Subordinated bonds	11,375	23,040	34,816	755,250	1,116,059	1,940,540
	57,242,008	12,361,777	18,662,977	1,543,370	2,255,639	92,065,771
Net maturity mismatches	(22,331,052)	(8,530,095)	(13,961,356)	28,206,784	58,265,196	
Off-balance sheet liabilities						
Credit and commitments	20,443,431	3,733,542	5,930,722	27,311,265	6,993,169	64,412,129
Derivatives	9,753	(47,642)	(27,432)	25	-	(65,296)
Net maturity mismatches	20,453,184	3,685,900	5,903,290	27,311,290	6,993,169	64,346,833

Bank 2015	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	7,740,949	-	-	-	-	7,740,949
Securities purchased under resale agreements	5,009,027	-	-	-	-	5,009,027
Financial assets at FVTPL	995,481	213,457	347,112	312,740	10,839	1,879,629
AFS securities	5,547,364	208,984	275,260	3,918,278	9,405	9,959,291
Loans, advances and financing	17,512,908	3,071,899	3,450,674	23,140,687	56,121,137	103,297,305
Derivative financial assets	431,253	124,045	277,158	183,728	14,448	1,030,632
Statutory deposits with BNM	-	-	-	-	2,212,280	2,212,280
	37,236,982	3,618,385	4,350,204	27,555,433	58,368,109	131,129,113
Liabilities						
Deposits from customers	53,680,698	9,376,544	13,835,655	474,653	-	77,367,550
Deposits and placements of banks and other financial institutions	4,481,555	358,977	548,778	233,780	1,226,273	6,849,363
Bills and acceptances payable	303,666	1,878	-	-	-	305,544
Derivative financial liabilities	440,270	192,061	218,089	177,787	5,227	1,033,434
Subordinated bonds	11,375	23,141	34,625	731,627	1,208,913	2,009,681
	58,917,564	9,952,601	14,637,147	1,617,847	2,440,413	87,565,572
Net maturity mismatches	(21,680,582)	(6,334,216)	(10,286,943)	25,937,586	55,927,696	
Off-balance sheet liabilities						
Credit and commitments	15,425,169	3,329,243	29,338,398	9,579,613	6,617,156	64,289,579
Derivatives	7,968	114,484	54,103	(364)	-	176,191
Net maturity mismatches	15,433,137	3,443,727	29,392,501	9,579,249	6,617,156	64,465,770

38. Liquidity Risk (Continued)

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Note 34. These have been incorporated in the net off-balance sheet positions for the financial years ended 31 December 2016 and 2015. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

39. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of when the Group's and the Bank's assets and liabilities are expected to be recovered or settled.

Group 2016	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	11,805,740	-	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	168,529	59,526	228,055
AFS securities	1,884,967	4,986,613	6,871,580
Loans, advances and financing	24,157,563	52,292,569	76,450,132
Derivative financial assets	548,115	220,866	768,981
Other assets	470,291	4,075	474,366
Statutory deposits with BNM	-	2,098,668	2,098,668
Investment in an associate	-	11,554	11,554
Property, plant and equipment	-	530,574	530,574
Deferred tax assets	-	46,052	46,052
Total assets	40,268,346	60,250,497	100,518,843
Liabilities			
Deposits from customers	82,371,388	363,901	82,735,289
Deposits and placements of banks and other financial institutions	3,539,850	1,332,853	4,872,703
Bills and acceptances payable	227,516	-	227,516
Derivative financial liabilities	507,654	223,410	731,064
Other liabilities	1,657,813	206,231	1,864,044
Tax payable	70,905	-	70,905
Subordinated bonds	-	1,503,784	1,503,784
Deferred tax liabilities	-	14,554	14,554
Total liabilities	88,375,126	3,644,733	92,019,859
Net mismatch	(48,106,780)	56,605,764	8,498,984

39. Maturity Analysis of Assets and Liabilities (Continued)

Group 2015	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	7,735,351	-	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Financial assets at FVTPL	1,521,405	313,261	1,834,666
AFS securities	1,486,294	3,742,171	5,228,465
Loans, advances and financing	21,316,770	49,555,882	70,872,652
Derivative financial assets	832,456	198,176	1,030,632
Other assets	936,097	4,180	940,277
Statutory deposits with BNM	-	2,212,280	2,212,280
Investment in an associate	-	11,313	11,313
Property, plant and equipment	-	503,202	503,202
Tax recoverable	-	168	168
Deferred tax assets	-	40,903	40,903
Total assets	38,812,737	56,581,536	95,394,273
Liabilities			
Deposits from customers	75,609,847	463,259	76,073,106
Deposits and placements of banks and other financial institutions	5,377,484	1,460,053	6,837,537
Bills and acceptances payable	305,544	-	305,544
Derivative financial liabilities	850,420	183,014	1,033,434
Other liabilities	1,487,709	223,837	1,711,546
Tax payable	140,984	-	140,984
Subordinated bonds	-	1,499,727	1,499,727
Deferred tax liabilities	-	15,817	15,817
Total liabilities	83,771,988	3,845,707	87,617,695
Net mismatch	(44,959,251)	52,735,829	7,776,578

Bank 2016	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	11,805,740	-	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	168,529	59,526	228,055
AFS securities	1,884,967	4,986,613	6,871,580
Loans, advances and financing	24,339,139	52,290,988	76,630,127
Derivative financial assets	548,115	220,866	768,981
Other assets	479,426	8,616	488,042
Statutory deposits with BNM	-	2,098,668	2,098,668
Investment in subsidiaries	-	40	40
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	231,728	231,728
Deferred tax assets	-	46,052	46,052
Total assets	40,459,057	59,956,619	100,415,676

39. Maturity Analysis of Assets and Liabilities (Continued)

Bank (Continued) 2016	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Liabilities			
Deposits from customers	82,375,310	363,900	82,739,210
Deposits and placements of banks and other financial institutions	3,539,880	1,332,853	4,872,733
Bills and acceptances payable	227,516	-	227,516
Derivative financial liabilities	507,654	223,410	731,064
Other liabilities	1,655,485	206,233	1,861,718
Tax payable	69,850	-	69,850
Subordinated bonds	-	1,503,784	1,503,784
Total liabilities	88,375,695	3,630,180	92,005,875
Net mismatch	(47,916,638)	56,326,439	8,409,801

Bank 2015	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	7,735,351	-	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Financial assets at FVTPL	1,521,405	313,261	1,834,666
AFS securities	1,486,294	3,742,171	5,228,465
Loans, advances and financing	21,502,393	49,555,882	71,058,275
Derivative financial assets	832,456	198,176	1,030,632
Other assets	936,054	8,591	944,645
Statutory deposits with BNM	-	2,212,280	2,212,280
Investment in subsidiaries	-	50	50
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	208,910	208,910
Deferred tax assets	-	40,903	40,903
Total assets	38,998,317	56,293,746	95,292,063
Liabilities			
Deposits from customers	75,614,904	463,259	76,078,163
Deposits and placements of banks and other financial institutions	5,377,514	1,460,053	6,837,567
Bills and acceptances payable	305,544	-	305,544
Derivative financial liabilities	850,420	183,014	1,033,434
Other liabilities	1,485,451	223,837	1,709,288
Tax payable	140,960	-	140,960
Subordinated bonds	-	1,499,727	1,499,727
Total liabilities	83,774,793	3,829,890	87,604,683
Net mismatch	(44,776,476)	52,463,856	7,687,380

40. Offsetting Financial Assets and Financial Liabilities

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

Group and Bank	Gross amount recognised as financial assets/ liabilities RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not set-off in the statements of financial position Cash collateral received/ pledged RM'000	 Net amount RM'000
2016					
Financial assets					
Derivative financial assets	768,981	-	768,981	(154,922)	614,059
Financial liabilities					
Derivative financial liabilities	731,064	-	731,064	(165,833)	565,231
2015					
Financial assets					
Derivative financial assets	1,030,632	-	1,030,632	(123,795)	906,837
Financial liabilities					
Derivative financial liabilities	1,033,434	-	1,033,434	(520,881)	512,553

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and reverse repurchase agreements included in the amount not set-off in the statements of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities are received or cash pledged in respect of the transaction described above.

41. Segment Information

Operating Segments

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that the segment provides:

Retail

The Retail segment covers Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offer a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning. Business Banking serves small enterprises, offer a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group (FIG), Multinational Corporates (MNC), Investment Banking and Transaction Banking. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies. FIG serves financial institutions as well as non-bank financial institutions. Commercial Banking, Corporate Banking, MNC and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, ship finance, trade finance, structured finance, cash management and cross-border payments. Investment Banking provides services that include principal advisor, lead manager and facility agent for the arrangement of both syndicated loans and Private Debt Securities. Transaction Banking provides trade finance and cash management services.

Global Markets (GM)

The GM segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, commodities, gold products, as well as an array of structured products. It is a player in Malaysian Ringgit treasury instruments in the region. It also engages in proprietary investment activities and management of excess liquidity and capital funds.

Others

Others segment includes corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.

41. Segment Information (Continued)

Operating Segments (Continued)

	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Group							
2016							
Operating income	1,336,409	1,077,943	180,775	223,689	2,818,816	(27,398)	2,791,418
Other operating expenses	(706,742)	(212,013)	(50,227)	(129,110)	(1,098,092)	24,196	(1,073,896)
Allowance for impairment on loans, advances and financing	(47,574)	(203,785)	58	(13)	(251,314)	1,581	(249,733)
Write back of commitments and contingencies	-	4,224	-	-	4,224	-	4,224
Share of net profit of an associate	-	-	-	241	241	-	241
Profit before taxation	582,093	666,369	130,606	94,807	1,473,875	(1,621)	1,472,254
Income tax expense							(371,484)
							1,100,770
Other information							
Gross loans, advances and financing	48,707,972	28,874,754	-	406,119	77,988,845	(181,576)	77,807,269
Deposits from customers	53,344,451	28,973,440	283,058	138,261	82,739,210	(3,921)	82,735,289
Inter-segment operating income/(expense)	95,664	282,968	(618,198)	266,964	27,398	(27,398)	-
Depreciation of property, plant and equipment	7,866	1,511	2,235	42,051	53,663	83	53,746

41. Segment Information (Continued)

Operating Segments (Continued)

	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Group							
2015							
Operating income	1,261,974	951,140	156,653	339,343	2,709,110	(25,760)	2,683,350
Other operating expenses	(691,459)	(193,809)	(42,628)	(138,195)	(1,066,091)	23,125	(1,042,966)
Allowance for impairment on loans, advances and financing	(58,932)	(145,613)	(438)	237	(204,746)	-	(204,746)
Impairment loss on property, plant and equipment	-	-	-	(573)	(573)	-	(573)
Net provision for commitments and contingencies	27	(22,901)	-	-	(22,874)	-	(22,874)
Share of net profit of an associate	-	-	-	1,279	1,279	-	1,279
Profit before taxation	511,610	588,817	113,587	202,091	1,416,105	(2,635)	1,413,470
Income tax expense							(346,795)
							1,066,675
Other information							
Gross loans, advances and financing	46,135,673	25,740,028	-	385,926	72,261,627	(185,623)	72,076,004
Deposits from customers	47,954,204	27,301,943	710,872	111,144	76,078,163	(5,057)	76,073,106
Inter-segment operating income/(expense)	(4,923)	287,249	(601,874)	345,308	25,760	(25,760)	-
Depreciation of property, plant and equipment	6,996	1,133	2,030	36,801	46,960	(67)	46,893

41. Segment Information (Continued)

Operating Segments (Continued)

	Group	
	2016 RM'000	2015 RM'000
<u>Reconciliation of profit before taxation</u>		
Segment profit	1,473,875	1,416,105
<u>Eliminations</u>		
Interest income		
- Interest income from loans, advances and financing	(9,809)	(9,724)
Interest expense		
- Deposits from customers	6,854	7,033
Fee income		
- Service charges and fees	(904)	(899)
- Commitment fees	(9)	(10)
Other income		
- Rental income from operating leases	(23,375)	(22,160)
- Gain on dissolution of a subsidiary	(155)	-
	(27,398)	(25,760)
Allowance for impairment on loans, advances and financing		
- Collective impairment	1,581	-
Personnel expenses		
- Other employee benefits	4	179
Establishment related expenses		
- Depreciation of property, plant and equipment	(83)	67
- Rental of premises	18,979	17,594
- Others	5,291	5,281
Promotion and marketing related expenses		
- Advertising and publicity	5	4
	24,196	23,125
Profit before taxation	1,472,254	1,413,470

42. Capital Management and Capital Adequacy

The Group's and the Bank's capital management objective is to maintain an optimal level of capital. Policies are set to ensure that the capital maintained is adequate to support business growth, taking into consideration regulatory requirements, the underlying risk of the Group's and the Bank's business and other factors such as rating targets. The policies endorsed by the Board of Directors are overseen by senior management.

The Group and the Bank compute capital adequacy ratios in accordance with BNM's guidelines. Total risk-weighted assets are computed based on the Internal Rating Based (IRB) Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk.

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits	7,032,664	6,305,544	7,097,119	6,368,438
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	218,817	223,531	50,127	56,387
Regulatory adjustments applied in the calculation of CET1 Capital	(267,904)	(238,046)	(118,238)	(90,887)
Total CET1/Tier 1 Capital	8,246,132	7,553,584	8,291,563	7,596,493
Tier 2 Capital				
Tier 2 Capital instruments	1,500,000	1,500,000	1,500,000	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	277,107	169,563	277,107	175,551
- Collective impairment provisions	26,357	25,697	22,621	22,073
Regulatory adjustments applied in the calculation of Tier 2 Capital	68,111	65,250	(5,425)	(8,143)
Total Tier 2 Capital	1,871,575	1,760,510	1,794,303	1,689,481
Total Capital	10,117,707	9,314,094	10,085,866	9,285,974

42. Capital Management and Capital Adequacy (Continued)

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

	Group		Bank	
	2016	2015	2016	2015
CET1/Tier 1 Capital	15.205%	14.155%	15.371%	14.314%
Total Capital	18.656%	17.455%	18.698%	17.497%
CET1/Tier 1 Capital (net of proposed dividends)	14.494%	13.455%	14.656%	13.610%
Total Capital (net of proposed dividends)	17.945%	16.754%	17.982%	16.793%

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is effective from 1 January 2013 and Basel II – Risk-weighted Assets.

(b) Analysis of gross risk-weighted assets (RWA) in the various categories of risk weights is as follows:

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total RWA for credit risk	48,293,056	47,520,377	47,994,189	47,230,453
Total RWA for market risk	967,178	1,167,514	967,178	1,167,514
Total RWA for operational risk	4,972,669	4,673,789	4,980,184	4,673,789
	54,232,903	53,361,680	53,941,551	53,071,756

43. Credit Exposure Arising From Credit Transactions With Connected Parties

	Bank	
	2016	2015
Outstanding credit exposures with connected parties (RM'000)	401,848	483,299
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.515%	0.669%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.000%	0.000%

The credit exposures above are derived based on BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

44. Islamic Banking Operations

Statement of financial position
As at 31 December 2016

	Note	2016 RM'000
Assets		
Cash and short-term funds	a	763,678
AFS securities	b	29,889
Financing, advances and others	c	104,635
Other assets	d	769
Statutory deposits with BNM		10
Plant and equipment		87
Deferred tax assets		175
Total assets		899,243
Liabilities and Islamic Banking funds		
Deposits from customers	e	447,100
Deposits and placements of banks and other financial institutions	f	220
Other liabilities	g	2,675
Tax payable		7
Total liabilities		450,002
Capital fund	h	450,000
Reserves	h	(759)
Islamic Banking funds		449,241
Total liabilities and Islamic Banking funds		899,243
Commitments and contingencies	n	1,071

The notes on pages 156 to 165 are integral part of the financial statements.

44. Islamic Banking Operations (Continued)

Income statement
For the financial period ended 31 December 2016

	Note	14 Jul 2016 to 31 Dec 2016 RM'000
Income derived from depositors' funds	i	2,285
Income derived from investment of Islamic Banking funds	j	5,116
Allowance for impairment on financing, advances and others	k	(80)
Total attributable income		7,321
Income attributable to depositors	l	(2,476)
Total net income		4,845
Other operating expenses	m	(5,308)
Loss for the period before taxation		(463)
Income tax		57
Loss for the period after taxation		(406)
Other comprehensive loss:		
Net loss on revaluation of AFS securities		(464)
Income tax effect		111
Other comprehensive loss for the period, net of tax		(353)
Total comprehensive loss for the period		(759)

Statement of changes in Islamic Banking funds
For the financial period ended 31 December 2016

	Capital fund RM'000	Net unrealised deficit on AFS securities RM'000	Accumulated losses RM'000	Total RM'000
2016				
Balance as at 14 July 2016	200,000	-	-	200,000
Loss for the period	-	-	(406)	(406)
Other comprehensive loss	-	(353)	-	(353)
Total comprehensive loss	-	(353)	(406)	(759)
Capital reallocation from conventional banking	250,000	-	-	250,000
Balance as at 31 December 2016	450,000	(353)	(406)	449,241

44. Islamic Banking Operations (Continued)

Statement of cash flows
For the financial period ended 31 December 2016

	14 Jul 2016 to 31 Dec 2016 RM'000
Cash flows from operating activities	
Loss for the period before taxation	(463)
Adjustments for:	
Profit income from AFS securities	(944)
Allowance for impairment on financing and advances	80
Depreciation of plant and equipment	4
Trading income	(40)
Operating loss before working capital changes	(1,363)
Increase in operating assets:	
Financing, advances and others	(104,715)
Statutory deposits with BNM	(10)
Other assets	(769)
	(105,494)
Decrease in operating liabilities:	
Deposits from customers	447,100
Deposits and placements of banks and other financial institutions	220
Other liabilities	2,675
	449,995
Net cash generated from operating activities	343,138
Cash flows from investing activities	
Profit income from AFS securities	944
Net purchase of AFS securities	30,404)
	(29,460)
Net cash generated from financing activities	450,000
Net increase in cash and cash equivalents	763,678
Cash and cash equivalents at end of the period	763,678
Analysis of cash and cash equivalents	
Cash and short-term funds	763,678

44. Islamic Banking Operations (Continued)

(a) Cash and short-term funds

	2016 RM'000
Cash and balances with banks and other financial institutions	4,678
Money at call and deposit placements maturing within one month	759,000
	763,678

(b) AFS securities

	2016 RM'000
At fair value	
Money market instruments	
Government Islamic investment	29,889
Total AFS securities	29,889

(c) Financing, advances and others

(i) Financing by type of Shariah contract:

	2016 RM'000
Tawarruq	
Term financing and revolving credits	
- Housing financing	4,540
- Others term financing	131,624
	136,164
Unearned income	(31,449)
Gross financing, advances and others	104,715
Allowance for losses on financing, advances and others	
- Collective impairment	(80)
Net financing, advances and others	104,635

(ii) Gross financing, advances and others by maturity structure:

	2016 RM'000
Maturing within one year	100,062
Over five years	4,653
	104,715

44. Islamic Banking Operations (Continued)

(c) Financing, advances and others (Continued)

(iii) Gross financing, advances and others by type of customers:

	2016 RM'000
Domestic business enterprises	
- Small medium enterprises	4,270
- Others	100,062
Individuals	383
	104,715

(iv) Gross financing, advances and others by profit rate sensitivity:

	2016 RM'000
Variable rates	
- Base rate/base financing rate-plus	4,653
- Cost-plus	100,062
	104,715

(v) Gross financing, advances and others by economic sectors:

	2016 RM'000
Construction	104,332
Households	
- purchase of residential properties	383
	104,715

(vi) Movements in allowance for losses on financing, advances and others are as follows:

	2016 RM'000
Collective impairment	
Balance as at 14 July	-
Impairment loss made during the period	80
Balance as at 31 December	80

(d) Other assets

	2016 RM'000
Profit receivable	769

44. Islamic Banking Operations (Continued)

(e) Deposits from customers

(i) By type of deposits:

	2016 RM'000
Non-Mudharabah fund	
Demand deposits	
- Qard	9,956
Savings deposits	
- Qard	1,970
Fixed deposits	
- Tawarruq	325,334
Other deposits	
- Tawarruq	109,840
	447,100

(ii) The maturity structure of fixed deposits is as follows:

	2016 RM'000
Due within six months	215,700
Six months to one year	109,634
	325,334

(iii) The deposits are sourced from the following customers:

	2016 RM'000
Business enterprises	292,980
Individuals	37,690
Others	116,430
	447,100

(f) Deposits and placements of banks and other financial institutions

	2016 RM'000
Non-Mudharabah fund	
Other financial institutions	220

(g) Other liabilities

	2016 RM'000
Accrued profit payable	2,064
Accruals and provisions for operational expenses	611
	2,675

44. Islamic Banking Operations (Continued)

(h) Islamic Banking funds

	2016 RM'000
Capital fund	450,000
Net unrealised deficit on AFS securities	(353)
Accumulated losses	(406)
	449,241

(i) Income derived from depositors' funds

	14 Jul 2016 to 31 Dec 2016 RM'000
Finance income and hibah	
Financing, advances and others	72
Money at call and deposit placements with financial institutions	2,213
	2,285

(j) Income derived from investment of Islamic Banking funds

	14 Jul 2016 to 31 Dec 2016 RM'000
Finance income and hibah	
Financing, advances and others	1
Money at call and deposit placements with financial institutions	4,117
AFS securities	944
	5,062
Other operating income	
Trading income	40
Fee income	14
	5,116

(k) Allowance for impairment on financing, advances and others

	14 Jul 2016 to 31 Dec 2016 RM'000
Allowance for impaired on financing, advances and others	
Collective impairment	
- made during the period	80

44. Islamic Banking Operations (Continued)

(l) Income attributable to depositors

	14 Jul 2016 to 31 Dec 2016 RM'000
Income attributable to depositors from non-mudharabah fund	2,476

(m) Other operating expenses

	14 Jul 2016 to 31 Dec 2016 RM'000
Personnel expenses	609
Establishment related expenses	44
Promotion and marketing related expenses	89
General administrative expenses	4,566
	5,308
Personnel expenses	
- Wages, salaries and bonus	498
- Defined contribution plan	83
- Other employee benefits	28
	609
Establishment related expenses	
- Depreciation of property, plant and equipment	4
- Repair and maintenance	19
- Rental of premises	6
- Others	15
	44
Promotion and marketing related expenses	
- Advertisement and publicity	89
General administrative expenses	
- Fees and commissions paid	244
- Management fee	4,079
- Others	243
	4,566

44. Islamic Banking Operations (Continued)

(n) Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk are as follows:

2016	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Undrawn credit facility			
- more than one year	1,071	718	152
Total	1,071	718	152

(o) Liquidity risk

The following table shows the maturity analysis of the Islamic Banking Window's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns.

2016	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	764,670	-	-	-	-	764,670
AFS securities	-	-	-	32,983	-	32,983
Financing, advances and others	121,000	-	-	-	15,163	136,163
Statutory deposits with BNM	-	-	-	-	10	10
	885,670	-	-	32,983	15,173	933,826
Liabilities						
Deposits from customers	328,839	11,364	113,890	-	-	454,093
Deposits and placements of banks and other financial institutions	220	-	-	-	-	220
	329,059	11,364	113,890	-	-	454,313
Net maturity mismatches	556,611	(11,364)	(113,890)	32,983	15,173	
Off-balance sheet liabilities						
Credit and commitments	-	-	1,071	-	-	1,071
Net maturity mismatches	-	-	1,071	-	-	1,071

44. Islamic Banking Operations (Continued)

(p) Capital management and capital adequacy

The capital adequacy ratios of Islamic Banking Window are computed in accordance with the BNM Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-Weighted Assets Framework for Islamic Banking.

	2016 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital	
Capital fund	450,000
Accumulated losses	(406)
Other reserves	(353)
Regulatory adjustments applied in the calculation of CET1 Capital	(175)
Total CET1/Tier 1 Capital	449,066
Tier 2 Capital	
Regulatory adjustments applied in the calculation of Tier 2 Capital	-
Total Tier 2 Capital	-
Total Capital	449,066

(a) The capital adequacy ratios are as follows:

	2016
CET1/Tier 1 Capital	427.722%
Total Capital	427.722%

(b) Analysis of gross RWA in the various categories of risk-weights is as follows:

	2016 RM'000
Total RWA for credit risk	95,851
Total RWA for market risk	-
Total RWA for operational risk	9,139
	104,990

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