United Overseas Bank (Malaysia) Bhd
Annual Report 2019

Balancing Growth with Responsibility

Wastescape
Chaichana Luetrakun

United Overseas Bank (Malaysia) Bhd [199301017069 (271809K)]

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

Wastescape

Chaichana Luetrakun
Acrylic on canvas
180 x 180 cm

Wastescape, the winning artwork for the 2019 UOB Painting of the Year (Thailand), Established Artist Category, is the design inspiration for this Annual Report. Mr Chaichana's artwork is a commentary on how innovation can result in scrap metal and the lasting impact on the environment. It reminds us to consider carefully the consequences of our actions and the legacy we want to leave for future generations.

At UOB, our values of Honour, Enterprise, Unity and Commitment guide the decisions we make and actions we take. We believe that for growth to be sustained, it must be balanced with responsibility. This approach enables us to meet the immediate and long-term interests of our stakeholders.

By encouraging the appreciation of art in the region, we hope more minds will be open to imagining new realities and to creating new paradigms for the good of all. The UOB Painting of the Year competition, in its 38th year in 2019, is the Bank's flagship art programme held across four Southeast Asian countries.

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2019

Overview

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About United Overseas Bank (Malaysia) Bhd

United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) was incorporated in 1993 but has had a presence in Malaysia since 1951. 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 (Malaysia) is rated among the top banks in Malaysia with a long-term AAA rating from the Rating Agency of Malaysia, RAM Rating Services Berhad. Guided by our rich heritage and values, we have built lasting relationships with our customers and continue to ensure we act in their best interest by delivering solutions that meet their financial goals and suit their lifestyles and preferences. Today, UOB (Malaysia) has 45 branches across the country offering both conventional and Islamic banking services and has the largest branch network of any foreign bank operating in Malaysia.

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

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB (Malaysia) is steadfast in our support of social development, particularly in the areas of art, children and education.

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

Our Awards and Accolades in 2019

The Asset

Treasury, Trade, Supply Chain and Risk Management Awards

Best Service Providers in Malaysia
- Best Transaction Bank
- Best Cash Management Bank
- Best Liquidity Management Bank

Best Solutions
- Best Payments and Collections Solution
- Best Liquidity and Investments Solution
- Best Supply Chain Solution
- Best Structured Trade Finance Solution

CorporateTreasurer

CorporateTreasurer Awards 2019
- Asia's Best Treasury and Finance Strategies

The Asian Banker

The Bankers' Choice Award 2019
- Best Financial Supply Chain Management in Malaysia

Asian Banking and Finance

ABF Wholesale Banking Awards 2019
- Malaysia International Cash Management Bank of the Year
- Malaysia International Trade Finance Bank of the Year

Asiamoney

Asiamoney Cash Management Survey 2019
- Malaysia Best Service (Asian Banks) as voted by Corporates

Treasury Today Asia

Adam Smith Awards Asia 2019
- Highly Commended: Best Cash Management Solution
- Highly Commended: Best Trade/Supply Chain Finance Solution

Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)

SJPP's Top Performance Award in SME Financing 2019
- Special Appreciation Award for Promoting Government-guaranteed Schemes in 2019
- Top Performance Award for Approved Financing and Guarantee Activation for Government-guaranteed Schemes in 2019

Contact Centre Association of Malaysia

20th National Contact Centre Awards
- Best individual contact centre Manager – Silver Award
- Best individual contact centre team leader – Bronze Award
- Best inbound contact centre 100 seats above – Silver Award

Visa

Visa Malaysia Bank Awards 2018/2019
- Most Innovative Card Design – UOB Visa Infinite Metal Card
- Most Outstanding Credit Card Launch – UOB Visa Infinite Metal Card

Dr Wee Cho Yaw
Chairman Emeritus and Honorary Adviser

Dr Wee Cho Yaw, visionary, banker extraordinaire, community pillar and celebrated pioneer, is highly regarded in Singapore and internationally.

Dr Wee became a director and the Chairman of UOB (Malaysia) in 1994 soon after the Bank was incorporated as a subsidiary of United Overseas Bank Limited of Singapore. He retired from the Board in April 2019 following more than 25 years of service.

He has received many accolades for his business achievements and support of education, community welfare and the business community. Among the awards conferred on him are the Distinguished Service Order, Singapore's highest National Day Award, ASEAN Business Advisory Council Legacy Award for Singapore and Honorary Degrees of Doctor of Letters from the National University of Singapore and Nanyang Technological University.

Dr Wee was conferred the title of Chairman Emeritus and Adviser when he stepped down as Chairman of the Bank in 2013. Upon his retirement as director in April 2019, the Board appointed Dr Wee as Honorary Adviser. Dr Wee remains as Chairman Emeritus and Honorary Adviser of UOB (Malaysia) to share his wealth of experience and insight with the Board and Management.

Chairman's Statement

2019 Financial Performance

Against a backdrop of moderating global growth in 2019, United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) recorded a total operating income of RM3,095.6 million, 3.2 per cent higher than the previous year (2018: RM3,000.2 million). However, the growth that was driven by higher net interest and non-interest income was offset by the increase in operating expenses and allowances made for expected credit losses. This resulted in a net profit after tax of RM1,223.4 million for the year, which was 1.0 per cent or RM12.1 million lower than the year before (2018: RM1,235.5 million).

Net interest income grew 0.6 per cent to RM2,081.2 million (2018: RM2,069.8 million). This was led by a rise in interest income from loans and debt instruments at fair value through other comprehensive incomes, but partially offset by higher interest expense from net placements of financial institutions. The increase in non-interest income by 9.3 per cent to RM972.4 million (2018: RM889.6 million) was supported by higher trading and investment income. Net income from our Islamic Banking business also rose 2.9 per cent to RM42.0 million (2018: RM40.8 million).

Total operating expenses increased 8.6 per cent to RM1,265.8 million (2018: RM1,165.8 million) as we continued to invest in our talent and technology infrastructure to support our business growth.

Total allowance for expected credit losses increased 9.9 per cent or RM20.6 million, mainly due to higher expected losses on loans, advances, financing and other financial assets. However, this was partially offset by a write-back in commitments and contingencies. Our asset quality remained sound with net non-performing loans ratio at 1.5 per cent.

Gross loans, advances and financing rose 3.5 per cent to RM86.2 billion (2018: RM83.3 billion) and non-bank deposits increased by 0.5 per cent to RM89.1 billion (2018: RM88.7 billion).

2020 Outlook

The global economy slowed in 2019 amid weaker global manufacturing and trade activities. Into 2020, the escalation of the COVID-19 contagion into a pandemic, in addition to ongoing trade disputes and geopolitical tensions has significantly weakened global growth prospects. The COVID-19 pandemic has simultaneously disrupted supply chains and affected demand as non-essential business activities shut down worldwide. The economies of the United States, Europe and many other countries are expected to contract in 2020 while China is expected to record recessionary growth.

Given the projected contraction across the major economies, subdued external demand and disruptions in global supply chains, we expect growth in trade-dependent Asia to be lower. Strict social distancing measures to contain the spread of COVID-19, including travel restrictions, enforced business closures and restricted social activities are expected to depress consumption and investment activities in the year ahead. Against this backdrop, countries in Asia have implemented economic stimulus measures and lowered interest rates to mitigate partly the economic impact of COVID-19.

We expect Malaysia's gross domestic product (GDP) to contract significantly in 2020 in tandem with our expectations for negative global growth. The pandemic and the ensuing movement control order in the country are expected to weigh significantly on near-term growth prospects due to slowing private sector activity, particularly in the first half of 2020. Apart from the health crisis, the Malaysian economy will also be affected by volatile shifts in crude oil prices as well as continued supply chain disruption in the commodities sector.

Chairman's Statement (Continued)

To preserve people's welfare, to support businesses and to stimulate the economy, Malaysia's government announced a large relief package worth RM260 billion or 18 per cent of the country's GDP. The relief package includes measures announced earlier by the government as part of its first RM20 billion fiscal package with additional cash handouts (RM10 billion), flexibility to make withdrawals from the Employee Provident Fund (RM40 billion) and loan moratoriums (RM100 billion) provided by banks. On a broader scale, the measures aim to reduce the cost of living, to sustain employment and to improve cash flow for households and businesses. The relief package was supported by two consecutive reductions in the Overnight Policy Rate by 50 basis points. The Central Bank also moved to reduce the Statutory Reserve Requirement ratio by 100 basis points to two per cent to provide the banking system with additional liquidity. These policies will provide additional relief and avert a sharper contraction in economic activity in 2020.

The extent to which Malaysia's economy is able to recover will depend on how fast the pandemic is contained. Should uncertainties related to COVID-19 abate, we remain confident that Malaysia's underlying strengths including its diversified economic structure, improved external position, favourable demographics, robust macro policies, resilient institutions, and excellent infrastructures will support the country's growth over the long term.

In 2020, we will continue to support our customers' needs amid the challenging macro environment while remaining prudent and disciplined as we pursue sustainable growth. For our customers, we will continue to harness technology and our regional franchise and expertise to offer a distinctive and consistent experience with products and solutions designed around their business and lifestyle needs, both through conventional and Islamic Banking.

In all that we do, we will be guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders. The Board of Directors remains confident that UOB (Malaysia) is well positioned to achieve strong performance as the economy builds momentum.

Acknowledgement

I would like to thank our management team and our people for their dedication in continuing to do what is right for our Bank, our customers and our community.

On behalf of the Board, I thank our Chairman Emeritus and Honorary Adviser, Dr Wee Cho Yaw, for his continued leadership and guidance. The Board has greatly benefitted from his insight, experience and knowledge.

Finally, to our valued customers, without whom the Bank would not be what it is today, I thank you for your continued confidence in and support of UOB (Malaysia).

Dato' Jeffrey Ng Tiong Lip
Chairman

Board of Directors and its Committees

As at 2 March 2020

BOARD

- Dato' Jeffrey Ng Tiong Lip (Chairman)
  Independent
- Wee Ee Cheong (Deputy Chairman)
  Executive
- Fatimah Binti Merican
  Independent
- Ching Yew Chye
  Independent
- Datuk Phang Ah Tong
  (Appointed on 2 January 2019)
  Independent
- Wong Kim Choong
  Executive and Chief Executive Officer

NOMINATING COMMITTEE

- Fatimah Binti Merican (Chairperson)
- Wee Ee Cheong
- Ching Yew Chye
- Datuk Phang Ah Tong

REMUNERATION COMMITTEE

- Fatimah Binti Merican (Chairperson)
- Ching Yew Chye
- Datuk Phang Ah Tong

RISK MANAGEMENT COMMITTEE

- Ching Yew Chye (Chairman)
- Fatimah Binti Merican
- Datuk Phang Ah Tong

AUDIT COMMITTEE

- Datuk Phang Ah Tong (Chairman)
- Dato' Jeffrey Ng Tiong Lip
- Fatimah Binti Merican
- Ching Yew Chye

Board of Directors

As at 2 March 2020

Dato' Jeffrey Ng Tiong Lip
Board Chairman
Independent

Appointed as a director: 16 June 2014

Appointed as Board Chairman: 2 January 2019

Dato' Jeffrey Ng has vast experience in the real estate/hotel industry. He has more than 35 years of extensive experience in finance, corporate planning and executive management in the property and hotel industry in both Malaysia and Australia. He holds various positions in non-governmental associations, among which he is the Chairman of Real Estate Housing Developers Association (REHDA) Institute and the Malaysian REIT Managers Association (MRMA). He is also a panel member of the Appeal Board under the Federal Territory (Planning Act 1982), appointed by the Ministry of Federal Territories and Urban Wellbeing.

Board Committee Position

- Audit Committee (Member)

Current Directorships in Other Companies and Principal Commitments

- Sunway REIT Management Sdn Bhd (Manager for Sunway REIT) (Chief Executive Officer and Executive Director)
- SunREIT Capital Berhad (Director)
- SunREIT Unrated Bond Berhad (Director)
- SunREIT Perpetual Bond Berhad (Director)
- Sunway Lagoon Club Berhad (Chairman and Director)
- Urban Hallmark Properties Sdn Bhd (Director)
- Swissglade Sdn Bhd (Director)
- Board of Studies – Master of Real Estate Development, University Tunku Abdul Rahman (Member)

Past Directorships in Other Companies and Principal Commitments

- Sunway City Berhad (now known as Sunway Berhad) (Executive Director)
- AP Land Berhad (Managing Director)
- REHDA Malaysia (Patron & Chairman)
- REHDA Wilayah Persekutuan (KL) Branch (Chairman)

Education and Achievements

- Bachelor of Economics, Monash University, Melbourne
- Malaysian Institute of Accountants (Member)
- Malaysian Association of Certified Public Accountants (Member)
- Institute Chartered Accountants, Australia & New Zealand (Fellow Member)
- Entrepreneur of the Year by Malaysia Australia Business Council (2003)
- REHDA Personality of the Year 2015
- The Asset Corporate Award 2018, Best CEO - Property

Wee Ee Cheong
Deputy Chairman
Executive

Appointed as a director: 23 March 1994

Appointed as Deputy Chairman: 25 July 2001

A career banker with 40 years' experience. Mr Wee is also active in the banking and financial services industry and the community through his involvement in various industry-based organisations. He was previously Deputy Chairman of the Housing & Development Board and a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

Board Committee Position
- Nominating Committee (Member)

Current Directorships in Other Companies and Principal Commitments
- United Overseas Bank Limited (Deputy Chairman and Chief Executive Officer)
- United Overseas Bank (China) (Chairman)
- PT Bank UOB Indonesia (President Commissioner)
- United Overseas Bank (Thai) Public Company Limited (Director)
- United Overseas Insurance (Director)
- The Association of Banks in Singapore (Council Member)
- The Institute of Banking & Finance (Council Member)
- Board of Governors of the Singapore-China Foundation (Member)
- Indonesia-Singapore Business Council (Member)
- Singapore Chinese Chamber of Commerce & Industry (Honorary Council Member)
- VISA AP Senior Client Council (Member)
- Nanyang Academy of Fine Arts (Patron)
- Wee Foundation (Director)

Past Directorship in Other Companies and Principal Commitments
- Far Eastern Bank Limited (Alternate Director) (till May 2018)

Education and Achievements
- Master of Arts (Applied Economics), American University, Washington, DC
- Bachelor of Science (Business Administration), American University, Washington, DC
- Singapore Public Service Star (2013)

Board of Directors

As at 2 March 2020

Wong Kim Choong

Executive and Chief Executive Officer

Appointed as a director and Chief Executive Officer: 1 October 2012

Mr Wong has 36 years of banking experience and started his career with United Overseas Bank Limited (UOB) in 1983, where he served for over 14 years. During his tenure with UOB, he held various management and senior roles across Consumer Banking, Corporate Banking and Commercial Banking. He was transferred to UOB (Malaysia) in 1997 where he was appointed as Head of Corporate and Commercial Banking and subsequently promoted as 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. He was elected Fellow Chartered Banker by Asian Institute of Chartered Bankers in 2015.

Board Committee Position
- Nil

Current Directorships in Other Companies and Principal Commitments
- UOB Asset Management (Malaysia) Berhad (Chairman)
- United Investments Pte Ltd (Director)
- Asia Alpha Fund (Director)

Past Directorships in Other Companies and Principal Commitments
- United Overseas Bank (Thai) Public Company Limited (Director and Chief Executive Officer)
- UOB Cayman I Limited (Director)

Education and Achievements
- Bachelor of Commerce, University of Toronto, Canada

Fatimah Binti Merican

Independent

Appointed as a director: 3 November 2014

Puan Fatimah has vast experience in management and information technology, having worked locally, regionally and globally, with over 35 years in a Fortune 500 company. She is currently a Certified NLP Coach from The American Board of Neuro-Linguistic Programming. She was a mentor in the TalentCorp/ICAEW Women in Leadership Malaysia programme. She also chaired the Human Capital Council, Malaysian International Chamber of Commerce and Industry from 2012 to 2014.

Board Committee Positions
- Nominating Committee (Chairperson)
- Remuneration Committee (Chairperson)
- Audit Committee (Member)
- Risk Management Committee (Member)

Current Directorships in Other Companies and Principal Commitments
- IJM Plantations Berhad (Director)
- Paramount Corporation Berhad (Director)

Past Directorships in Other Companies and Principal Commitments
- Esso Malaysia Berhad (Director)
- ExxonMobil group of companies (Director)
- Merdeka Award Education and Community Category Nomination Committee (Member)

Education and Achievements
- Higher National Diploma in Computer Science, University of Westminster

Ching Yew Chye
Independent

Appointed as a director: 1 June 2018

Mr Ching started his career in Robert Horne Group of Companies in Northampton, England in 1977 and thereafter moved on to Scicon Consultancy in London, England in 1979. He then joined Accenture in 1982, a global management consulting, technology services and outsourcing company listed on the New York Stock Exchange. He retired from Accenture as Senior Partner in May 2007 after a successful career spanning of more than 25 years of service.

Board Committee Positions
- Risk Management Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Current Directorships in Other Companies and Principal Commitments
- AIA Bhd (Chairman)
- AIA General Berhad (Chairman)
- Genting Plantations Berhad (Director)
- YTL Starhill Global REIT Management Limited (Director)

Past Directorships in Other Companies and Principal Commitments
- Petronas Chemicals Group Berhad (Director)
- HSBC Bank Malaysia Berhad (Director)
- Avenue Invest Berhad (Director)
- China YuChai Limited (Director)
- Yorkville Advisors HK Ltd (Member of Advisory Board)

Education and Achievements
- Bachelor of Science (Honours), University of London, UK

Appointed as a director: 2 January 2019

Datuk Phang has had a distinguished career in the civil service of Malaysia, spanning 36 years in promoting foreign and domestic investments and assisted in developing the manufacturing and services sectors in Malaysia under the Malaysian Investment Development Authority (MIDA), where his last held position was the Deputy Chief Executive Officer, before his retirement in 2017. During his tenure in MIDA, he played an active role in shaping the economic landscape of Malaysia through his involvements in the First Industrial Master Plan (1986-1995), the 10th and 11th Malaysian Plan for the manufacturing sector and the Economic Transformation Programme.

Board Committee Positions
- Audit Committee (Chairman)
- Nominating Committee (Member)
- Remuneration Committee (Member)
- Risk Management Committee (Member)

Current Directorships in Other Companies and Principal Commitments
- Malaysia Automotive, Robotics and Internet of Things Institute (Chairman)
- JF Technology Berhad (Chairman)
- Jerasia Capital Berhad (Chairman)
- Novugen Pharma (Malaysia) Sdn Bhd (Chairman)
- Oncogen Pharma (Malaysia) Sdn Bhd (Chairman)
- Inari Amertron Berhad (Director)
- UMS Holdings Limited (Director)
- Apex Healthcare Berhad (Director)
- Kiswire Sdn Bhd (Director)

Past Directorships in Other Companies and Principal Commitments
- MIDA London (Assistant Trade Commissioner)
- MIDA New York (Director)

Education and Achievements
- Bachelor Degree in Economics (Honours), University of Malaya

Datuk Phang Ah Tong
Independent

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

Ng Wei Wei (Ms)
Managing Director
Country Head, Wholesale Banking

Ajeep Rassidi Bin Othman
Executive Director
Co-Country Head, Credit - Commercial

Beh Wee Khee
Executive Director
Country Head, Commercial Banking

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

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

Chew Yee Lim, Lucas
Executive Director
Country Head, Transaction Banking

Chong Kim Khong, William
Executive Director
Country Head, Risk Management

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

Kan Wing Yin
Executive Director
Co-Country Head, Credit - Commercial

Lai Tak Ming
Executive Director
Country Head, Human Resources

Liew Chee Choong
Executive Director
Country Head, Credit - Retail

Lim Ching Hui
Executive Director
Country Head, Technology & Operations

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

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

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

Tam Chee Meng
Executive Director
Country Head, Credit - Corporate

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

Wong See Hong, Bill
Executive Director
Country Head, Internal Audit

Yap Kok Tee
Executive Director
Country Head, Channels and Digitalisation

SECRETARY
Ong Kit Ping

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

SHARE CAPITAL
Share capital: RM792,555,000

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: Mona Tan Swee Ling

Jalan Imbi Branch
197-199, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-2143 5722
Fax: 03-2148 9725
Manager: Nathan Cheah Siew Loon

Jalan Pudu Branch
408-410, Jalan Pudu
55100 Kuala Lumpur
Tel: 03-9222 9022
Fax: 03-9221 6667
Manager: Samantha Wong Thien Sen

Bangsar Branch
Bangunan Bangsaria
45E, Jalan Maarof
Bangsar Baru
59100 Kuala Lumpur
Tel: 03-2283 9888
Fax: 03-2283 9898
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: Johnsen Phoon Leong Yew

Negeri Sembilan
Seremban Branch
24-26, Jalan Dato Lee Fong Yee
70000 Seremban
Tel: 06-760 4444
Fax: 06-760 4545
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: Ho Hui Ming

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: Vanessa Yew Shok Leng

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: Violet Koh Geok Lan

Kota Damansara Branch
48, Jalan PJU 5/8
Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Tel: 03-6140 9881
Fax: 03-6140 9771
Manager: Jeffrey Liewn Chee Kean

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
No 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: Wong Yin Pheng

Ampang Branch
495, Jalan Lima
Taman Ampang Utama
Jalan Ampang
68000 Ampang, Selangor
Tel: 03-4264 0288
Fax: 03-4257 8322
Manager: Andy Loo Say Chye

Cheras Branch
35, Jalan Desa Cahaya 11
Taman Desa Bukit Cahaya
56100 Cheras, Selangor
Tel: 03-9106 2788
Fax: 03-9105 3281
Manager: Daniel Foong Wai Choy

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: Donald Hew Chun Kie

Jalan Othman Branch
39-45, Jalan Othman
46000 Petaling Jaya
Tel: 03-7788 3333
Fax: 03-7783 8131
Manager: Oh Seng Hu

Jalan Tengah Branch
2-6, Jalan Tengah
46200 Petaling Jaya
Tel: 03-7956 9057 / 03-7958 2282
Fax: 03-7955 9110
Manager: Joe Ng Weng Bu

Puchong Branch
6, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Tel: 03-8090 7300
Fax: 03-8090 7329
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: Kennix Phang Jin Shee

Raub Branch
14 & 16, Jalan Tun Razak
27600 Raub
Tel: 09-355 1187 / 09-355 3766
Fax: 09-355 5955
Manager: Karen Lee Shek Fern

Terengganu

Kuala Terengganu Branch
51, Jalan Sultan Ismail
20200 Kuala Terengganu
Tel: 09-622 1644 / 09-622 7912
Fax: 09-623 4644
Manager: Chong Hui See

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: Jonathan How Boon Seong

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: Lee Ai Pin

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

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
No. 4, Jalan Cempaka 1/3
Amanjaya Square
08000 Sungai Petani
Tel: 04-426 0800
Fax: 04-426 0818
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: Rachel Chong Siet Foon

Batu Pahat Branch
Ground Floor, Wisma Sing Long
9, Jalan Zabedah
83000 Batu Pahat
Tel: 07-432 8999
Fax: 07-433 8122
Manager: Ben Liew Kar Voon

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: Janice Cheah Han Ling

Kluang Branch
14-16 Jalan Datok Kapt Ahmad
86000 Kluang
Tel: 07-772 1967 / 07-772 5968
Fax: 07-772 1977
Manager: Yeow Kheng Leh

Kulai Branch
31-1 & 31-2 Jalan Raya
Kulai Besar
81000 Kulai
Tel: 07-663 1232 / 07-663 1342
Fax: 07-663 5287
Manager: Tracia Kek Choon Yian

Taman Ponderosa Branch
Bangunan UOB
Ground Floor, No. 8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Tel: 07-360 6800
Fax: 07-355 3761
Manager: Ricky Teo Choh Meng

Sabah / Sarawak

East Malaysia Area
UOB Tower CT160, Level 1,
Block C, iCom Square
Jalan Pending
93450 Kuching
Tel: 082-527 789
Fax: 082-527 752
Area Manager: Lee Kui Ping

Sabah

Kota Kinabalu Branch
Bangunan UOB
70 Jalan Gaya
88000 Kota Kinabalu
Tel: 088-526 000
Fax: 088-314 888
Manager: Robson Soo Kan Hung

Sandakan Branch
2nd Avenue
90000 Sandakan
Tel: 089-212 028 / 089-217 833
Fax: 089-225 577
Manager: Kelvin Lin Ket Yin

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

Sarawak

Sibu Branch
8, Lorong 7A Jalan Pahlawan
Jaya Li Hua Commercial Centre
96000 Sibu
Tel: 084-216 089
Fax: 084-217 089
Manager: Donald Fu Ping Yung

Miri Branch
108 & 110, Jalan Bendahara
98000 Miri
Tel: 085-433 322
Fax: 085-422 221
Manager: Alex Lin Kuok Ho

Kuching Branch
UOB Tower CT160, Level 1,
Block C, iCom Square
Jalan Pending
93450 Kuching
Tel: 082-527 777
Fax: 082-527 752
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 2019

Governance

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30 Pillar 3 Disclosure

Corporate Governance

Board of Directors' Composition, Function and Conduct

The UOB (Malaysia) Board is committed to upholding good corporate governance which is integral to the Bank's growth and success. The Board works with Management to ensure that good corporate governance principles are observed at all levels of the Bank. The Bank's corporate governance practices are guided by the principles set out in Bank Negara Malaysia (BNM)'s Guidelines on Corporate Governance and the Malaysian Code on Corporate Governance.

Board Duties

The Board's responsibilities are set out in its Charter. Its responsibilities include:

- providing strategic direction, entrepreneurial leadership and guidance;
- approving annual business plans and budget;
- ensuring the financial statements are true and fair;
- monitoring financial performance;
- determining capital/debt structure;
- setting dividend policy and declaring dividends;
- reviewing risk management framework, culture and internal controls;
- reviewing and approving Internal Ratings Based Framework; and
- managing Money Laundering/Terrorism Financing risks.

The Board also approves other material matters, including remuneration policy, risk appetite, technology, data and productivity initiatives, policies relating to Shariah matters, Islamic Banking products and services, and matters reserved to the Board by law and regulators' requirements.

The Board receives updates through regular management reports and interacts with Management outside of Board meetings. These allow the Board to oversee the Bank's performance, operations and governance initiatives with greater depth and understanding.

Board Delegation

The Board recognises the need to be more nimble in discharge of its responsibilities, hence the Board has delegated certain duties to four Board Committees, namely the Nominating Committee (NC), Remuneration Committee (RC), Risk Management Committee (RMC) and Audit Committee (AC).

Each of the Board Committee has written terms of reference which set out the committee's composition, roles and responsibilities, operating processes including decision-making by the committee and reporting back to the Board. These are reviewed annually for continued relevance. After each Board Committee 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.

Common membership in the Board Committees facilitates the sharing of information between relevant Board Committees and enables better coordination of the work among the Board Committees.

Board and Board Committee Meetings

Board and Board Committee meetings are scheduled well before the start of a calendar year. Additional meetings are held during the year when warranted by circumstances. Directors are informed of meeting dates well in advance and received comprehensive information related to the agenda items ahead of a meeting. Papers for a meeting are uploaded onto a secure portal which directors can access via tablet devices provided by the Bank.

Managing Potential Conflicts of Interests

Each director is required to act honestly, in good faith and with due care and diligence when exercising his/her powers. All directors have to notify the Bank in a timely manner of any change in interests or other appointments. Where a director has an interest in a matter being discussed, he/she is required to recuse himself/herself from the discussion and abstain from voting on the matter.

Board Attendance

Directors' attendance at Board and Board Committee meetings in 2019 is set out in the table below. The contributions of directors go beyond their attendance at formal meetings. Directors have individually or collectively engaged Management outside formal meetings in their oversight of the affairs of the Bank.

	Number of meetings attended in 2019				
	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Dr Wee Cho Yaw *(Retired as director on 12 April 2019)*	–	N/A	N/A	–	–
Dato' Jeffrey Ng Tiong Lip *(Appointed as Board Chairman on 2 January 2019)*	5^	5	N/A	N/A	N/A
Mr Wee Ee Cheong	5	N/A	N/A	N/A	4
Puan Fatimah Binti Merican	5	5	4	3^	4^
Mr Ching Yew Chye	5	5	4^	3	4
Datuk Phang Ah Tong *(Appointed as director on 1 January 2019 and as a member of Remuneration Committee on 13 April 2019)*	5	5^	4	1	4
Mr Wong Kim Choong	5	N/A	N/A	N/A	N/A
Number of meetings held in 2019	5	5	4	3	4

^ Chairman/Chairperson of Committee.

Board Independence, Composition and Diversity

The Board currently comprises six members, the majority of whom are independent directors. Dato' Jeffrey Ng Tiong Lip, Puan Fatimah Binti Merican, Mr Ching Yew Chye and Datuk Phang Ah Tong are independent directors. Annually, the NC assists the Board to assess the overall composition and effectiveness of the Board and Board Committees as well as each director's independence according to the criteria in BNM's Guidelines on Corporate Governance. For the year under review, the NC concluded that the independent directors continue to demonstrate conduct and behavior that are essential indicators of independence and that each of them continues to fulfil the definition of independence.

The profiles of the directors can be found in the Board of Directors section of this report. Collectively, the directors have vast and varied experience in banking, finance, business, management and technology, and the skills and expertise relevant to the business of the Bank. The Board leverages the range of skills, expertise, experience and insights of its members in the discharge of its duties. The ongoing renewal of the Board has ensured that it comprises a mix of longer-serving directors and newer ones to provide continuity and stability and to facilitate knowledge transfer.

Chief Executive Officer

Mr Wong Kim Choong, who is also the CEO of UOB (Malaysia), leads the management team and implements the Board's decisions. Assisted by senior management, the CEO bears executive responsibility for the Bank's day-to-day operations and business, including seeking business opportunities and ensuring the Bank's system of internal controls and risk management is relevant, adequate and effective, that the Bank provides a healthy work environment for employees and the values of the Bank are observed in the Bank's activities.

Induction and Continuous Development

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 training programmes related to their duties as directors including governance and risk management practices, Islamic Finance, digital development in Malaysia, cyber security and anti-money laundering. Through the Bank's continuous development programmes, new and existing directors receive training on topics that are relevant to the business of the Bank thereby equipping directors with the relevant knowledge and skills to perform their role effectively. They also attended external programmes organised by FIDE Forum and ISRA Consultancy.

Induction and Continuous Development (Continued)

A new director receives an induction package upon appointment. The package includes among other materials, the articles of directorship which enumerate a director's general duties, obligations and responsibilities, the Board Charter, terms of reference of the Board Committees, and guidance on directors' duties and relevant policies. The induction process consists of meetings with key senior management and briefings on key areas of the Bank's business, risk management and support functions. A new director who is also appointed to serve on Board Committees is briefed on specialised or technical topics relevant to the activities of those Board Committees.

Access to Information

Directors have unfettered access to information, the internal and external auditors and senior management for the purpose of carrying out their duties. Comprehensive information is provided to directors in advance of each meeting to enable their deliberation and decision-making at the meeting. The information provided includes financial, strategic, risk management and operational reports. Directors may approach Management should they require additional information. Senior executives are present at meetings to provide additional information or clarification on matters tabled. Where relevant, professional advisers may be invited to brief the Board or Board Committees.

Whether individually or as a group, directors may seek independent professional advice in the course of discharging their duties at the Bank's expense.

Role of Company Secretary

The Board is supported by the Secretariat team and has independent access to the company secretary, whose appointment and removal are subject to the Board's approval. The company secretary is responsible to ensure that Board procedures are adhered to, advises the Board on corporate governance matters, assists the Board to monitor the execution of its decisions and facilitates communication between the Board and senior management. The company secretary also organises the induction of new directors and the directors' continuous development programme, and provides updates on applicable laws and regulations.

Board Committees

The NC, RC, RMC and AC have been constituted in accordance with Bank Negara Malaysia's Guidelines on Corporate Governance. The roles and duties of each Board Committee are explained further in this section.

Nominating Committee

The main responsibilities of the NC are as follows:

- review nominations for appointment and re-appointments as well as removal of directors, Shariah Committee members, CEO and key senior management officers and company secretary;
- review the size and overall composition of the Board and Board Committees annually and to ensure the Board and each Board Committee has an appropriate size and mix of competencies;
- assess the effectiveness of the Board and Board Committees, as well as contribution and performance of each director to the effectiveness of the Board;
- assess the independence of each director annually based on the criteria in Bank Negara Malaysia's Guidelines on Corporate Governance;
- assess the performance of Shariah Committee members, CEO, key senior management officers and the company secretary;
- ensure all directors receive an appropriate continuous development programme;
- assess the fitness and propriety of directors, Shariah Committee members, CEO, key senior management officers and company secretary; and
- oversee the succession plan for the Board, CEO and key senior management officers.

Remuneration Committee

The main duties of the RC are as follows:

- provide a formal and transparent procedure for developing remuneration policy for directors, Shariah Committee members, CEO and key senior management officers;
- ensure that compensation is competitive and consistent with UOB (Malaysia)'s culture, objectives and strategy; and
- oversee 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.

Each year, RC reviews and ensures the remuneration package is sufficient to attract and retain directors, Shariah Committee members, CEO and key senior management officers.

Risk Management Committee

The RMC oversees risk management matters. The areas of oversight include the following:

- establishment and operation of a robust risk management system, policies, processes and procedures to identify, monitor, control and report risks;
- oversee senior management's activities in managing credit, market, liquidity, operational, compliance, legal and other risks;
- ensure that the risk management process is in place and functioning;
- review the Bank's framework in managing money laundering and terrorism financing risks;
- review risk management strategies, policies and risk appetite;
- review bank-wide stress test scenarios, assumptions, parameters and results, reasonableness of proposed actions and contingency plans, and senior management's attestation on the overall state of business continuity preparedness of the Bank;
- provide oversight over technology-related matters;
- examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the RC; and
- approve the appointment, resignation and dismissal of the Chief Risk Officer and review the performance of the risk management function.

Audit Committee

The AC oversees the Bank's financial reporting, and the effectiveness and adequacy of the Bank's internal control system. The AC also oversees matters relating to the following:

- financial statements and quality of, and any significant change in, accounting policies and practices;
- appointment, re-appointment, evaluation and remuneration of the external auditor and plans, reports and results of external audit;
- integrated fraud management;
- the review of fraud and whistleblowing cases reported to the Bank;
- the review of policies and procedures for detecting fraud and whistleblowing;
- the review of and updates to the Board on credit transactions and exposures with connected parties and all related party transactions;
- the review of the accuracy and adequacy of the chairman's statement in the directors' report, corporate governance disclosures and interim financial reports in relation to the preparation of financial statements; and
- appointment, resignation, dismissal, evaluation and compensation of the Head of Internal Audit.

The AC has authority to investigate any matters within its terms of reference and has the full cooperation of and access to Management. It also has direct access to the internal and external auditors. The AC meets the external auditor 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 also 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 and external auditors as often as they deem appropriate to be apprised of matters which are under review.

Each quarter, the AC meets to review the financial statements before recommending them to the Board for approval. 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. AC meetings may involve discussions of accounting standards and accounting practices and developments, especially those that have an impact on the business of the Bank and its reporting obligations.

Another important duty of the AC is the review of fraud and whistleblowing cases reported to the Bank. Annually, the AC reviews the policy governing the management of whistleblowing cases.

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 AC 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 99.

Internal Controls

The Bank maintains an effective and well-established system of internal controls and risk management processes to ensure customers' interests and the Bank's assets are safeguarded. To meet this requirement, procedures and policies are in place to protect assets against unauthorised use or disposal; for maintaining proper accounting records; and for ensuring the reliability and usefulness of financial information.

The Bank's business and support units use various self-assessment tools to assess their compliance with internal controls, risk management processes and applicable regulations. The results of the self-assessments are regularly reviewed by Senior Management.

Internal Audit (IA) evaluates the adequacy and effectiveness of internal controls, risk management and governance processes; and their level of compliance with applicable rules and regulations. The results of the evaluation are acknowledged by Senior Management and independently reported to the AC. The AC regularly reviews actions taken on lapses and deficiencies identified in reports prepared by the IA and Management's responses to these recommendations to ensure lapses are dealt with adequately and promptly.

Based on the internal controls and risk management processes established and maintained by the Bank, the work performed by IA, and the reviews performed by Senior Management and the relevant Board Committees, the Board - with the concurrence of the AC and the RMC - is of the opinion that the Bank's systems of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2019.

The Board notes that no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud. UOB (Malaysia)'s system of risk management and internal controls provides reasonable but not absolute assurance that the Bank will not be affected by any adverse event which may be reasonably foreseen.

Internal Audit

The Bank has a well-established internal audit function which reports functionally to the AC and administratively to the CEO. The primary role of the IA 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.

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 regularly reports significant findings and other control concerns to the Head of Group Audit.

Remuneration Policy

The Bank's Remuneration Policy sets out the principles and philosophies that guide the design, operation and management of our remuneration programmes. The objective is to ensure that we attract, motivate and retain a highly-skilled workforce, while encouraging value-based behaviours that support the business objectives and strengthen the long-term financial strength of the Bank and the Group. The policy covers the remuneration of directors and employees.

The Remuneration Committee (RC) conducts regular reviews of the remuneration policy to ensure that compensation practices and programmes are consistent with regulatory requirements and are responsive to market developments.

Our Approach to Remuneration

The Bank's total compensation comprises two main components namely fixed pay and variable pay. Fixed pay consists of base salary and fixed allowances that are pegged to the market value of the job. Variable pay which comprises of cash bonus and deferrals in the form of cash or shares where applicable, rewards employees based on the performance of the Bank, business units as well as the employee's individual performance.

We take a holistic view of various factors to determine and to ensure fair compensation for every employee. These factors include:

- **pay for position:** the market value of the employee;
- **pay for performance:** the performance of the Bank, business units and employee's individual achievement of performance targets;
- **pay for person:** the employee's personal attributes such as skills and experience; and
- **living the UOB Values:** how well the employee uphold our values.

Our Approach to Remuneration (Continued)

Determining Variable Pay

Performance-based variable pay is linked to the performance of the Bank, business functions and the employee's individual achievement of performance targets. The Bank's scorecard includes performance measures in three categories: (1) financial outcomes, (2) strategic and business drivers, and (3) risk and reputation. Financial outcomes metrics include profitability, productivity, asset quality and capital efficiency. Strategic and business drivers include key initiatives that would help ensure the bank's sustainability and propel it forward in the changing business environment. Under risk and reputation, the Bank takes account of the Risk Appetite Statement output assessed by the Risk Management Committee. Any breach in Risk Appetite Statement may result in adjustment in the total variable pay for the year. The Bank's key performance indicators are cascaded to business functions accordingly and subsequently to individual employees.

Employees are assessed based on (1) performance objectives, (2) competency behaviours and (3) behaviour that uphold to UOB Values. Variable pay of each employee is dependent and differentiated by the employee's performance at the end of every year.

Remuneration Governance

Control Functions

Employees in control functions, namely Risk Management, Audit, Credit and Compliance are compensated independently of the performance of the business lines or business units they oversee. Compensation for these employees is determined based on the overall performance of the Bank, the achievement of operational key performance indicators of the control functions and the performance of the individual employee.

In addition, the remuneration for the Chief Risk Officer and the Head of Internal Audit are approved by the Risk Management Committee and the Audit Committee respectively.

Variable Pay Deferrals

Variable pay deferral policy applies to all senior rank employees and material risk takers (MRT). Material risk taker refers to employees with significant organisational responsibilities who have material impact on the Bank's performance and risk profile, and employees with high risk mandate. The variable pay deferral is essential to meeting the following objectives:

- aligns compensation payment schedules with the time horizon of risks;
- retains key employees whose contributions are essential to the long-term growth and profitability of the Bank; and
- encourages employees to focus on delivering sustainable long-term performance to align with shareholders' interests.

Under the variable pay deferral policy, variable pay is subject to deferral ranging from 20% to 40%, with the proportion of deferral increasing with the amount of total variable pay granted. Variable pay deferrals are either in the form of deferred cash or shares under the Executive Equity Plan (EEP) and will vest over three years.

The vesting of deferred compensation is subject to malus and clawback. Malus of unvested compensation and clawback of paid compensation will be triggered by, inter alia:

- Material violation of risk limits;
- Bank-wide losses or material risks due to negligent risk-taking or inappropriate individual behaviour;
- Material restatement of financial results; and
- Misconduct, malfeasance or fraud.

Summary of 2019 Remuneration Outcomes

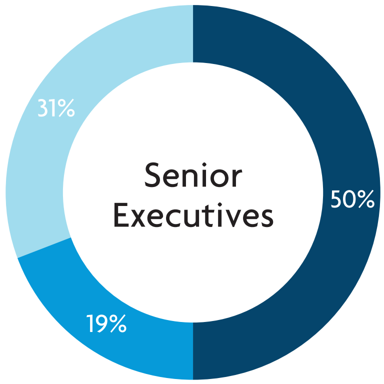
1. Breakdown of total remuneration for CEO for FY2019

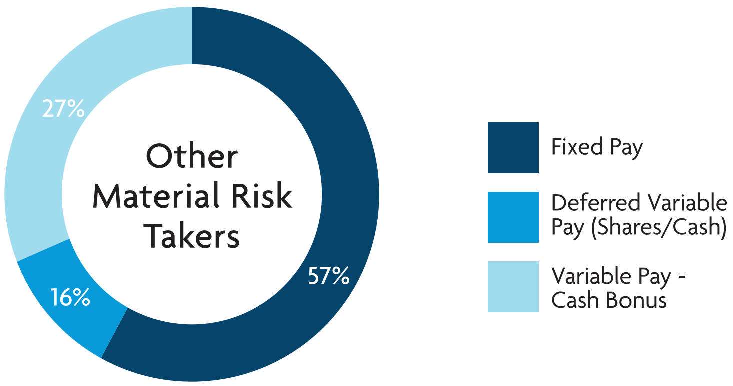
Name	Fixed Pay (RM'000)	Variable Pay – Unrestricted (RM'000)	Deferred Variable Pay – EEP (RM'000)
Wong Kim Choong	1,292	2,119	1,413

Summary of 2019 Remuneration Outcomes (Continued)

2. Breakdown of Remuneration Awarded to SEs and MRTs for FY2019

- Senior Executives (SEs) refers to the Chief Executive Officer and members of Senior Management comprising of country heads of Executive Director and Managing Director grades. There were 24 Senior Executives in 2019.
- In addition to all SEs, there were 7 other MRTs in 2019.





Total remuneration for FY2019 is RM32mil

Total remuneration for FY2019 is RM5.1mil

Material risk taker refers to employees with significant organisational responsibilities who have material impact on the Bank's performance and risk profile, and employees with high risk mandate.

3. Guaranteed Bonuses, Sign-on Awards and Severance Payments for FY2019

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	0	0
Number of sign-on awards	2	1
Number of severance payments	-	-
Total amounts of above payments made for the financial year (RM'000)	390	93

4. Breakdown of Deferred Remuneration

Category	SEs	MRTs
Total amount of outstanding deferred remuneration		
Cash (RM'000)	-	117
Shares (RM'000)	16,070	1,174
Total amount of deferred remuneration paid in FY2019		
Cash (RM'000)	-	-
Shares (RM'000)	7,104	425
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	100%	100%
Reductions in current year due to ex-post adjustments (explicit[1])	-	-
Reductions in current year due to ex-post adjustments (implicit[2])	-	-
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	-	-
Reductions in current year due to ex-post adjustments (explicit)	-	-
Reductions in current year due to ex-post adjustments (implicit)	-	-

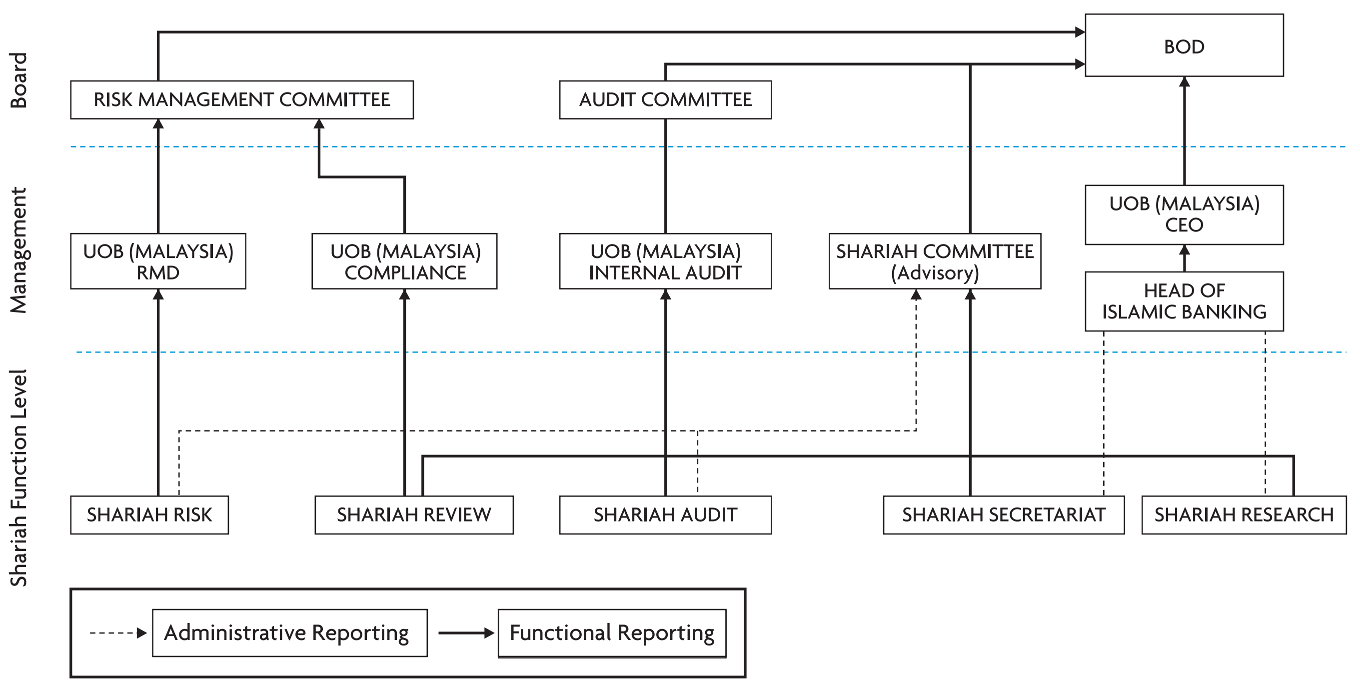
1 Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.
2 Examples of implicit ex-post adjustments include fluctuations in the value of the shares or performance units.

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.

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

Shariah Governance Structure:



Statement on Shariah Governance (Continued)

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 the Bank commensurate with the size, complexity and nature of its business.

Shariah Committee (SC) comprises of 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 matters.

The SC comprises of five members as follows:

1. Dr. Samsuri bin Sharif (Chairman)
2. Prof. Dr. Norhashimah binti Mohd Yasin
3. Dr. Marhanum binti Che Mohd Salleh
4. Assoc. Prof. Dr. Sharifah Faigah binti Syed Alwi
5. Dr. Ahmad Zakirullah bin Mohamed Shaarani

During the financial year, the SC met eight times. Attendance by the SC members was recorded as follows:

SC Member	Attendance
Dr. Samsuri bin Sharif (Chairman)	8/8
Prof. Dr. Norhashimah binti Mohd Yasin	8/8
Dr. Marhanum binti Che Mohd Salleh	8/8
Assoc. Prof. Dr. Sharifah Faigah binti Syed Alwi	8/8
Dr. Ahmad Zakirullah bin Mohamed Shaarani	7/8

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, conduct research on Shariah issues and provide day-to-day Shariah advice to the Bank's internal parties.

Shariah Review conducts regular assessment on Shariah compliance in relation to Islamic Banking activities and operations as well as provides 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 develops and continuously enhances the Risk Management Framework and other risk management policies and procedures relevant to the Islamic banking business operations. This includes localising relevant Group policies for implementation. Shariah Risk is responsible together with the Shariah Compliance as the second line of defense in providing independent oversight to ensure compliance of SC's decisions or BNM guidelines. Shariah Risk facilitates the process of identifying, measuring, controlling and monitoring Shariah non-compliance risks inherent in the Bank's Islamic Banking related operations and activities. Shariah Risk continuously monitors risk profiles and controls effectiveness to facilitate efficient and effective Shariah Risk management.

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 Islamic Banking operations, with the main objective of ensuring a sound and effective internal control system. The scope of Shariah Audit covers the Bank's key Islamic Banking business activities and operations.

On top of the above, 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 also oversees the implementation of Shariah rulings issued by SC.

Pillar 3 Disclosure

This Pillar 3 Disclosure document is prepared in accordance 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). The disclosures are to facilitate the understanding of United Overseas Bank (Malaysia) Bhd (UOBM)'s risk profile and assessment of the Bank's capital adequacy. This is to be read in conjunction with the Bank's financial statements.

Effective July 2016, UOBM 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 UOBM Group is generally subject to regulatory approval.

Capital Adequacy

Our approach to capital management is to ensure that the UOBM 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 UOBM 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 Bank's risk appetite. This is evaluated across all business segments and includes the UOBM 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 UOBM Group while the Risk and Capital Committee manages the UOBM Group's ICAAP, overall risk profile and capital requirements. The UOBM 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 financial year ended 31 December 2019 was 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	13,070,835	13,070,835	-	-
	Public sector entities	25,709	25,709	-	-
	Insurance cos, securities firms and fund managers	172	172	172	14
	Corporates	331,674	329,427	329,028	26,322
	Other assets	910,065	910,065	631,665	50,533
	Equity exposure	131,809	131,809	131,809	10,545
	Defaulted exposures	3,184	3,184	3,486	279
	Total on-balance sheet exposures	14,473,448	14,471,202	1,096,161	87,693

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) by exposures in each category of the Bank for the financial year ended 31 December 2019 was 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	81,756	81,756	92,504	7,400
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	105,764	104,760	49,149	3,932
	Total off-balance sheet exposures	187,520	186,516	141,653	11,332
	Total on and off-balance sheet exposures (SA)	14,660,968	14,657,717	1,237,814	99,025
1.2	Exposures under the Foundation IRB approach (FIRB)				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	12,669,954	9,090,009	1,120,300	89,624
	Insurance cos, securities firms and fund managers	82,072	50,556	14,669	1,174
	Corporates	33,570,499	29,801,343	30,455,041	2,436,403
	Equity (simple risk weight)	2,075	2,075	6,226	498
	Defaulted exposures	816,872	786,326	-	-
	Total on-balance sheet exposures	47,141,471	39,730,310	31,596,236	2,527,699
	Off-balance sheet exposures				
	OTC derivatives	1,530,158	1,527,706	739,461	59,157
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,017,459	6,970,951	6,894,161	551,533
	Defaulted exposures	11,882	11,413	-	-
	Total off-balance sheet exposures	9,559,499	8,510,069	7,633,622	610,690
	Total on and off-balance sheet exposures (FIRB)	56,700,970	48,240,380	39,229,858	3,138,389
1.3	Exposures under the Advance IRB approach (AIRB)				
	On-balance sheet exposures				
	Corporates	-	-	-	-
	Residential mortgages	34,676,718	34,676,718	3,785,056	302,804
	Qualifying revolving retail	2,841,248	2,841,248	1,237,859	99,029
	Other retail	15,843,438	15,843,307	2,892,586	231,407
	Defaulted exposures	794,160	794,160	713,153	57,052
	Total on-balance sheet exposures	54,155,565	54,155,433	8,628,654	690,292

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) by exposures in each category of the Bank for the financial year ended 31 December 2019 was 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	390	390	118	9
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,796,241	9,796,090	1,357,946	108,636
	Defaulted exposures	145	145	0	0
	Total off-balance sheet exposures	9,796,775	9,796,624	1,358,065	108,645
	Total on and off-balance sheet exposures (AIRB)	63,952,340	63,952,057	9,986,719	798,938
	Total exposures under IRB approach	120,653,310	112,192,437	49,216,577	3,937,326
	Total (exempted exposures and exposures under the IRB approach) after scaling factor			53,407,386	4,272,591
2.0	Large exposures risk requirement	-	-	-	-
3.0	Market risk	Long position	Short position		
	Interest rate risk	46,650,258	31,936,667	1,539,174	123,134
	Foreign currency risk	285,838	584,747	312,290	24,983
	Commodity risk	290,120	301,901	138,735	11,099
	Options risk	-	-	21,693	1,735
4.0	Operational risk (basic indicator approach)			5,590,647	447,252
5.0	Total RWA and capital requirements			61,009,925	4,880,794

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2018 was 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	13,036,857	13,036,857	-	-
	Insurance cos, securities firms and fund managers	210	210	210	17
	Corporates	344,909	342,573	342,193	27,375
	Other assets	1,016,986	1,016,986	768,446	61,476
	Equity exposure	112,489	112,489	112,489	8,999
	Defaulted exposures	2,452	2,452	3,677	294
	Total on-balance sheet exposures	14,513,903	14,511,567	1,227,015	98,161
	Off-balance sheet exposures				
	OTC derivatives	123,704	123,696	49,465	3,957
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	45,764	44,685	43,891	3,512
	Total off-balance sheet exposures	169,468	168,381	93,356	7,469
	Total on and off-balance sheet exposures (SA)	14,683,371	14,679,948	1,320,371	105,630
1.2	Exposures under the Foundation IRB approach (FIRB)				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	12,935,681	9,562,226	1,445,910	115,673
	Insurance cos, securities firms and fund managers	40,641	17,116	4,971	398
	Corporates	31,347,682	27,525,146	27,365,003	2,189,200
	Equity (simple risk weight)	1,956	1,956	5,868	469
	Defaulted exposures	756,574	720,036	22	2
	Total on-balance sheet exposures	45,082,534	37,826,480	28,821,774	2,305,742
	Off-balance sheet exposures				
	OTC derivatives	1,403,256	1,401,297	700,020	56,002
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,637,776	8,508,963	9,044,874	723,590
	Defaulted exposures	29,977	29,535	-	-
	Total off-balance sheet exposures	11,071,009	9,939,795	9,744,894	779,592
	Total on and off-balance sheet exposures (FIRB)	56,153,543	47,766,275	38,566,668	3,085,334

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2018 was 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	44,000	44,000	19,770	1,582
	Residential mortgages	33,471,450	33,471,450	3,510,475	280,838
	Qualifying revolving retail	2,704,561	2,704,561	1,078,006	86,240
	Other retail	15,809,085	15,809,085	2,788,202	223,056
	Defaulted exposures	729,115	729,115	798,512	63,881
	Total on-balance sheet exposures	52,758,211	52,758,211	8,194,965	655,597
	Off-balance sheet exposures				
	OTC derivatives	995	995	767	61
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,612,261	9,612,261	1,203,721	96,298
	Defaulted exposures	328	328	176	14
	Total off-balance sheet exposures	9,613,584	9,613,584	1,204,664	96,373
	Total on and off-balance sheet exposures (AIRB)	62,371,795	62,371,795	9,399,629	751,970
	Total exposures under IRB approach	118,525,338	110,138,070	47,966,297	3,837,304
	Total (exempted exposures and exposures under the IRB approach) after scaling factor			52,164,645	4,173,172
2.0	Large exposures risk requirement	-	-	-	-
3.0	Market risk	Long position	Short position		
	Interest rate risk	79,258,784	76,936,333	1,350,964	108,077
	Foreign currency risk	257,994	679,604	456,482	36,519
	Commodity risk	218,874	218,671	84,599	6,768
	Options risk	-	-	83,504	6,680
4.0	Operational risk (basic indicator approach)			5,448,326	435,866
5.0	Total RWA and capital requirements			59,588,519	4,767,081

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2019 was 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	1,755,374	1,755,374	-	-	-	-
	Other assets	6,491	6,491	6,491	-	6,491	519
	Total on-balance sheet exposures	1,761,865	1,761,865	6,491	-	6,491	519
	Off-balance sheet exposures						
	OTC derivatives	2,277	2,277	1,049	-	1,049	84
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-	-	-
	Total off-balance sheet exposures	2,277	2,277	1,049	-	1,049	84
	Total on and off-balance sheet exposures (SA)	1,764,142	1,764,142	7,540	-	7,540	603
1.2	Exposures under the Foundation IRB approach (FIRB)						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	50,529	50,529	5,339	-	5,339	427
	Corporates	1,446,443	1,394,480	1,674,863	481,869	1,192,994	95,440
	Total on-balance sheet exposures	1,496,972	1,445,008	1,680,202	481,869	1,198,333	95,867
	Off-balance sheet exposures						
	OTC derivatives	-	-	-	-	-	-
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	139,756	135,203	169,760	-	169,760	13,581
	Total off-balance sheet exposures	139,756	135,203	169,760	-	169,760	13,581
	Total on and off-balance sheet exposures (FIRB)	139,756	1,580,211	1,849,962	481,869	1,368,093	109,447

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2019 was 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						
	Corporate	-	-	-	-	-	-
	Residential mortgages	2,079,890	2,079,890	343,309	-	343,309	27,465
	Other retail	835,470	835,470	222,587	-	222,587	17,807
	Defaulted exposures	38,366	38,366	9,656	-	9,656	773
	Total on-balance sheet exposures	2,953,726	2,953,726	575,552	-	575,552	46,044
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	539,462	539,462	80,410	-	80,410	6,433
	Total off-balance sheet exposures	539,462	539,462	80,410	-	80,410	6,433
	Total on and off-balance sheet exposures (AIRB)	3,493,189	3,493,189	655,962	-	655,962	52,477
	Total exposures under IRB approach	5,129,916	5,073,400	2,505,924	481,869	2,024,055	161,924
	Total (exempted exposures and exposures under the IRB approach) after scaling factor			2,663,820	510,781	2,153,039	172,243
2.0	Large exposures risk requirement	-	-	-	-	-	-
3.0	Market risk	Long Position	Short Position				
	Benchmark rate risk	219,345	138,988	2,349	-	2,349	188
	Foreign currency risk	17	12	17	-	17	1
	Commodity risk	-	-	-	-	-	-
	Options risk	-	-	-	-	-	-
4.0	Operational risk (basic indicator approach)			66,532	-	66,532	5,323
5.0	Total RWA and capital requirements			2,732,718	510,781	2,221,936	177,755

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2018 was 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	2,808,929	2,808,929	-	-	-	-
	Other assets	19,488	19,488	19,488	-	19,488	1,559
	Total on-balance sheet exposures	2,828,417	2,828,417	19,488	-	19,488	1,559
	Off-balance sheet exposures						
	OTC derivatives	1,552	1,552	311	-	311	25
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-	-	-
	Total off-balance sheet exposures	1,552	1,552	311	-	311	25
	Total on and off-balance sheet exposures (SA)	2,829,969	2,829,969	19,799	-	19,799	1,584
1.2	Exposures under the Foundation IRB approach (FIRB)						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	8,117	8,117	780	-	780	62
	Corporates	880,506	865,207	824,540	31,404	793,136	63,451
	Total on-balance sheet exposures	888,623	873,324	825,320	31,404	793,916	63,513
	Off-balance sheet exposures						
	OTC derivatives	193	193	111	-	111	9
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	51,176	46,615	50,880	-	50,880	4,070
	Total off-balance sheet exposures	51,369	46,808	50,991	-	50,991	4,079
	Total on and off-balance sheet exposures (FIRB)	939,992	920,132	876,311	31,404	844,907	67,592

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2018 was 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						
	Corporate	-	918	555	-	555	44
	Residential mortgages	1,334,476	1,333,558	211,845		211,845	16,948
	Other retail	510,755	510,755	128,892	-	128,892	10,311
	Defaulted exposures	12,697	12,697	8,827	-	8,827	706
	Total on-balance sheet exposures	1,857,928	1,857,928	350,119	-	350,119	28,009
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	559,176	559,176	84,142	-	84,142	6,731
	Total off-balance sheet exposures	559,176	559,176	84,142	-	84,142	6,731
	Total on and off-balance sheet exposures (AIRB)	2,417,104	2,417,104	434,261	-	434,261	34,740
	Total exposures under IRB approach	3,357,096	3,337,236	1,310,572	31,404	1,279,168	102,332
	Total (exempted exposures and exposures under the IRB approach) after scaling factor			1,409,005	33,288	1,375,717	110,057
2.0	Large exposures risk requirement	-	-	-	-	-	-
3.0	Market risk	Long Position	Short Position				
	Benchmark rate risk	106,827	113,433	159	-	159	13
	Foreign currency risk	-	-	-	-	-	-
	Commodity risk	-	-	-	-	-	-
	Options risk	-	-	-	-	-	-
4.0	Operational risk (basic indicator approach)			43,348	-	43,348	3,468
5.0	Total RWA and capital requirements			1,452,513	33,288	1,419,224	113,538

Capital Structure

The Bank, on 8 May 2015, issued RM1 billion subordinated bonds at 4.65% p.a. maturing on 8 May 2025. In addition, on 25 July 2018, the Bank issued another RM600 million subordinated bonds at 4.80% p.a maturing on 25 July 2028. 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 21 in the financial statements.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and Basel II – Risk-Weighted Assets issued on 2 February 2018.

The capital structure of the Group and the Bank was as follows:

	Group		Bank	
	Dec 31, 19 RM'000	Dec 31, 18 RM'000	Dec 31, 19 RM'000	Dec 31, 18 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	9,763,631	9,035,171	9,830,387	9,111,054
Other reserves	353,866	282,731	162,834	85,810
Regulatory adjustments applied in the calculation of CET1 Capital	(374,785)	(349,705)	(438,805)	(365,064)
Total CET1/Tier 1 Capital	10,535,267	9,760,752	10,346,971	9,624,355
Tier 2 Capital				
Tier 2 Capital instruments	1,600,000	1,600,000	1,600,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	309,252	304,310	309,953	305,066
- General provisions	25,764	26,553	15,472	16,505
Regulatory adjustments applied in the calculation of Tier 2 Capital	85,508	85,437	-	-
Total Tier 2 Capital	2,020,524	2,016,300	1,925,425	1,921,571
Total Capital	12,555,791	11,777,052	12,272,396	11,545,926

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

	Group		Bank	
	Dec 31, 19	Dec 31, 18	Dec 31, 19	Dec 31, 18
CET1/Tier 1 Capital Ratio	17.073%	16.200%	16.959%	16.151%
Total Capital Ratio	20.347%	19.547%	20.115%	19.376%
CET1/Tier 1 Capital Ratio (net of proposed dividends)	16.089%	15.379%	15.964%	15.321%
Total Capital Ratio (net of proposed dividends)	19.363%	18.725%	19.120%	18.546%

Capital Structure (Continued)

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

The capital structure of the Islamic Banking Window was as follows:

	Dec 31, 19 RM'000	Dec 31, 18 RM'000
<u>Common Equity Tier 1 (CET1)/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Retained profits/(accumulated losses)	6,602	(4,478)
Other reserves	1,170	(6)
Regulatory adjustments applied in the calculation of CET1 Capital	(5,698)	(4,156)
Total CET1/Tier 1 Capital	452,074	441,360
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	12,873	8,136
- General provisions	94	247
Total Tier 2 Capital	12,967	8,383
Total Capital	465,041	449,743

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

	Dec 31, 19	Dec 31, 18
<u>Before the effects of RSIA</u>		
CET1/Tier 1 Capital Ratio	16.543%	30.386%
Total Capital Ratio	17.018%	30.977%
<u>After the effects of RSIA</u>		
CET1/Tier 1 Capital Ratio	20.346%	31.099%
Total Capital Ratio	20.930%	31.689%

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent, the credit and market risks of the assets funded by Restricted Specific Investment Account (RSIA) which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 31 December 2019, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM510,781,000 (2018: RM33,283,000).

Risk Management

Risk Management Overview

Managing risk is an integral part of our business strategy. Our risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of our stakeholders, while remaining nimble to seize value-creating business opportunities in a fast changing environment. The Bank is committed to upholding high standards of corporate governance, sound risk management principles and business practices to achieve sustainable, long-term growth. The Bank continually strives towards best risk management practices to support our strategic objectives.

Our risk management strategy is targeted at ensuring proper risk governance so as to facilitate ongoing effective discovery, management and mitigation of risks arising from external factors and our business activities and to set aside adequate capital efficiently to address these risks. Risks are managed within levels established by the senior management committees and approved by the Board and its committees. The Bank has put in place a framework of policies, methodologies, tools and processes to identify, measure, monitor and manage material risks faced by the Bank.

The Bank's risk governance frameworks, policies and appetite provide the overarching principles and guidance for the Bank's risk management activities. Risk reports are regularly submitted to Management and the Board to keep them apprised of the Bank's risk profile.

Risk Management Governance and Framework

The Bank's responsibility for risk management starts with the Board overseeing 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 regard, the Board is primarily assisted by the Risk Management Committee (RMC).

The Chief Executive Officer 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), Credit Management Committee (CMC), Information & Technology Committee (ITC), Operational Risk Management Committee (ORMC) and Risk and Capital Committee (RCC). These committees also assist the RMC in specific risk areas.

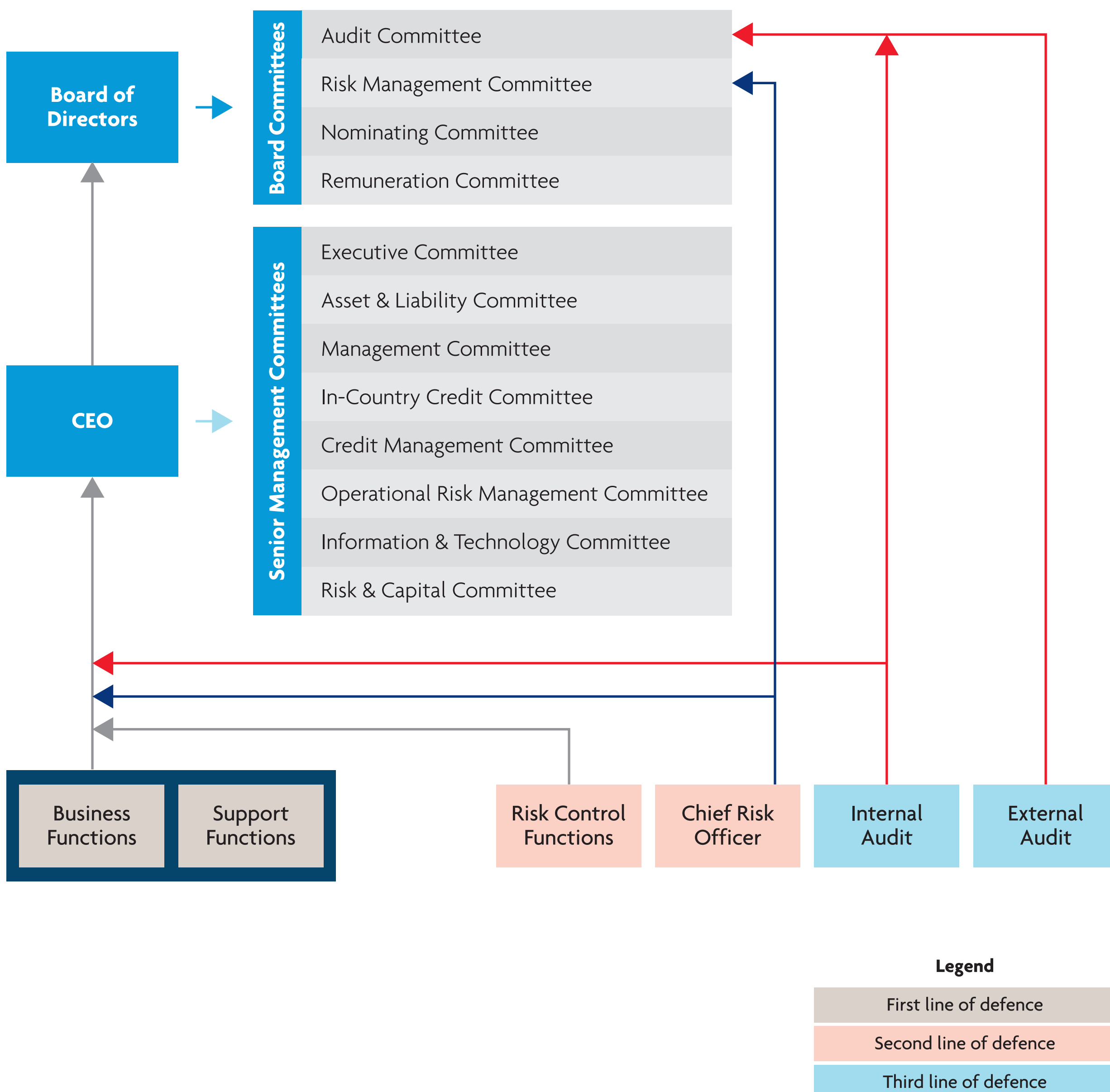
The RMC reviews the overall risk appetite and level of risk capital to be maintained for the Bank. Senior management and the senior management committees are authorised to delegate risk appetite limits by location, business lines, and/or broad product lines.

Risk Management (Continued)

Risk Management Governance and Framework (Continued)

Risk management is also the responsibility of every employee in the Bank. Risk awareness and accountability are embedded in our culture through an established framework that ensures appropriate oversight and accountability for the effective management of risk throughout the Bank and across risk types. This is executed through an organisation control structure that provides three "Lines of Defence" as follows:

Risk Governance Structure



Risk Management (Continued)

Risk Management Governance and Framework (Continued)

First Line of Defense - The Risk Owner

The business and support functions have the primary responsibility for implementing and executing effective controls for the management of risks arising from their business activities. This include establishing adequate managerial and supervisory controls to ensure compliance with risk policies, appetite and limits as well as to highlight control breakdowns, inadequacy of processes and unexpected events.

Second Line of Defense - Risk Oversight

The risk and control oversight functions (Risk Management and Compliance) and the Chief Risk Officer (CRO) provide the Second Line of Defense.

The risk and control oversight functions support the Bank's strategy of balancing growth with stability by establishing risk frameworks, policies, appetite and limits within which the business functions must operate. The risk and control oversight functions are also responsible for the independent review and monitoring of the Bank's risk profile and reporting of any significant vulnerabilities and risk issues to the respective management committees.

The independence of risk and control oversight functions from business functions ensures the necessary checks and balances are in place.

Third Line of Defense - Independent Audit

The Bank's internal and external auditors conduct risk-based audits covering all aspects of the First and Second Lines of Defence to provide independent assurance to the CEO, Audit Committee and the Board, on the effectiveness of the risk management and control structure, policies, frameworks, systems and processes.

The Bank, adopts and adapts the parent bank's governance structure, frameworks and policies accordingly to comply with local regulatory requirements. This ensures the approach across the regional UOB franchise is consistent and sufficiently flexible to suit local operating environments.

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, technology risk and reputation risk. Our risk-taking approach is focused 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 steadfast partner of our customers through changing economic conditions and cycles.

The Bank's risk appetite framework and risk appetite are reviewed and approved annually by the Board. Senior management monitors and reports the risk profiles and compliance with the risk appetite 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 risk, the Bank has adopted the Standardised Approach (SA). For operational risk, 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 tests are 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/financing 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.

Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the measurement and management of credit risk. The framework helps to foster a robust culture of identification, measurement and management of credit risk within the Bank. The Bank adopts an holistic approach towards assessing credit risk and ensures that managing credit risk is part of an integrated approach to enterprise risk management.

The Bank's portfolio is also being 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 CMC supports the CEO and RMC in managing the Bank's overall credit risk exposures. This committee 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 CMC also reviews and assess the Bank's credit portfolios and credit risk profiles.

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

Credit Risk Policies and Processes

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

i. 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. Larger credits above certain limit are submitted to the ICCC for approval. 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 approval is based on a risk-adjusted scale according to a borrower's credit rating.

ii. 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 borrowers, obligor groups, portfolios, 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.

iii. 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.

iv. 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.

Credit Risk (Continued)

Credit Risk Policies and Processes (Continued)

v. 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/Financing 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.

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 Bank Negara Malaysia (BNM) guidelines and MFRS9 for local reporting purposes. Where necessary, additional impairment is provided for to comply with the Bank's impairment policy.

Special Asset Management

Special Asset Management (SAM) independently manages the restructuring, workout and recovery of the Bank's Non-Performing portfolios. The primary objectives are (i) to nurse the Non-Performing accounts back to financial health whenever possible for transfer back to the respective business units for management and (ii) to maximise recovery of the Non-Performing accounts that the Bank intends to exit.

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) The credit exposures by sector of the Bank for the financial year ended 31 December 2019 were as follows:

	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	-	-	-	-	1,551,728	30,227	-	-	-	1,581,955
Mining and quarrying	-	-	1,187,979	-	89,406	9,834	-	-	-	1,287,219
Manufacturing	-	-	90,507	-	7,109,674	1,338,571	-	-	-	8,538,752
Electricity, gas and water	-	-	-	-	260,059	9,569	-	-	-	269,628
Construction	-	-	-	-	11,262,892	564,514	-	-	-	11,827,406
Wholesale, retail trade, restaurants and hotels	-	-	13,769	-	12,910,318	4,275,950	-	-	-	17,200,037
Transport, storage and communication	-	-	-	-	2,339,637	180,357	-	-	-	2,519,994
Finance, insurance and business services	9,027	34,508	12,547,175	194,655	3,518,235	879,544	-	-	-	17,183,144
Real estate	-	-	-	-	3,938,822	665,125	-	-	-	4,603,947
Community, social and personal services	-	-	-	-	72,432	127,320	-	-	-	199,752
Households	-	-	-	-	5,710	18,121,016	37,750,313	-	-	55,877,039
Others	13,078,564	25,709	-	-	25,391	-	-	133,884	961,857	14,225,405
Grand total	13,087,591	60,217	13,839,430	194,655	43,084,304	26,202,027	37,750,313	133,884	961,857	135,314,278

Credit Risk (Continued)

The credit exposures by sector of the Bank for the financial year ended 31 December 2018 were as follows:

	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	-	-	-	-	1,641,612	37,102	-	-	-	1,678,714
Mining and quarrying	-	-	758,580	-	135,415	6,776	-	-	-	900,771
Manufacturing	-	-	63,164	-	6,779,592	1,372,982	-	-	-	8,215,738
Electricity, gas and water	-	-	-	-	302,560	10,016	-	-	-	312,576
Construction	-	-	-	-	11,940,897	506,712	-	-	-	12,447,609
Wholesale, retail trade, restaurants and hotels	-	-	8,276	-	11,631,697	4,101,071	-	-	-	15,741,044
Transport, storage and communication	-	-	-	-	2,403,748	179,587	-	-	-	2,583,335
Finance, insurance and business services	7,380	58,654	13,358,418	130,244	3,026,406	724,482	-	-	-	17,305,584
Real estate	-	-	-	-	4,264,349	668,207	-	-	-	4,932,556
Community, social and personal services	-	-	-	-	93,696	110,702	-	-	-	204,398
Households	-	-	-	-	5,935	17,942,676	36,633,985	-	-	54,582,596
Others	13,063,612		-	-	96,484	471	-	114,445	1,028,776	14,303,788
Grand total	13,070,992	58,654	14,188,438	130,244	42,322,391	25,660,784	36,633,985	114,445	1,028,776	133,208,709

Credit Risk (Continued)

(ii) The credit exposures by sector of the Islamic Banking Window for the financial year ended 31 December 2019 were as follows:

	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	-	-	-	-	373,371	456	-	-	-	373,827
Manufacturing	-	-	-	-	270,872	115,655	-	-	-	386,527
Electricity, gas and water	-	-	-	-	60,891	-	-	-	-	60,891
Construction	-	-	-	-	256,999	60,129	-	-	-	317,128
Wholesale, retail trade, restaurants and hotels	-	-	-	-	379,884	293,162	-	-	-	673,046
Transport, storage and communication	-	-	-	-	66,914	26,285	-	-	-	93,199
Finance, insurance and business services	1,752	1,535	50,529	742	36,075	110,549	-	-	-	201,182
Real estate	-	-	-	-	141,194	71,665	-	-	-	212,859
Community, social and personal services	-	-	-	-	-	22,595	-	-	-	22,595
Households	-	-	-	-	-	305,142	2,487,550	-	-	2,792,692
Others	1,753,622	-	-	-	-	-	-	-	6,491	1,760,113
Grand total	1,755,374	1,535	50,529	742	1,586,200	1,005,638	2,487,550	-	6,491	6,894,059

Credit Risk (Continued)

The credit exposures by sector of the Islamic Banking Window for the financial year ended 31 December 2018 were as follows:

	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	-	-	-	-	125,046	479	-	-	-	125,525
Manufacturing	-	-	-	-	150,585	63,769	-	-	-	214,354
Electricity, gas and water	-	-	-	-	63,304	-	-	-	-	63,304
Construction	-	-	-	-	189,106	34,403	-	-	-	223,509
Wholesale, retail trade, restaurants and hotels	-	-	-	-	230,487	182,957	-	-	-	413,444
Transport, storage and communication	-	-	-	-	7,171	26,064	-	-	-	33,235
Finance, insurance and business services	7,380	1,552	8,117	-	58,164	53,072	-	-	-	128,285
Real estate	-	-	-	-	108,012	33,508	-	-	-	141,520
Community, social and personal services	-	-	-	-	-	5,594	-	-	-	5,594
Households	-	-	-	-	-	323,180	1,694,078	-	-	2,017,258
Others	2,801,549	-	-	-	-	-	-	-	19,488	2,821,037
Grand total	2,808,929	1,552	8,117	-	931,875	723,026	1,694,078	-	19,488	6,187,065

Credit Risk (Continued)

(iii) The credit exposures by remaining contractual maturities of the Bank for the financial year ended 31 December 2019 were as follows:

	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	444,636	16,390	11,188,743	105,431	12,261,862	936,274	15,059	-	-	24,968,395
3 - 6 months	1,771,241	18,118	1,202,201	19,339	2,779,879	231,348	10,057	-	-	6,032,183
6 - 12 months	3,171,114	-	787,040	22,731	5,450,399	9,954,189	1,606,690	133,884	961,857	22,087,904
1 - 3 years	4,450,934	15,434	295,304	25,260	9,460,794	528,509	111,549	-	-	14,887,784
3 - 5 years	3,051,613	10,275	328,584	21,894	7,637,930	761,891	282,353	-	-	12,094,540
> 5 years	198,053	-	37,558	-	5,493,440	13,789,816	35,724,605	-	-	55,243,472
Grand total	13,087,591	60,217	13,839,430	194,655	43,084,304	26,202,027	37,750,313	133,884	961,857	135,314,278

The credit exposures by remaining contractual maturities of the Bank for the financial year ended 31 December 2018 were as follows:

	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	3,290,858	30,472	12,038,829	63,778	11,560,508	810,168	15,887	-	125,263	27,935,763
3 - 6 months	56,531	11,396	853,765	9,957	2,642,987	197,071	9,895	-	-	3,781,602
6 - 12 months	476,927	16,786	160,053	23,409	2,770,679	7,341,955	1,606,411	-	-	12,396,220
1 - 3 years	4,026,435	-	729,488	31,821	12,368,152	2,591,426	116,353	114,445	903,513	20,881,633
3 - 5 years	2,668,818	-	388,509	1,279	7,426,579	556,756	258,361	-	-	11,300,302
> 5 years	2,551,423	-	17,794	-	5,553,486	14,163,408	34,627,078	-	-	56,913,189
Grand total	13,070,992	58,654	14,188,438	130,244	42,322,391	25,660,784	36,633,985	114,445	1,028,776	133,208,709

Credit Risk (Continued)

(iv) The credit exposures by remaining contractual maturities of the Islamic Banking Window for the financial year ended 31 December 2019 were as follows:

	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	298,485	1,535	32,751	619	357,222	1,062	-	-	-	691,674
3 - 6 months	886,482	-	-	123	32,571	686	-	-	-	919,862
6 - 12 months	529,604	-	17,778	-	63,645	2,135	-	-	6,491	619,653
1 - 3 years	40,803	-	-	-	125,954	83	-	-	-	166,840
3 - 5 years	-	-	-	-	80,923	3,999	1,133	-	-	86,055
> 5 years	-	-	-	-	925,885	997,673	2,486,417	-	-	4,409,975
Grand total	1,755,374	1,535	50,529	742	1,586,200	1,005,638	2,487,550	-	6,491	6,894,059

The credit exposures by remaining contractual maturities of the Islamic Banking Window for the financial year ended 31 December 2018 were as follows:

	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	2,712,854	1,552	-	-	299,285	100	-	-	-	3,013,791
3 - 6 months	30,195	-	-	-	10,215	-	-	-	-	40,410
6 - 12 months	-	-	-	-	25,025	-	-	-	-	25,025
1 - 3 years	65,880	-	8,117	-	107,269	326	-	-	19,488	201,080
3 - 5 years	-	-	-	-	130,259	2,013	88	-	-	132,360
> 5 years	-	-	-	-	359,822	720,587	1,693,990	-	-	2,774,399
Grand total	2,808,929	1,552	8,117	-	931,875	723,026	1,694,078	-	19,488	6,187,065

Credit Risk (Continued)

(v) Past due and credit-impaired loans, advances and financing analysed by economic sectors:

Bank	2019 Past due but not impaired RM'000	2019 Impaired loans RM'000	2018 Past due but not impaired RM'000	2018 Impaired loans RM'000
Agriculture, hunting, forestry and fishing	3,751	1,109	32,870	661
Mining and quarrying	10,886	978	1,666	-
Manufacturing	175,063	177,841	207,265	136,935
Electricity, gas and water	1,740		8,767	-
Construction	195,085	201,291	233,725	204,187
Wholesale, retail trade, restaurants and hotels	311,676	176,440	454,208	173,862
Transport, storage and communication	16,654	101,214	42,932	70,630
Finance, insurance and business services	33,765	19,803	41,815	23,531
Real estate	162,141	203,346	225,964	209,088
Community, social and personal services	6,367	213	1,273	541
Households				
- purchase of residential properties	1,284,066	497,044	1,203,651	444,979
- purchase of non-residential properties	365,325	82,771	431,627	79,010
- others	203,231	98,760	205,309	89,728
	2,769,750	1,560,810	3,091,072	1,433,152

Past due and credit-impaired financing, advances and others analysed by economic sectors for Islamic Banking Window:

Islamic Banking Window	2019 Past due but not impaired RM'000	2019 Credit-impaired financing, advances and others RM'000	2018 Past due but not impaired RM'000	2018 Credit-impaired financing, advances and others RM'000
Manufacturing	2,089	642	8,559	-
Construction	7,177	654	1,910	-
Wholesale, retail trade, restaurants and hotels	29,829	5,028	6,431	2,119
Transport, storage and communication	3,381	-	-	-
Finance, insurance and business services	-	-	1,579	-
Households				
- purchase of residential properties	95,914	31,563	39,081	10,585
- purchase of non-residential properties	6,299	499	2,215	
- others	935	100	364	
	145,624	38,486	60,139	12,704

Credit Risk (Continued)

(vi) Allowances for Expected Credit Loss (ECL) 1,2 and 3 analysed by economic sector:

Bank	2019 ECL 3 RM'000	2019 ECL1 and ECL2 RM'000	2018 ECL 3 RM'000	2018 ECL1 and ECL2 RM'000
Agriculture, hunting, forestry and fishing	-	67,013	-	19,279
Mining and quarrying	-	12,509	-	8,241
Manufacturing	75,948	117,584	41,214	111,604
Electricity, gas and water	-	3,644	-	7,980
Construction	29,130	110,688	32,140	112,241
Wholesale, retail trade, restaurants and hotels	33,347	197,484	32,727	191,239
Transport, storage and communication	47,121	32,644	40,349	21,747
Finance, insurance and business services	5,884	80,239	9,859	59,755
Real estate	3,223	62,550	3,062	66,332
Community, social and personal services	-	3,101	-	3,346
Households				
- purchase of residential properties	63,799	382,205	31,841	382,733
- purchase of non-residential properties	8,424	101,492	6,244	108,238
- others	19,256	66,800	15,238	68,101
	286,132	1,237,953	212,674	1,160,836

Allowances for Expected Credit Loss (ECL) 1,2 and 3 analysed by economic sector for Islamic Banking Window:

Islamic Banking Window	2019 ECL 3 RM'000	2019 ECL1 and ECL2 RM'000	2018 ECL 3 RM'000	2018 ECL1 and ECL2 RM'000
Agriculture, hunting, forestry and fishing	-	20,138	-	57
Mining and quarrying	-	-	-	-
Manufacturing	643	5,386	-	5,094
Electricity, gas and water	-	30	-	1,233
Construction	-	2,329	-	1,957
Wholesale, retail trade, restaurants and hotels	1,058	4,006	348	12,560
Transport, storage and communication	-	600	-	1,780
Finance, insurance and business services	-	829	-	2,307
Real estate	-	1,341	-	3,740
Community, social and personal services	-	123	-	298
Households				
- purchase of residential properties	5,414	3,021	1,285	116
- purchase of non-residential properties	-	187	-	9
- others	-	103	-	4
	7,115	38,093	1,633	29,155

Credit Risk (Continued)

(vii) Allowances for Expected Credit Loss 3 (ECL 3) analysed by economic sector:

Bank	2019 Allowances for ECL 3 made during the year RM'000	2019 Write-offs during the year RM'000	2018 Allowances for ECL 3 made during the year RM'000	2018 Write-offs during the year RM'000
Manufacturing	54,651	9,149	20,382	16,343
Construction	7,710	1,837	16,304	1,187
Wholesale, retail trade, restaurants and hotels	32,927	17,519	45,128	19,080
Transport, storage and communication	13,113	587	11,526	633
Finance, insurance and business services	8,235	2,832	10,019	100,475
Real estate	3,079	-	4,900	238
Community, social and personal services	280	280	168	160
Households				
- purchase of residential properties	135,905	51,139	63,174	20,813
- purchase of non-residential properties	11,841	2,189	7,967	2,426
- others	78,549	59,797	70,592	54,690
	346,290	145,329	250,160	216,045

Allowances for ECL 3 analysed by economic sector for Islamic Banking Window:

Islamic Banking Window	2019 Allowances for ECL 3 made during the year RM'000	2019 Write-offs during the year RM'000	2018 Allowances for ECL 3 made during the year RM'000	2018 Write-offs during the year RM'000
Wholesale, retail trade, restaurants and hotels	1,973	-	394	-
Households				
- purchase of residential properties	7,878	-	1,776	-
- others	16	-	9	-
	9,867	-	2,179	-

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)

(viii) Credit exposure analysed by geography:

Bank As at 31 December 2019	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	290,857	1,039,408	1,330,265
Deposits and placements with financial institutions	499,864	-	499,864
Securities purchased under resale agreements	3,568,380	-	3,568,380
Financial assets at fair value through profit or loss (FVTPL)	4,206,956	-	4,206,956
Debt instruments at fair value through other comprehensive income (FVOCI)	20,026,345	-	20,026,345
Debt instruments at amortised cost	803,460	-	803,460
Other assets	599,539	80,974	680,513
Loans, advances and financing	77,822,834	7,007,909	84,830,743
Derivative financial assets	331,685	103,341	435,026
Statutory deposits with BNM	1,722,676	-	1,722,676
Financial assets not subject to credit risk	793,154	-	793,154
	110,665,750	8,231,632	118,897,382
Commitments and contingencies	92,380,617	10,453,514	102,834,131

As at 31 December 2018	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	3,567,087	357,845	3,924,932
Deposits and placements with financial institutions	799,783	-	799,783
Securities purchased under resale agreements	4,603,059	-	4,603,059
Financial assets at fair value through profit or loss (FVTPL)	1,811,633	-	1,811,633
Debt instruments at fair value through other comprehensive income (FVOCI)	15,852,301	-	15,852,301
Debt instruments at amortised cost	228,315	-	228,315
Other assets	616,890	35,209	652,099
Loans, advances and financing	74,997,835	7,036,840	82,034,675
Derivative financial assets	311,462	65,034	376,496
Statutory deposits with BNM	2,016,869	-	2,016,869
Financial assets not subject to credit risk	682,552	-	682,552
	105,487,786	7,494,928	112,982,714
Commitments and contingencies	91,053,870	10,534,500	101,588,370

Credit Risk (Continued)

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	14,658	48,240	63,952

*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)

The aggregate breakdown of credit risk standardised exposures by risk weights of the Bank for the financial year ended 31 December 2019 were as follows:

RM'000

Risk weights	Bank								
	Sovereigns/ central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Other assets	Equity	Total exposures after netting and CRM	Total RWA
0%	13,081,450	25,709	-	-	2,062	278,378	-	13,387,599	-
10%	-	-	-	-	-	-	-	-	-
20%	6,141	34,508	-	-	110	-	-	40,759	8,152
35%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	39	-	-	39	19
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	-	41,515	371,875	683,479	131,809	1,228,678	1,228,678
110%	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	643	-	-	643	965
270%	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-
Total	13,087,591	60,217	-	41,515	374,729	961,857	131,809	14,657,717	1,237,814

Credit Risk (Continued)

The aggregate breakdown of credit risk standardised exposures by risk weights of the Bank for the financial year ended 31 December 2018 were as follows:

RM'000

Risk weights	Bank								
	Sovereigns/ central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Other assets	Equity	Total exposures after netting and CRM	Total RWA
0%	13,036,857	-	-	-	1,174	248,540	-	13,286,571	-
10%	-	-	-	-	-	-	-	-	-
20%	34,135	58,654	-	-	-	-	-	92,789	18,558
35%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	1	-	-	1	1
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	-	31,089	374,322	780,236	112,489	1,298,136	1,298,136
110%	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	2,451	-	-	2,451	3,676
270%	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-
Total	13,070,992	58,654	-	31,089	377,948	1,028,776	112,489	14,679,948	1,320,371

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	1,764	1,580	3,493

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

The aggregate breakdown of credit risk standardised exposures by risk weights of the Islamic Banking Window for the financial year ended 31 December 2019 were as follows:

RM'000

Risk weights	Islamic Banking Window							
	Sovereigns/ central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Other assets	Total exposures after netting and CRM	Total RWA
0%	1,755,374	-	-	-	-	-	1,755,374	-
10%	-	-	-	-	-	-	-	-
20%	-	1,535	-	-	-	-	1,535	307
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	742	-	6,491	7,233	7,233
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-
Total	1,755,374	1,535	-	742	-	6,491	1,764,142	7,540

Credit Risk (Continued)

The aggregate breakdown of credit risk standardised exposures by risk weights of the Islamic Banking Window for the financial year ended 31 December 2018 were as follows:

RM'000

Risk weights	Islamic Banking Window							
	Sovereigns/ central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Other assets	Total exposures after netting and CRM	Total RWA
0%	2,808,929	-	-	-	-	-	2,808,929	-
10%	-	-	-	-	-	-	-	-
20%	-	1,552	-	-	-	-	1,552	311
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	19,488	19,488	19,488
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-
Total	2,808,929	1,552	-	-	-	19,488	2,829,969	19,799

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Bank as at 31 December 2019 were as follows:

RM'000

Ratings of Corporates by Approved ECAIs						
Exposure class	Moody's	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
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)		-	-	-	-	60,217
Insurance cos, securities firms and fund managers		-	-	-	-	41,515
Corporates		-	-	-	-	374,729
Total		-	-	-	-	476,461

RM'000

Ratings of Sovereigns and Central Banks by Approved ECAIs							
Exposure class	Moody's	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
On and off-balance sheet exposures							
Sovereigns/central banks		-	12,900,833	-	-	-	186,758
Total		-	12,900,833	-	-	-	186,758

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Bank for the financial year ended 31 December 2018 were as follows:

RM'000

Ratings of Corporates by Approved ECAIs						
Exposure class	Moody's	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
<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)		-	-	-	-	58,654
Insurance cos, securities firms and fund managers		-	-	-	-	31,089
Corporates		-	-	-	-	377,948
Total		-	-	-	-	**467,691**

RM'000

Ratings of Sovereigns and Central Banks by Approved ECAIs							
Exposure class	Moody's	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
<u>On and off-balance sheet exposures</u>							
Sovereigns/central banks		-	13,070,992	-	-	-	-
Total		-	13,070,992	-	-	-	-

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Islamic Banking Window as at 31 December 2019 were as follows:

RM'000

Ratings of Corporates by Approved ECAIs						
Exposure class	Moody's	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
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)		-	-	-	-	1,535
Insurance cos, securities firms and fund managers		-	-	-	-	742
Corporates		-	-	-	-	-
Total		-	-	-	-	2,277

RM'000

Ratings of Sovereigns and Central Banks by Approved ECAIs							
Exposure class	Moody's	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
On and off-balance sheet exposures							
Sovereigns/central banks		-	1,755,374	-	-	-	-
Total		-	1,755,374	-	-	-	-

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Islamic Banking Window for the financial year ended 31 December 2018 were as follows:

RM'000

Ratings of Corporates by Approved ECAIs						
Exposure class	Moody's	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
<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)		-	-	-	-	1,552
Insurance cos, securities firms and fund managers		-	-	-	-	-
Corporates		-	-	-	-	-
Total		-	-	-	-	1,552

RM'000

Ratings of Sovereigns and Central Banks by Approved ECAIs							
Exposure class	Moody's	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
<u>On and off-balance sheet exposures</u>							
Sovereigns/central banks		-	2,808,929	-	-	-	-
Total		-	2,808,929	-	-	-	-

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 actions 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 external credit assessment institutions (ECAIs), they are not directly comparable or equivalent to the ECAIs ratings.

Corporate Portfolio

The Bank has developed models to rate exposures in the Non-bank Financial Institution (NBFI), Large Corporate and SME portfolios. 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 NBFI, Large Corporate and SME models consists of 16 pass grades. The models are mapped to the rating scale by calibration that takes into account the Bank's long-term average portfolio default rate.

Specialised Lending Portfolio

The Bank has developed models for four Specialised Lending portfolios, namely: Income Producing Real Estate (IPRE), Commodities Finance (CF), Project Finance (PF) and Ship Finance (SF). 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 portfolios follows that of the corporate asset class, with 16 pass grades. Risk grades derived for CF, PF and SF portfolios are mapped to four supervisory slotting categories, which determines the risk weights to be applied to such exposures.

Bank Portfolio

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 Portfolio

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 are 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.

Retail Probability of Default Models

Retail PD models are based on pools of homogeneous exposures segmented by a combination of application scores, behavioral scores and other risk drivers reflecting borrower, facility and delinquency characteristics. PD pools are calibrated through-the-cycle using at least five years of historical data that cover a full economic cycle. For low default portfolios, internal and/or external proxies that are highly correlated with internal defaults are used to estimate the long-run average PD. A regulatory floor of 0.03 per cent is applied to all PD pools.

In general, the long-run observed default rates are largely lower than the PD estimates due to the model's calibration philosophy and the application of conservative overlays to account for model risk.

Retail Loss Given Default Models

Retail LGDs are estimated directly using historical default and recovery data via the 'workout' approach, which considers the economic losses arising from different post-default scenarios such as cured, restructured and liquidated. LGD models are segmented using material pre-default risk drivers such as facility and collateral characteristics.

LGD models are calibrated to reflect a portfolio's economic downturn experience. In addition, for residential mortgages, an LGD floor of 10 per cent is applied at the segment level.

Retail Exposure at Default Models

For revolving products, EAD is computed based on the current outstanding balance and the estimated potential drawdown of undrawn commitments, which is statistically determined based on historical data. For closed-end products, the EAD is the current outstanding balance. EAD models are generally segmented by material pre-default risk drivers such as facility type, limit and utilisation. EAD models are calibrated to reflect the portfolio long-run averages, except for portfolios that exhibit positive correlation between LGD and PD values, in which case, these portfolios' EAD models are calibrated to reflect their economic downturn conditions. EADs must be at least equal to the current outstanding balances.

Credit Risk (Continued)

Credit Risk Profile

The following tables presented 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 2019:

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)	24,441,803	17,347,264	833,429
Bank	13,817,071	22,360	-
Total non-retail exposures	**38,258,874**	**17,369,624**	**833,429**
Undrawn commitments (RM'000)			
Large corporate, SMEs and specialised lending (IPRE)	1,573,867	1,044,987	966
Bank	-	-	-
Total undrawn commitments	**1,573,867**	**1,044,987**	**966**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	42%	40%	45%
Bank	33%	45%	0%
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	72%	116%	0%
Bank	10%	48%	0%

Specialised Lending Exposure under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
Specialised Lending Exposure (EAD) (RM'000)					
Project Finance	79,780	-	-	-	-
Object Finance	4,048	-	-	-	-
Risk Weighted Assets	58,680	-	-	-	-

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	32,939,273	902,689	3,364,930	543,421
Qualifying revolving retail	4,206,863	950,767	2,072,330	45,620
Other retail	14,332,666	2,137,030	2,251,487	205,264
Total retail exposures	**51,478,802**	**3,990,486**	**7,688,747**	**794,305**
Undrawn commitments (RM'000)				
Residential mortgages	2,157,061	220,580	152,533	-
Qualifying revolving retail	3,067,736	490,014	830,962	-
Other retail	2,076,321	497,896	303,527	145
Total undrawn commitments	**7,301,118**	**1,208,490**	**1,287,022**	**145**
Exposure weighted average LGD				
Residential mortgages	12.52%	14.38%	13.08%	13.46%
Qualifying revolving retail	33.03%	43.95%	45.48%	59.04%
Other retail	16.16%	26.59%	28.09%	25.17%
Exposure weighted average risk weight				
Residential mortgages	7.15%	22.43%	43.89%	50.61%
Qualifying revolving retail	6.35%	19.01%	67.52%	386.90%
Other retail	12.13%	29.97%	45.06%	127.46%

Credit Risk (Continued)

Credit Risk Profile

The following tables presented 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 2018:

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)	24,475,227	16,628,011	798,923
Bank	13,363,922	824,516	-
Total non-retail exposures	**37,839,149**	**17,452,527**	**798,923**
Undrawn commitments (RM'000)			
Large corporate, SMEs and specialised lending (IPRE)	1,930,295	1,753,562	21,579
Bank	-	-	-
Total undrawn commitments	**1,930,295**	**1,753,562**	**21,579**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	43%	39%	44%
Bank	34%	45%	0%
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	71%	117%	2%
Bank	10%	40%	0%

Specialised Lending Exposure under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
Specialised Lending Exposure (EAD) (RM'000)					
Project Finance	33,281	-	-	-	-
Object Finance	563	5,015	-	-	-
Risk Weighted Assets	23,691	4,514	-	-	-

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	31,913,946	1,087,154	3,135,750	497,136
Qualifying revolving retail	4,241,809	760,733	1,744,008	38,737
Other retail	14,371,263	2,126,114	2,190,704	187,415
Total retail exposures	**50,527,018**	**3,974,001**	**7,070,462**	**723,288**
Undrawn commitments (RM'000)				
Residential mortgages	2,212,750	291,969	160,681	-
Qualifying revolving retail	3,126,817	328,075	587,096	-
Other retail	2,020,913	574,904	283,180	328
Total undrawn commitments	**7,360,480**	**1,194,948**	**1,030,957**	**328**
Exposure weighted average LGD				
Residential mortgages	12.17%	14.16%	12.62%	12.68%
Qualifying revolving retail	31.99%	45.02%	45.09%	56.19%
Other retail	16.20%	26.51%	26.43%	24.35%
Exposure weighted average risk weight				
Residential mortgages	6.92%	21.94%	42.30%	80.57%
Qualifying revolving retail	5.99%	19.66%	65.86%	353.30%
Other retail	12.06%	28.95%	40.91%	131.67%

Credit Risk (Continued)

Credit Risk Profile (Continued)

The following tables presented 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 2019:

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)	1,049,020	537,180	-
Bank	50,529	-	-
Total non-retail exposures	**1,099,548**	**537,180**	**-**
Undrawn commitments (RM'000)			
Large corporate, SMEs and specialised lending (IPRE)	72,240	28,172	-
Bank	-	-	-
Total undrawn commitments	**72,240**	**28,172**	**-**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	45%	43%	0%
Bank	45%	0%	0%
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	109%	130%	0%
Bank	11%	0%	0%

As at 31 December 2019, there were no Specialised Lending Exposure under the Supervisory Slotting Criteria for Islamic Banking Window.

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	2,044,189	147,685	264,078	31,599
Other retail	532,453	327,262	139,157	6,767
Total retail exposures	**2,576,642**	**474,947**	**403,235**	**38,366**
Undrawn commitments (RM'000)				
Residential mortgages	322,448	42,512	11,101	-
Other retail	82,568	68,038	12,796	-
Total undrawn commitments	**405,015**	**110,550**	**23,897**	**-**
Exposure weighted average LGD				
Residential mortgages	15.53%	15.51%	16.56%	15.71%
Other retail	21.57%	26.03%	31.41%	35.66%
Exposure weighted average risk weight				
Residential mortgages	10.63%	23.81%	53.38%	1.92%
Other retail	17.48%	29.20%	46.17%	133.72%

Credit Risk (Continued)

Credit Risk Profile (Continued)

The following tables presented 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 2018:

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)	605,507	326,368	-
Bank	8,117	-	-
Total non-retail exposures	**613,624**	**326,368**	**-**
Undrawn commitments (RM'000)			
Large corporate, SMEs and specialised lending (IPRE)	10,612	13,141	-
Bank	-	-	-
Total undrawn commitments	**10,612**	**13,141**	**-**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	44%	44%	-
Bank	45%	-	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	85%	111%	-
Bank	10%	-	-

As at 31 December 2018, there were no Specialised Lending Exposure under the Supervisory Slotting Criteria for Islamic Banking Window.

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	1,296,441	245,383	142,175	10,080
Other retail	356,351	279,316	84,742	2,617
Total retail exposures	**1,652,791**	**524,699**	**226,917**	**12,697**
Undrawn commitments (RM'000)				
Residential mortgages	267,182	68,623	13,717	-
Other retail	86,916	106,880	15,858	-
Total undrawn commitments	**354,098**	**175,503**	**29,575**	**-**
Exposure weighted average LGD				
Residential mortgages	15.45%	15.44%	16.79%	15.69%
Other retail	20.29%	23.31%	26.59%	32.31%
Exposure weighted average risk weight				
Residential mortgages	10.18%	23.70%	50.48%	29.43%
Other retail	15.95%	26.21%	39.51%	223.88%

Credit Risk (Continued)

Retail exposures under the IRB approach by expected loss range of the Bank as at 31 December 2019 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 100.0%
Retail exposures (EAD) (RM'000)					
Residential mortgages	36,402,155	947,392	97,276	303,490	-
Qualifying revolving retail	5,226,242	1,440,787	262,409	258,037	88,105
Other retail	17,678,728	872,494	232,159	99,587	43,479
Total retail exposures	59,307,125	3,260,672	591,844	661,114	131,585
Undrawn commitments (RM'000)					
Residential mortgages	2,516,661	11,683	1,830	-	-
Qualifying revolving retail	3,624,311	660,237	56,352	45,335	2,477
Other retail	2,790,222	34,937	2,985	49,745	-
Total undrawn commitments	8,931,193	706,858	61,167	95,080	2,477
Exposure weighted average risk weight					
Residential mortgages	9.89%	66.72%	75.83%	0.53%	0.00%
Qualifying revolving retail	8.24%	48.47%	114.87%	169.27%	177.78%
Other retail	15.36%	62.98%	100.05%	141.86%	39.89%

Retail exposures under the IRB approach by expected loss range of the Bank for the financial year ended 31 December 2018 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 100.0%
Retail exposures (EAD) (RM'000)					
Residential mortgages	35,471,348	880,748	69,560	212,329	-
Qualifying revolving retail	5,062,787	1,220,837	214,840	213,146	73,677
Other retail	17,547,085	1,047,738	199,321	43,205	38,148
Total retail exposures	58,081,220	3,149,322	483,721	468,680	111,825
Undrawn commitments (RM'000)					
Residential mortgages	2,651,618	12,435	1,347	-	-
Qualifying revolving retail	3,511,836	464,725	39,867	23,561	1,999
Other retail	2,777,247	98,642	2,187	1,175	74
Total undrawn commitments	8,940,701	575,802	43,401	24,736	2,073
Exposure weighted average risk weight					
Residential mortgages	9.81%	65.32%	81.89%	29.47%	-
Qualifying revolving retail	7.64%	47.45%	112.85%	165.36%	174.02%
Other retail	14.89%	56.94%	96.04%	180.23%	35.81%

Credit Risk (Continued)

Retail exposures under the IRB approach by expected loss range of the Islamic Banking Window as at 31 December 2019 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 100.0%
Retail exposures (EAD) (RM'000)					
Residential mortgages	2,413,614	33,512	8,926	31,499	-
Other retail	935,987	55,613	10,230	1,064	2,745
Total retail exposures	3,349,601	89,125	19,156	32,563	2,745
Undrawn commitments (RM'000)					
Residential mortgages	375,898	163	-	-	-
Other retail	157,827	5,560	15	-	-
Total undrawn commitments	533,725	5,722	15	-	-
Exposure weighted average risk weight					
Residential mortgages	14.87%	79.69%	89.53%	1.76%	0.00%
Other retail	22.54%	60.87%	154.23%	124.68%	0.00%

Retail exposures under the IRB approach by expected loss range of the Islamic Banking Window for the financial year ended 31 December 2018 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 100.0%
Retail exposures (EAD) (RM'000)					
Residential mortgages	1,669,858	10,403	3,838	9,980	-
Other retail	692,020	22,456	4,854	3,696	-
Total retail exposures	2,361,878	32,859	8,692	13,676	-
Undrawn commitments (RM'000)					
Residential mortgages	349,522	-	-	-	-
Other retail	206,573	3,082	-	-	-
Total undrawn commitments	556,094	3,082	-	-	-
Exposure weighted average risk weight					
Residential mortgages	15.00%	77.43%	89.10%	29.00%	0.00%
Other retail	21.12%	56.75%	68.22%	194.49%	0.00%

Credit Risk (Continued)

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 2019.

Comparison of actual loss and expected loss by asset class

Bank

RM'000

Asset class	Actual loss (as at 31 December 2019)	Expected loss (as at 31 December 2018)	Actual loss (as at 31 December 2018)	Expected loss (as at 31 December 2017)
Corporate	19,355	867,297	22,159	769,260
Bank	-	5,022	-	3,211
Retail	155,368	287,377	77,891	274,935
Total	174,723	1,159,696	100,050	1,047,406

The actual loss in 2019 is lower than the expected loss computed as at 31 December 2018. 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 2018 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.

Islamic Banking Window

RM'000

Asset class	Actual loss (as at 31 December 2019)	Expected loss (as at 31 December 2018)	Actual loss (as at 31 December 2018)	Expected loss (as at 31 December 2017)
Corporate	-	8,416	-	5,064
Bank	-	21	-	6
Retail	6,235	6,881	1,583	2,460
Total	6,235	15,318	1,583	7,530

Credit Risk (Continued)

Actual loss consists of allowances for ECL and write-off to the Bank's income statement for the financial year ended 31 December 2019.

Bank 2019	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	798,668	362,169	212,674	1,373,511
Transferred to Stage 1	43,278	(136,731)	(7,005)	(100,458)
Transferred to Stage 2	(62,901)	235,776	(14,701)	158,174
Transferred to Stage 3	(583)	(53,267)	177,925	124,075
Allowances made for the financial year	370,086	62,989	168,365	601,440
Maturity/settlement/repayment	(277,433)	(103,645)	(100,221)	(481,299)
Exchange differences	(438)	(15)	-	(453)
Net total	72,009	5,107	224,363	301,479
Amount written-off	-	-	(145,329)	(145,329)
Other movements	-	-	(5,576)	(5,576)
At 31 December	**870,677**	**367,276**	**286,132**	**1,524,085**

Bank 2018	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	690,916	402,436	10,143	1,403,495
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
Allowances made for the financial year	398,271	88,051	141,417	627,739
Maturity/settlement/repayment	(281,908)	(160,254)	(113,673)	(555,835)
Exchange differences	113	(113)	-	-
Net total	107,752	(40,267)	117,298	184,783
Amount written-off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
At 31 December	**798,668**	**362,169**	**212,674**	**1,373,511**

Credit Risk (Continued)

Movements in the allowances for ECL and write-off on financing, advances and others for Islamic Banking Window are as follows:

Islamic Banking Window 2019	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	13,706	15,449	1,633	30,788
Transferred to Stage 1	499	(6,297)	-	(5,798)
Transferred to Stage 2	(952)	29,735	(1,134)	27,649
Transferred to Stage 3	(23)	(1,649)	6,405	4,733
Allowances made for the financial year	45,739	489	3,462	49,690
Maturity/settlement/repayment	(48,206)	(10,397)	(2,496)	(61,099)
Exchange differences	-	-	-	-
Net total	(2,943)	11,881	6,237	15,175
Other movements	-	-	(755)	(755)
At 31 December	**10,763**	**27,330**	**7,115**	**45,208**

Islamic Banking Window 2018	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	4,678	1,733	201	6,612
Transferred to Stage 1	349	(4,481)	-	(4,132)
Transferred to Stage 2	(1,054)	17,132	-	16,078
Transferred to Stage 3	-	(2,301)	2,130	(171)
Allowances made for the financial year	66,530	3,613	49	70,192
Maturity/settlement/repayment	(56,801)	(251)	(596)	(57,648)
Exchange differences	2	2	-	4
Net total	9,026	13,714	1,583	24,323
Other movements	2	2	(151)	(147)
At 31 December	**13,706**	**15,449**	**1,633**	**30,788**

Credit Risk (Continued)

Credit Risk Mitigation

Potential credit losses are mitigated using a variety of instruments such as collateral, derivatives and guarantee. 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 mainly properties, cash and marketable securities. 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 fulfill certain eligibility criteria (such as legal certainty across relevant jurisdictions) in order to be eligible for Internal Ratings-Based (IRB) purposes.

In extending credit facilities to SMEs, personal guarantees are also often taken as a form of moral support to ensure 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, the Credit Support Annex (CSA) and the Global Master Repurchase Agreements (GMRA). 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 (Continued)

Credit Risk Mitigation (Continued)

The following tables presented the total exposures which are covered by eligible credit risk mitigants of the Bank for the financial year ended 31 December 2019:

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	13,070,835	-	-	-
Public sector entities	25,709	25,709	-	-
Banks, DFIs and MDBs	12,548,171	-	3,579,945	-
Insurances cos, securities firms and fund managers	31,794	-	31,515	-
Corporates	33,902,173	1,755,377	2,217,977	1,553,425
Regulatory retail	18,684,686	937	132	-
Residential mortgages	34,676,718	-	-	-
Other assets	910,065	-	-	-
Equity exposures	133,884	-	-	-
Defaulted exposures	1,308,745	3,479	46	30,481
Total on-balance sheet exposures	115,292,780	1,785,502	5,829,615	1,583,906
Off-balance sheet exposures				
OTC derivatives	1,096,550	203	930	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	18,607,450	224,531	825,768	223,417
Defaulted exposures	5,056	-	186	-
Total off-balance sheet exposures	19,709,056	224,734	826,884	223,417
Total on and off-balance sheet exposures	135,001,836	2,010,236	6,656,499	1,807,322

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following tables presented the total exposures which are covered by eligible credit risk mitigants of the Bank for the financial year ended 31 December 2018:

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	13,036,857	-	-	-
Banks, DFIs and MDBs	12,935,681	-	3,373,455	-
Insurances cos, securities firms and fund managers	40,851	-	23,525	-
Corporates	31,736,591	1,511,970	2,245,903	1,578,968
Regulatory retail	18,513,646	187,209	-	-
Residential mortgages	33,471,449	-	-	-
Other assets	1,016,986	-	-	-
Equity exposures	114,445	-	-	-
Defaulted exposures	1,286,234	1,079	1,342	32,604
Total on-balance sheet exposures	112,152,740	1,700,258	5,644,225	1,611,572
Off-balance sheet exposures				
OTC derivatives	1,030,521	173	1,516	8
Off-balance sheet exposures other than OTC derivatives or credit derivatives	19,793,234	166,507	850,254	280,080
Defaulted exposures	22,495	-	20	378
Total off-balance sheet exposures	20,846,250	166,680	851,790	280,466
Total on and off-balance sheet exposures	132,998,990	1,866,938	6,496,015	1,892,038

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following tables presented the total exposures which are covered by eligible credit risk mitigants of Islamic Banking Window for the financial year ended 31 December 2019:

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	1,755,374	-	-	-
Banks, DFIs and MDBs	50,529	-	-	-
Corporates	1,446,443	93,571	24,092	27,872
Regulatory retail	835,470	-	-	-
Residential mortgages	2,079,891	-	-	-
Other assets	6,491	-	-	-
Defaulted exposures	31,336	-	-	-
Total on-balance sheet exposures	6,205,534	93,571	24,092	27,872
Off-balance sheet exposures				
OTC derivatives	2,277	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	679,218	6,951	4,553	-
Total off-balance sheet exposures	681,495	6,951	4,553	-
Total on and off-balance sheet exposures	6,887,029	100,522	28,645	27,872

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following tables presented the total exposures which are covered by eligible credit risk mitigants of Islamic Banking Window for the financial year ended 31 December 2018:

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	2,808,928	-	-	-
Banks, DFIs and MDBs	8,117	-	-	-
Corporates	880,506	111,522	14,156	1,143
Regulatory retail	510,755	-	-	-
Residential mortgages	1,334,476	-	-	-
Other assets	19,488	-	-	-
Defaulted exposures	11,070	-	-	-
Total on-balance sheet exposures	**5,573,340**	**111,522**	**14,156**	**1,143**
Off-balance sheet exposures				
OTC derivatives	1,745	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	610,352	2,185	4,561	-
Total off-balance sheet exposures	**612,097**	**2,185**	**4,561**	**-**
Total on and off-balance sheet exposures	6,185,437	113,707	18,717	1,143

Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk

Unlike normal lending risk where the notional at risk can be determined with a high degree of certainty during the contractual period, counterparty credit risk exposure fluctuates with market variables. Counterparty credit risk is measured as the sum of current mark-to-market plus appropriate add-on factor for potential future exposure (PFE). The PFE factor is an estimate of the maximum credit exposure over the remaining life of the foreign exchange (FX)/derivative transactions and is used for limit setting and internal risk management.

The Bank also has established policies and procedures to manage wrong-way risk, i.e. where the counterparty credit exposure is correlated positively with its default risk. Transactions that exhibit such characteristics are identified and reported to Senior Management on a regular basis. In addition, transactions with specific wrong-way risk are generally rejected at the underwriting stage.

Credit Exposures from Foreign Exchange and Derivatives

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

Credit Risk (Continued)

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

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2019 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	2,705,659		2,620,287	1,696,912
Transaction related contingent items	6,107,043		3,042,267	2,036,302
Short-term self-liquidating trade-related contingencies	389,829		89,824	52,267
Foreign exchange related contracts				
One year or less	25,342,582	148,769	475,949	139,178
Over one year to five years	550,954	5,215	39,829	24,345
Interest/Profit rate related contracts				
One year or less	10,034,013	36,573	133,368	60,810
Over one year to five years	15,392,386	157,015	713,544	405,647
Over five years	1,275,978	32,441	165,528	112,757
Equity related contracts				
One year or less	369,983	9,164	516	82
Over one year to five years	82,587	1,549	-	-
Commodity contracts				
One year or less	486,130	43,026	74,099	44,693
Over one year to five years	76,363	1,274	9,471	1,217
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,483,692		5,148,254	3,548,768
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,396,566		942,075	227,467
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	15,055,672		6,071,844	767,628
Unutilised credit card lines	84,694		16,939	15,264
Total	102,834,131	435,026	19,543,794	9,133,335

Credit Risk (Continued)

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

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2018 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	3,189,451		3,124,810	2,346,211
Transaction related contingent items	6,192,218		3,104,378	2,184,179
Short-term self-liquidating trade-related contingencies	420,884		92,276	49,619
Foreign exchange related contracts				
One year or less	25,089,263	112,941	432,896	134,002
Over one year to five years	604,766	7,499	39,997	21,641
Interest/Profit rate related contracts				
One year or less	7,938,700	5,581	41,229	20,365
Over one year to five years	16,739,543	165,124	818,849	486,248
Over five years	444,858	8,569	62,165	47,091
Equity related contracts				
One year or less	368,736	42,506	21,318	19,472
Over one year to five years	592,241	362	24,477	3,863
Commodity contracts				
One year or less	491,782	33,782	70,992	14,754
Over one year to five years	142,850	131	16,031	2,818
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	11,436,035		6,463,900	4,894,091
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,268,384		801,816	175,486
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	11,595,281		5,724,250	629,471
Unutilised credit card lines	73,378		14,676	13,870
Total	101,588,370	376,495	20,854,060	11,043,181

Credit Risk (Continued)

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

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window for the financial year ended 31 December 2019 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	11,874		11,874	6,968
Transaction related contingent items	54,306		27,278	31,581
Short-term self-liquidating trade-related contigencies	3,259		652	359
Foreign exchange related contracts with an original maturity up to one year	153,257	2,637	2,277	1,049
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	950,177		637,296	210,473
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	212,341		2,119	789
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	212,239		-	-
Total	1,597,452	2,637	681,496	251,219

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window for the financial year ended 31 December 2018 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	11,092		11,092	5,833
Transaction related contingent items	31,974		15,987	14,260
Short-term self-liquidating trade-related contigencies	1,717		343	71
Foreign exchange related contracts with an original maturity up to one year	113,442		1,745	422
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,052,207		582,650	114,732
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	162,598		280	126
Total	1,373,030	-	612,097	135,444

Market Risk

Market risk refers to the risk of losses to the Bank from movements in the market rates or prices (e.g. changes in interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads) of the underlying asset.

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) under Risk Management supports the RMC, RCC and ALCO with independent assessment of the market risk profile of the Bank.

The Bank's market risk framework comprises market risk policies, practices and 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 Product/Service Programme process ensures that market risk issues identified are adequately addressed prior to the launch of products and services.

One of the Bank's main objectives in undertaking trading activities is to provide customer-centric products to support client franchise business and to cater for clients' hedging needs. We review and enhance our management of derivatives risks continually to ensure that the complexities of the business are controlled appropriately.

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 commensurate with the risks taken.

Market Risk appetite is provided for all trading exposures and non-trading FX exposures within the Bank.

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 which are warehoused, measured and controlled using internal models include FX and FX options, plain vanilla interest rate contracts, interest rate option, cross currency swap, government bonds, quasi government bonds, corporate bonds, commodity contracts and commodity options.

The Bank adopts a daily Expected Shortfall (ES) to estimate market risk within a 97.5% confidence interval over a one-day holding period, using the historical simulation method for its trading book. This entails the estimation of tail loss based on the most recent historical data. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. It assumes that possible future changes in market rates may be implied by observed historical market movements. ES is the average portfolio loss, assuming that the loss is greater than the specified percentile of the loss distribution. With effect from 2 January 2019, the Bank has adopted ES as a control for market risk. Previously, the Bank used daily Value-at-Risk (VaR) which estimates the potential loss over a given period at a 99% confidence interval. The level of ES is dependent on the exposures, as well as historical market prices and volatilities.

Backtesting is done against profit and loss of the trading book to validate the robustness of the measure. 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 ES 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's daily ES on 31 December 2019 was RM4.159 million.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2019				
Interest rate	2,094	8,890	612	2,263
Foreign exchange	506	6,338	235	1,684
Commodities	20	964	20	239
Option Volatility*	114	185	84	132
Total diversified ES	4,159	11,009	1,933	3,963
2018				
Interest rate	3,677	10,470	1,998	3,978
Foreign exchange	3,572	6,818	1,162	3,128
Commodities	61	458	6	146
Total diversified VaR	5,082	10,463	3,306	5,572

** VaR/ES for option volitility component was previously grouped under FX VaR in 2018.*

Interest Rate Risk/Rate of Return Risk In the Banking Book (IRRBB/RORRBB)

Interest rate risk/rate of return risk in the banking book (IRRBB/RORRBB) is defined as the risk of potential loss of capital or reduction in earnings due to changes in interest/profit rate environment.

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

The primary objective of managing IRRBB/RORRBB 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.

IRRBB/RORRBB is quantified on a monthly basis using a combination of static analysis tools and simulation approaches. Static analysis tools include repricing gap approach and sensitivity approach (PV01). Mismatches in the longer tenor from repricing gap will experience greater change in dollar value of interest/profit rate positions for 1bp increase in prevailing interest/profit rate than similar position in the shorter tenor.

Simulation approach includes Net Interest/Profit Income (NII/NPI), Economic Value of Equity (EVE) and stress testing. 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. EVE provides a measure of the potential economic value impact of long term effect of interest rate changes for the full tenor of balance sheet. It measures the net effect of the present value of expected cash flows of the banking book.

Stress tests are 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 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 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 Rate Risk/Rate of Return Risk In the Banking Book (IRRBB/RORRBB) (Continued)

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 repricing profile of loans is generally based on the earliest possible repricing dates. Interest/profit rate flooring effects are taken into consideration. Loan prepayment and time deposit early withdraw rates are estimated based on past statistics and trends where possible and material. The average repricing maturity of core non-maturity deposits is determined through empirical models.

Economic Value of Equity (EVE)

	Increase/(Decrease) in basis point	Sensitivity of EVE	Increase/(Decrease) in basis point	Sensitivity of EVE
31 December 2019		RM'000		RM'000
Currency				
Total	**+ 200/(200)**	**(297,123)/358,234**	**+ 100/(100)**	**(156,417)/173,538**
MYR	+ 200/(200)	(314,436)/372,279	+ 100/(100)	(165,110)/182,306
USD	+ 200/(200)	17,313/(14,045)	+ 100/(100)	8,693/(8,768)
31 December 2018				
Currency				
Total	**+ 200/(200)**	**(262,271)/332,200**	**+ 100/(100)**	**(139,187)/156,623**
MYR	+ 200/(200)	(263,504)/333,443	+ 100/(100)	(139,804)/157,243
USD	+ 200/(200)	1,232/(1,243)	+ 100/(100)	618/(620)

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 2019		RM'000		RM'000
Currency				
Total	**+ 200/(200)**	**552,409/(644,135)**	**+ 100/(100)**	**277,912/(309,474)**
MYR	+ 200/(200)	593,908/(661,983)	+ 100/(100)	298,661/(320,990)
USD	+ 200/(200)	(41,499)/17,848	+ 100/(100)	(20,749)/11,516
31 December 2018				
Currency				
Total	**+ 200/(200)**	**549,737/(549,714)**	**+ 100/(100)**	**260,891/(260,891)**
MYR	+ 200/(200)	549,817/(549,794)	+ 100/(100)	260,931/(260,931)
USD	+ 200/(200)	(80)/80	+ 100/(100)	(40)/40

Liquidity Risk

Liquidity risk is the risk to the Bank's earnings or capital from its inability to meet its obligations or fund increases in assets as they fall due. The Bank maintains sufficient liquidity to fund its day-to-day operations, to meet deposit withdrawals and loan/financing disbursements, to participate in new investments, and to 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. 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.

Aligned with the regulatory liquidity risk management framework, the Bank's liquidity risk 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 Liquidity Coverage Ratio (LCR), the Bank's ratios were above 100 per cent for both the All Currency LCR and the Ringgit Malaysia LCR as at 31 December 2019.

Contingency funding plans are in place to identify liquidity crisis using a series of warning indicators. Crisis management 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 parent bank in Singapore.

The table in Note 40 to the financial statements on pages 185 to 189 provides 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.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes banking operations risk, fraud risk, legal risk, regulatory compliance risk (including Shariah non-compliance risk), reputational risk, outsourcing risk and technology risk.

The Bank's primary objective is to foster a sound reputation and operating environment.

Operational Risk Governance, Framework and Programmes

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 Operational Risk Management Committee (ORMC) meets monthly to provide oversight of operational risk matters across the Bank.

The Operational Risk Governance structure adopts the Three Lines of Defence Model. The business and support units, as the First Line of Defence, are responsible for establishing a robust control environment as part of their day-to-day operations. Each business and support unit is responsible for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities.

The Operational Risk Management under Risk Management, as the Second Line of Defence, provides an overarching governance over operational risk through relevant frameworks, policies, programmes and system. It also monitors and reports key risk self-assessment results, outsourcing matters, operational risk indicator breaches, self-identified operational risk and operational risk incidents to management, ORMC and the Board.

Internal Audit, as the Third Line of Defence, provides an independent and objective assessment on the overall effectiveness of the risk governance framework and internal control through periodic audit reviews.

Technology Risk is defined as any potential adverse outcome, damage, loss, violation, failure or disruption arising from the use of or reliance on computer hardware, software, devices, systems, applications and networks. Governance over technology risks remains with ORMC to enable a holistic oversight of operational risk matters across the Bank. The Bank has an established Technology Risk Management framework to enable technology, information security and cyber risks to be managed in a systematic and consistent manner. A dedicated Technology Risk Management (TRM) function has been set up in ORM to drive the governance and oversight for technology risk management across the Bank. TRM will work closely with business and support units to oversee, review and strengthen their current practices in technology risk management.

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 regulatory breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

Legal risk arises from unenforceable, unfavourable, defective or unintended contracts, lawsuits or claims, developments in laws and regulations, or non-compliance with applicable laws and regulations. Business and support units work with both internal and external legal counsels to ensure that legal risks are effectively managed.

Reputational 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 reputational risk and has developed a policy to identify and manage the risk across the Bank.

The Bank's Insurance programme covers civil and crime liability, cyber security, property damage, terrorism, public liability, as well as directors' and officers' liability. The programme reduces operational losses through adequate insurance coverage.

Fraud Risk

Fraud is defined as an act, with an element to deceive or to conceal facts, and is not restricted to the gain of monetary or material benefits.

The Bank actively manages fraud risks. The Integrated Fraud Management (IFM) under Risk Management, drives strategy and governance and oversees the framework of fraud risk management across the Bank. The corporate governance of fraud risk is provided by the Audit Committee at Board level, and primarily by the ORMC at Management level.

All employees are required to uphold the UOB Code of Conduct, which includes anti-bribery and anti-corruption provisions. The Bank's fraud hotline to IFM ensures independent fraud investigation. IFM also works closely with business and support units to strengthen their current practices across the five pillars of prevention, detection, response, remediation and reporting.

Equities (Disclosures for Banking Book position)

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

These exposures were classified under available-for-sale (AFS) securities which were being measured at fair value.

Type of Equities	Bank			
	31 December 2019		31 December 2018	
	Exposures	RWA	Exposures	RWA
	RM'000	RM'000	RM'000	RM'000
Publicly traded equity exposures *mainly acquired via loan restructuring activities	2,076	6,226	1,956	5,868
All other equity exposures	131,809	131,809	112,489	112,489
Total	133,885	138,035	114,445	118,357

	Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Realised (loss)/gains arising from sales and liquidation	-	-
Unrealised gains included in fair value reserve	121,346	101,907

As at 31 December 2018, there were no equity exposures under Islamic Banking Window.

Profit Sharing Investment Accounts and Shariah Governance

Profit Sharing Investment Accounts

This disclosure is not applicable as United Overseas Bank (Malaysia) Bhd's Islamic Banking Window does not have any Profit Sharing Investment Accounts with third parties.

Shariah Governance

This is disclosed in United Overseas Bank (Malaysia) Bhd's Annual Report, under the section "Corporate Governance".

No actual Shariah non-compliance event has been detected for the financial year ended 31 December 2019. As such, no Shariah non-compliant income has been recorded for the year.

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2019

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of United Overseas Bank (Malaysia) Bhd (the Group and the Bank) for the financial year ended 31 December 2019.

Principal Activities

The principal activities of the Bank are banking and related financial services, including Islamic Banking. The principal activities and other information of the subsidiaries and the associate are set out in Notes 13 and 14 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	1,602,342	1,598,786
Income tax expense	(378,972)	(384,543)
Profit for the year	1,223,370	1,214,243

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 total amount of indemnity coverage and insurance premium paid for the directors and the officers of the Group and of the Bank are RM455,000,000 and RM283,000 respectively.

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 2018 was as follows:

	RM'000
In respect of the financial year ended 31 December 2018 as reported in the directors' report for that year, a final single-tier dividend of 105.3 sen, on 470,000,000 ordinary shares was paid on 10 May 2019	494,910

At the forthcoming Annual General Meeting, a final single-tier dividend of 129.2 sen in respect of the financial year ended 31 December 2019 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM607,240,000 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 2020.

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
Dato' Jeffrey Ng Tiong Lip
Wee Ee Cheong
Fatimah Binti Merican
Wong Kim Choong
Ching Yew Chye
Datuk Phang Ah Tong (appointed on 2 January 2019)
Ong Yew Huat (retired on 1 January 2019)
Dr Wee Cho Yaw (retired on 12 April 2019)

The Subsidiaries of the Bank
Chang Yeong Gung
Kan Wing Yin
Michael Beh Soo Heng
Lai Tak Ming
Teo Teck Hin

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 (UOB).

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 or the fixed salary of a full-time employee of the Bank as shown in Note 31 to the financial statements) 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 Plan and Share Appreciation Rights Plan (the Plans)

Share-based compensation plans

Share-based compensation plans of the Group comprise the UOB Restricted Share Plan (RS) and UOB Share Appreciation Rights Plan (SAR).

In 2018, following a review of the total compensation model, the Remuneration and Human Capital Committee (RHCC) approved, inter alia, a revised variable pay deferral framework for senior employees and Material Risk Takers. Under this, a portion of variable pay will be deferred as shares under the RS Plan. Such deferred RS will vest over a three-year period.

Share Appreciation Rights are rights, which upon exercise, confer the right to receive such number of UOB shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOB shares comprised in the SAR, divided by the prevailing market value of a UOB share. The grant value is determined with reference to the average of the closing prices of UOB 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. Since 2014, no SAR has been granted. The last SAR granted in 2013 expired on 13 December 2019.

Participating employees who leave the Group before the RS and SAR are vested will have their rights forfeited unless otherwise decided by the RHCC.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the RS Plan shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plan only allows the delivery of UOB ordinary shares held in treasury by the Bank.

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 companies during the financial year were as follows:

		Number of ordinary shares				
		1.1.2019	Acquired	Disposed	Forfeited	31.12.2019
Ultimate holding company: UOB						
Wee Ee Cheong	- Direct	3,056,455	25,000	-	-	3,081,455
	- Indirect	173,701,487	-	-	-	173,701,487
Wong Kim Choong	- Direct	3,631	-	-	-	3,631
	- Indirect	118,997	18,050	-	-	137,047
Ching Yew Chye	- Direct	12,935	-	-	-	12,935

		Number of options over ordinary shares under UOB Restricted Share Plan				
		1.1.2019	Granted	Vested	Forfeited	31.12.2019
Ultimate holding company: UOB						
Wong Kim Choong	- Direct	44,260	18,650	(18,050)	-	44,860

Wee Ee Cheong by virtue of his substantial interest in the shares of UOB 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 companies 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 UOB, a bank incorporated in Singapore, respectively.

Strategy and performance for the financial year ended 31 December 2019

2019 was a challenging year for the financial industry, with most banks, including UOB (Malaysia), anticipating moderate growth in view of the muted economic cycle and heightened global volatility. Despite the macro headwinds, the Bank achieved commendable financial performance, underpinned by our strong balance sheet and effective resource management to generate sustainable growth for the long term.

During the year, we remained focused on our strategic priorities of capitalising on regional growth drivers and strengthening our digital and technology infrastructure to drive innovation and performance. We also continued to invest in our people while sharpening our service capabilities to make banking simpler, smarter and safer.

Above all, strong corporate governance, robust risk management and sound business practices enabled us to support our customers, helping them to tap market opportunities and to benefit from Malaysia's long-term growth potential and the seamless connectivity we offer across Association of Southeast Asian Nations (ASEAN).

Strategy and Performance for the Financial Year Ended 31 December 2019 (Continued)

Wholesale Banking

Connecting Businesses to Regional Opportunities

In Wholesale Banking, we continued to tap our established regional network and industry expertise to connect our commercial, corporate and multinational corporate clients across Malaysia's key sectors to business and investment opportunities across Asia. The client coverage teams worked with our transaction banking and investment banking product teams to offer our clients cash management, trade services, capital market and treasury solutions.

We also worked alongside our ecosystem partners, including key trade and government agencies, to facilitate investment into Malaysia. For example, in collaboration with the Malaysian Investment Development Authority (MIDA), Malaysia External Trade Development Corporation (MATRADE) and the Ministry of International Trade and Industry (MITI), we organised roundtables and investor roadshows to share with clients across UOB's network more information on investment opportunities in Malaysia.

To help Malaysian companies expand abroad, we partnered sector-specific trade associations, including the Malaysian Plastic Manufacturers Association, the Malaysian Oil & Gas Services Council and the Electrical and Electronics Association of Malaysia, to connect our clients to local business partners in new markets.

We also supported MATRADE in its nine-month Mid-Tier Companies Development Programme by providing companies with annual revenues of between RM50 million and RM500 million with tailored financing solutions and business advisory services to help them accelerate their growth into new markets across the region. Our collaboration with the small and medium-sized enterprise (SME) Association of Sabah, the Malaysia-China Chamber of Commerce Sabah, the Sabah-China Chambers of Commerce and Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) also enabled us to help companies in East Malaysia diversify and expand across borders.

Supporting Key Sectors Across Malaysia

Informed by our in-depth industry insights and expertise, we helped our clients across different sectors grow and progress during the course of the year. Within the oil and gas sector, we were selected as one of the five banks in Malaysia to be a preferred panel banker and to offer financial solutions to Petronas' Oil and Gas Services and Equipment (OGSE) vendors. In 2019, we provided more than RM120 million in working capital to 13 of Petronas' OGSE vendors. In helping them meet their contractual obligations, we also contributed towards building a vibrant oil and gas ecosystem in Malaysia.

Within the construction and infrastructure sector, we supported publicly-listed transport provider, Perak Transit Berhad (PTRANS), in the issuance of its first RM500 million Islamic medium-term note programme. Through this capital market exercise, we helped PTRANS to expand its facilities and to provide better connectivity within Perak and to other parts of Peninsular Malaysia.

To help our clients transition to a lower-carbon economy, we launched U-Solar, the first solar industry ecosystem in Asia to power the development and adoption of renewable energy across Southeast Asia. Through U-Solar, we offer a suite of financial solutions to support the solar power value chain, from solar project developers, engineering, procurement and construction contractors, as well as the end-users of solar power, including consumers and companies. In Malaysia, we have partnered leading solar energy service providers, Solarvest, PlusSolar, Ditrolic and ERS Energy, to encourage greater adoption of solar power.

We also worked closely with MIDA's Green Technology Sector and Sustainable Energy Development Authority to help more than 1,400 companies make the switch to renewable sources of energy with the implementation of green technology services and systems. This collaboration also enabled us to support the government's ambition to move towards a lower carbon economy.

Meeting Clients' Cash Flow, Working Capital and Liquidity Management Needs

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. In the past year, we also enhanced our business internet banking service, BIBPlus, by making improvements to our straight-through processing and peer-to-peer payment facilities. This helped us to provide greater convenience and enhance the customer experience for our clients.

We improved our straight-through processing capabilities with the integration of Foreign Telegraphic Transfer (FTT) into BIBPlus. With this feature, clients are able to send their FTT application forms through BIBPlus rather than through a separate email. To support Bank Negara Malaysia's initiative to move Malaysia towards becoming a cashless economy and to help our clients adopt digital payment solutions, we integrated Payments Network Malaysia's DuitNow facility to the BIBPlus platform. Through this service, we remove the hassle of making fund transfers using account numbers and help our clients perform instant electronic fund transfers conveniently through their mobile devices using a business registration number.

Strategy and Performance for the Financial Year Ended 31 December 2019 (Continued)

Wholesale Banking (Continued)

Meeting Clients' Cash Flow, Working Capital and Liquidity Management Needs (Continued)

Our Transaction Banking business received international recognition for its efforts as we were awarded the Best Cash Management Solution and the Best Trade/Supply Chain Finance Solution provider by Treasury Today Asia at the Adam Smith Awards Asia 2019 and Best Service Providers and Best Solutions in Malaysia at The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2019. We were also recognised for our market-leading position in cash management and named Malaysia's International Cash Management Bank of the Year and Trade Finance Bank of the Year at the Asian Banking and Finance Wholesale Banking Awards 2019. We were also awarded Asia's Best Treasury and Finance Strategies at the CorporateTreasurer Awards 2019 and Best Financial Supply Chain Management in Malaysia at The Asian Banker's Asian Transaction Awards 2019.

Our Global Markets team worked closely with product specialists at UOB Group to provide structured solutions to meet the business needs of our clients across multiple segments including Financial Institutions Group, Corporate, Commercial and Business Banking. This cross-collaboration enabled us to provide our clients with tailored solutions that were responsive to market developments. To help our clients manage risk, our Global Markets team also provided foreign exchange, interest rate and commodity hedging solutions. Through regular seminars, our team of economists and dedicated treasury specialists continued to support our SME customers by providing them with a greater understanding of financial market risks and how to manage them.

Islamic Banking

In line with our strategy to achieve sustainable and long-term growth, we continued to build our Islamic Banking business to offer our individual and business customers more choices in banking solutions. In 2019, we focused our efforts on strengthening our range of Islamic Banking solutions and helping our individual and business customers understand these solutions better through awareness-raising initiatives.

During the year, we launched a three-pillar, Shariah-compliant wealth management solution to help our affluent customers save, grow and protect their wealth. The products, bundled in three categories – wealth preservation, wealth protection and wealth accumulation, enabled our customers to find the best solution to meet their financial objective.

We also participated in the Malaysia International Halal Showcase 2019 organised by MATRADE to increase public understanding of Islamic banking solutions and to strengthen our presence across the Islamic Banking industry. We also worked with our ecosystem partners, the Malaysia Oil and Gas Services Council and the Association of Islamic Banking and Financial Institutions Malaysia to engage a wider range of businesses across Malaysia through jointly organised talks and seminars.

Retail Banking

In Business Banking, we focused on providing our small business customers with customised services and solutions. To support our business customers in their digital business transformation journey, we partnered The FinLab to launch the Jom Transform Programme. We were the first bank in Malaysia to offer such a programme to help local businesses digitalise their operations to drive growth and productivity. We also conducted digital clinics during which our customers learnt how to use technology to improve their processes and received practical, one-on-one guidance from experts on the implementation of digital solutions into their operations.

One such digital solution is UOB SmartBusiness, a cloud-based integrated solution that enables small businesses to automate key operating processes such as accounting, inventory and employee management. Small businesses can also link their UOB SmartBusiness account to their UOB bank account to enable the automated reconciliation of transactions. More than 8,000 of our small business customers have benefitted from using UOB SmartBusiness since it was launched in June 2018.

To help our small business customers monitor and manage their cash flows better, we launched our Virtual Payment Solution. This automated procure-to-pay system enabled our business customers to make payments to their suppliers using their virtual corporate credit cards and to automate their payment reconciliation processes.

In 2019, we enhanced our suite of deposit and card products to help our individual customers extract greater value from their savings and spendings. Drawing from our insights into customer behaviour and preferences, we launched the UOB Stash Account, a savings account that enables customers to earn higher interest income when they pool their savings into one dedicated account. This enables our customers to save more and to stretch their money.

With travel being a consistent favourite among our customers' activities, we launched the UOB Visa Infinite Metal Card, designed to reward our affluent customers with travel-related benefits that meet their travel needs and expectations. With this card, customers can earn first-class travel privileges, air miles and reward points for their overseas spends. For its innovative design, the UOB Visa Infinite Metal Card was awarded Best Credit Card Launch and the Most Innovative Card Design by Visa.

Strategy and Performance for the Financial Year Ended 31 December 2019 (Continued)

Retail Banking (Continued)

To provide our female customers with financial solutions that suit their lifestyle choices and financial priorities, we collaborated with a leading women's association, Stellavingze Global. As part of the collaboration, we offered Stellavingze Global members wealth management solutions, including membership to the exclusive UOB Lady's Solitaire Card. As part of the Bank's approach of creating products relevant to the preferences of customers, the UOB Lady's Solitaire Card provides easy instalment payment plans and travel protection plans to help women earn rewards as they spend on items and experiences that match their lifestyle choices and preferences.

Recognising that more people were using online tools to search for and to buy their homes, we launched our banker and buyer matching service, UOB GetBanker. Drawing on the best practices of ride-hailing apps, the UOB GetBanker mobile app enables a property buyer or an agent to search for a mortgage banker based on the type, the location and the price of the property.

UOB Mighty is the first mobile banking app in Malaysia to incorporate banking, dining and payment transaction features in a single app. It is designed to offer our customers a simple and convenient banking and payment solution that matches their lifestyle preferences. To meet customers' preference for digital fund transfers and peer-to-peer payments, we integrated DuitNow in our personal banking mobile banking app, UOB Mighty, for our customers to transfer funds conveniently using just the recipient's mobile phone number.

As part of our efforts to improve our customers' experience and to support their preference to transact online, we worked with Prudential Assurance to offer bancassurance products and solutions to our customers using a digital submission platform. More than 70 per cent of all our bancassurance sales transactions were completed through the digital platform in the year 2019.

Colleagues

Our people are critical to the success in executing our business strategy. As such, we adopt an integrated approach to attract, engage and retain the best talent. Our distinctive employee value proposition is built upon our values of being Honourable, Enterprising, United and Committed and supported by a wide range of programmes that cover training and development courses, flexible work arrangements, health and wellness, employee welfare benefits and recognition awards.

To encourage the development of our people and to equip them with future-ready skills, we provided training and development programmes to more than 3,000 of our employees during the course of the year. The programmes were designed to promote professional development, to help our people to develop enterprise thinking and to acquire digital skills to meet the needs of a new generation of increasingly tech-savvy customers.

In year 2019, we also launched a customised LinkedIn Learning programme to make learning and self-improvement more accessible for our people. The mobile-based learning platform provided our people with a series of online learning programmes to help them deepen their understanding across different areas of business and to better manage their work priorities.

With a workforce across generations and of different characters and attributes, in 2019 we launched our 'Managing Across Generations' initiative. This was a series of workshops aimed at engaging and helping colleagues from different age groups to understand and to manage their differences, so that they can resolve potential conflicts and work together more cohesively.

To attract a wider pool of graduates to our 16-month Management Associate Programme, we extended our recruitment drive to include overseas varsities, career fairs and targeted school outreach events. We attended career fairs in the United Kingdom and Australia, in addition to recruiting talent from Malaysia's top universities. In 2019, we also launched the UOB Smart Bankers Internship Programme, a three-month structured training programme designed to prepare undergraduate students for a career in banking.

Women accounted for almost 65 per cent of our permanent colleagues as at the end of year 2019 and more than 55 per cent of all new hires in year 2019. They also accounted for more than 45 per cent of the Bank's senior leaders. To enhance our focus on gender diversity, we launched our Women@Work programme, which comprised a number of talks and seminars to assist women achieve their personal and professional goals.

To promote the well-being of our people and to offer them greater choice and flexibility in how they utilise their annual wellness allowance, we introduced flexCARE. With flexCARE, our people were able to supplement the cost of their fitness classes, gym memberships, sport equipment and many other wellness-related items.

During the year, we honoured and celebrated the dedication of 159 long-serving colleagues who have been with the Bank for 10, 20, 30 and 40 years. We also ran our fourth UOB Customer Commitments Awards (CCA) programme across the Bank. The UOB CCA campaign, competition and ceremony seek to encourage and to inspire our people to act always in the best interests of our customers. In year 2019, we recognised 44 individual colleagues and 10 teams for their exemplary conduct and commitment to our customers.

Strategy and Performance for the Financial Year Ended 31 December 2019 (Continued)

Community

Just as we serve the financial needs of our customers, we are resolute in our support of the social and economic development of our local communities and are committed to helping create long-term value for them.

In year 2019, our people collectively volunteered more than 7,500 hours of their time to the community through our wide range of outreach initiatives across Malaysia, focusing in the areas of art, children and education.

Under the UOB Heartbeat Run/Walk, our annual flagship event to raise funds to improve the lives of children from less privileged backgrounds, we raised more than RM350,000 for local charities in 2019. The funds raised went towards supporting children from HOPE Worldwide Malaysia, Teach for Malaysia and Yayasan Sunbeams Home.

Now in its ninth year in Malaysia, the UOB Painting of the Year (POY) competition underscores our commitment to nurture and to encourage the development of Malaysia's artistic talent both at home and across the region. In the 2019 UOB POY competition, we awarded cash prizes totalling more than RM230,000 to established and emerging Malaysian artists.

Outlook

The global economy slowed in 2019 amid weaker global manufacturing and trade activities. Into 2020, the escalation of the COVID-19 contagion into a pandemic, in addition to ongoing trade disputes and geopolitical tensions has significantly weakened global growth prospects. The COVID-19 pandemic has simultaneously disrupted supply chains and affected demand as non-essential business activities shut down worldwide. The economies of the United States, Europe and many other countries are expected to contract in 2020 while China is expected to record recessionary growth.

Given the projected contraction across the major economies, subdued external demand and disruptions in global supply chains, we expect growth in trade-dependent Asia to be lower. Strict social distancing measures to contain the spread of COVID-19, including travel restrictions, enforced business closures and restricted social activities are expected to depress consumption and investment activities in the year ahead. Against this backdrop, countries in Asia have implemented economic stimulus measures and lowered interest rates to mitigate partly the economic impact of COVID-19.

We expect Malaysia's gross domestic product (GDP) to contract significantly in 2020 in tandem with our expectations for negative global growth. The pandemic and the ensuing movement control order in the country are expected to weigh significantly on near-term growth prospects due to slowing private sector activity, particularly in the first half of 2020. Apart from the health crisis, the Malaysian economy will also be affected by volatile shifts in crude oil prices as well as continued supply chain disruption in the commodities sector.

To preserve people's welfare, to support businesses and to stimulate the economy, Malaysia's government announced a large relief package worth RM260 billion or 18 per cent of the country's GDP. The relief package includes measures announced earlier by the government as part of its first RM20 billion fiscal package with additional cash handouts (RM10 billion), flexibility to make withdrawals from the Employee Provident Fund (RM40 billion) and loan moratoriums (RM100 billion) provided by banks. On a broader scale, the measures aim to reduce the cost of living, to sustain employment and to improve cash flow for households and businesses. The relief package was supported by two consecutive reductions in the Overnight Policy Rate by 50 basis points. The Central Bank also moved to reduce the Statutory Reserve Requirement ratio by 100 basis points to two per cent to provide the banking system with additional liquidity. These policies will provide additional relief and avert a sharper contraction in economic activity in 2020.

The extent to which Malaysia's economy is able to recover will depend on how fast the pandemic is contained. Should uncertainties related to COVID-19 abate, we remain confident that Malaysia's underlying strengths including its diversified economic structure, improved external position, favourable demographics, robust macro policies, resilient institutions, and excellent infrastructures will support the country's growth over the long term.

In 2020, we will continue to support our customers' needs amid the challenging macro environment while remaining prudent and disciplined as we pursue sustainable growth. For our customers, we will continue to harness technology and our regional franchise and expertise to offer a distinctive and consistent experience with products and solutions designed around their business and lifestyle needs, both through conventional and Islamic Banking.

In all that we do, we will be guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders. The Board of Directors remains confident that UOB (Malaysia) is well positioned to achieve strong performance as the economy builds momentum.

Rating by External Rating Agencies

Rating Agency Malaysia (RAM) has reaffirmed the Bank AAA/Stable/P1 financial institution ratings (FIR) as well as the ratings of its debt instruments below, for its sturdy credit metrics, healthy funding and liquidity profile, and robust capitalisation.

Rating by External Rating Agencies (Continued)

United Overseas Bank (Malaysia) Bhd's issue ratings

No.	Debt instruments issued by the Bank	Ratings
1	RM1 billion Tier-2 Subordinated Bonds (2015/2025)	AA1/Stable
2	RM8 billion Medium Term Notes Programme: Senior Notes	AAA/Stable
3	RM8 billion Medium Term Notes Programme: Tier-2 Subordinated Notes	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 allowances for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts; and

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

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

(i) the amount written-off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and 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.

(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.

Auditors and Auditors' Remuneration

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

The auditors' remuneration is disclosed in Note 30 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors.

Ng Tiong Lip

Wong Kim Choong

Kuala Lumpur, Malaysia
8 May 2020

Statement by Directors

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

We, Ng Tiong Lip 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 103 to 220 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019 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.

Ng Tiong Lip	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 103 to 220 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 8 May 2020	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 the letter of appointment, we are submitting the following report:

We, the members of the Shariah Committee of United Overseas Bank (Malaysia) Bhd, are responsible for the oversight of Shariah matters related to the Bank's Islamic Banking business, operations 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 the Shariah rules and principles. It is our responsibility to form independent opinions, based on our review of the operations of the Bank, and to report to the Board of Directors and Bank Negara Malaysia (BNM) accordingly.

We have concluded eight meetings to review various Shariah product structures and documentations, transactions, services, and operations of the Bank during the financial year ended 31 December 2019. There was no new product approval granted by the Shariah Committee during the financial year. However, we have provided opinions and approvals with regard to the enhancement of the existing products to comply with the BNM's regulations and market practice. We have also provided Shariah opinions on various matters relating to the Islamic Banking operations and observed the conducted review by the 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 the Shariah Advisory Council of BNM.

We have assessed and endorsed the works carried out by the Shariah Review, Shariah Risk and Shariah Audit team, which were conducted by way of examining the relevant documentations and procedures adopted by the Bank in carrying out its Islamic Banking business. We are satisfied that the reviews and audits were properly planned and performed to deliver key information, and provided us with sufficient evidence to give reasonable assurance that the Bank has not violated any Shariah principles.

In our opinion:

(i) The enhancement to the Bank's Islamic Banking products, legal documents and processes that we approved during the financial year ended 31 December 2019 are in compliance with the Shariah rules and principles;

(ii) The Bank's Islamic Banking transactions and dealings carried out in the financial year ended 31 December 2019 are in compliance with the Shariah rules and principles;

(iii) The Bank's sources of Shariah income during the financial year ended 31 December 2019 are in compliance with the Shariah rules and principles;

(iv) No Shariah non-compliant event was reported during the financial year ended 31 December 2019;

(v) The Bank has maintained sufficient internal policies, frameworks, manuals and operating procedures to ensure compliance with the Shariah rules and principles when carrying out its Islamic Banking business;

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

(vii) No disclosure on the zakat payment as it is not applicable to the Bank.

To the best of our knowledge and based on the information provided to us, we hereby confirm that the Bank's Islamic Banking business, operations and activities for the financial year ended 31 December 2019 are in conformity with the Shariah rules and principles.

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

Kuala Lumpur, Malaysia
8 May 2020

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 United Overseas Bank (Malaysia) Bhd, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 103 to 220.

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 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *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 Code of Ethics for Professional Accountants (including International Independence Standards) (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 information in Directors' Report and Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, which the Directors' Report we obtained prior to the date of this auditors' report, and 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.

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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

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

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.

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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:

- 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; and

- 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 PLT
202006000003
(LLP0022760-LCA) & AF 0039
Chartered Accountants

Chan Hooi Lam
No. 02844/02/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
8 May 2020

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Assets					
Cash and short-term funds	3	1,330,265	3,924,932	1,330,265	3,924,932
Deposits and placements with financial institutions	4	499,864	799,783	499,864	799,783
Securities purchased under resale agreements	5	3,568,380	4,603,059	3,568,380	4,603,059
Financial assets at fair value through profit or loss (FVTPL)	6	4,206,956	1,811,633	4,206,956	1,811,633
Debt instruments at fair value through other comprehensive income (FVOCI)	7	20,026,345	15,852,301	20,026,345	15,852,301
Equity instruments at fair value through other comprehensive income (FVOCI)	8	133,885	114,445	133,885	114,445
Debt instruments at amortised cost	9	803,460	228,315	803,460	228,315
Other assets	10	675,453	651,888	680,513	652,099
Derivative financial assets	24	435,026	376,496	435,026	376,496
Loans, advances and financing	11	84,718,431	81,913,278	84,830,743	82,034,675
Statutory deposits with Bank Negara Malaysia	12	1,722,676	2,016,869	1,722,676	2,016,869
Investment in subsidiaries	13	-	-	235,020	185,020
Investment in an associate	14	10,317	10,087	13,522	13,522
Property, plant and equipment	15	746,200	699,459	275,351	266,727
Right-of-use assets	16	20,771	-	60,834	-
Deferred tax assets	17	74,542	102,838	74,542	102,838
Total assets		118,972,571	113,105,383	118,897,382	112,982,714
Liabilities					
Deposits from customers	18	89,106,710	88,733,098	89,135,199	88,755,027
Deposits and placements of banks and other financial institutions	19	14,177,990	9,214,438	14,178,010	9,214,458
Obligations on securities sold under repurchase agreements	5	313,861	-	313,861	-
Bills and acceptances payable		239,535	414,255	239,535	414,255
Other liabilities	20	1,971,122	2,548,407	1,973,265	2,546,618
Derivative financial liabilities	24	516,085	399,947	516,085	399,947
Tax payable		85,864	62,140	85,425	60,908
Lease liabilities	16	19,523	-	58,006	-
Subordinated bonds	21	1,612,220	1,602,082	1,612,220	1,602,082
Deferred tax liabilities	17	19,609	20,559	-	-
Total liabilities		108,062,519	102,994,926	108,111,606	102,993,295
Equity attributable to equity holders of the Bank					
Share capital	22	792,555	792,555	792,555	792,555
Reserves	23	10,117,497	9,317,902	9,993,221	9,196,864
Total equity		10,910,052	10,110,457	10,785,776	9,989,419
Total liabilities and equity		118,972,571	113,105,383	118,897,382	112,982,714
Commitments and contingencies	37	103,186,530	101,959,153	102,834,131	101,588,370

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

Income Statements

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Operating revenue	26	6,416,941	6,134,675	6,422,413	6,140,307
Interest income	27	5,122,155	5,063,308	5,127,370	5,068,664
Interest expense	28	(3,040,954)	(2,993,465)	(3,043,491)	(2,993,827)
Net interest income		2,081,201	2,069,843	2,083,879	2,074,837
Net income from Islamic Banking operations	46	41,969	40,805	41,969	40,805
Other operating income	29	972,410	889,557	972,667	889,833
Operating income		3,095,580	3,000,205	3,098,515	3,005,475
Other operating expenses	30	(1,265,831)	(1,165,846)	(1,271,815)	(1,172,443)
Operating profit before allowances for expected credit losses		1,829,749	1,834,359	1,826,700	1,833,032
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	32	(253,363)	(168,720)	(253,418)	(169,085)
Other financial assets	32	(12,284)	4,566	(12,284)	4,566
Commitments and contingencies	20	37,788	(43,133)	37,788	(43,133)
Write-back of impairment loss/(impairment loss) on property, plant and equipment	15	222	(1,170)	-	-
		1,602,112	1,625,902	1,598,786	1,625,380
Share of net profit of an associate	14	230	233	-	-
Profit before taxation		1,602,342	1,626,135	1,598,786	1,625,380
Income tax expense	33	(378,972)	(390,600)	(384,543)	(387,812)
Profit for the year attributable to equity holders of the Bank		1,223,370	1,235,535	1,214,243	1,237,568
Basic/diluted earnings per share (sen)	34	260.3	262.9		
Dividend per share (sen)	35	129.2	105.3		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year	**1,223,370**	1,235,535	**1,214,243**	1,237,568
Other comprehensive income/(loss):				
Items that will be reclassified subsequently to income statements:				
Net fair value changes in debt instruments at FVOCI	**81,908**	15,117	**81,908**	15,117
Income tax effect (Note 17)	**(19,658)**	(3,628)	**(19,658)**	(3,628)
	62,250	11,489	**62,250**	11,489
Items that will not be reclassified subsequently to income statements:				
Net fair value changes in equity instruments at FVOCI	**19,440**	(26,071)	**19,440**	(26,071)
Revaluation of land and buildings (Note 15)	**-**	49,202	**-**	-
Income tax effect (Note 17)	**(10,555)**	338	**(4,666)**	6,257
	8,885	23,469	**14,774**	(19,814)
Total other comprehensive income/(loss) for the year, net of tax	**71,135**	34,958	**77,024**	(8,325)
Total comprehensive income for the year attributable to equity holders	**1,294,505**	1,270,493	**1,291,267**	1,229,243

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

Group	Share capital RM'000	◄ Non-distributable Revaluation reserve RM'000	FVOCI reserve RM'000 ►	Distributable Retained profits RM'000	Total RM'000
2019					
Balance as at 1 January 2019	792,555	190,019	92,712	9,035,171	10,110,457
Profit for the year	-	-	-	1,223,370	1,223,370
Other comprehensive income	-	(5,889)	77,024	-	71,135
Total comprehensive income	-	(5,889)	77,024	1,223,370	1,294,505
Transaction with owners:					
Dividend paid					
- Final dividend for the financial year ended 31 December 2018 (Note 35)	-	-	-	(494,910)	(494,910)
Balance as at 31 December 2019	**792,555**	**184,130**	**169,736**	**9,763,631**	**10,910,052**

Group	Share capital RM'000	◄ Non-distributable Revaluation reserve RM'000	FVOCI reserve RM'000 ►	Distributable Retained profits RM'000	Total RM'000
2018					
Balance as at 1 January 2018	792,555	146,736	101,037	8,261,176	9,301,504
Profit for the year	-	-	-	1,235,535	1,235,535
Other comprehensive income	-	43,283	(8,325)	-	34,958
Total comprehensive income	-	43,283	(8,325)	1,235,535	1,270,493
Transaction with owners:					
Dividend paid					
- Final dividend for the financial year ended 31 December 2017 (Note 35)	-	-	-	(461,540)	(461,540)
Balance as at 31 December 2018	**792,555**	**190,019**	**92,712**	**9,035,171**	**10,110,457**

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

Statements of Changes in Equity (Continued)

For the financial year ended 31 December 2019

Bank	Share capital RM'000	Non-distributable FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2019				
Balance as at 1 January 2019	792,555	85,810	9,111,054	9,989,419
Profit for the year	-	-	1,214,243	1,214,243
Other comprehensive income	-	77,024	-	77,024
Total comprehensive income	-	77,024	1,214,243	1,291,267
Transaction with owners:				
Dividend paid				
- Final dividend for the financial year ended 31 December 2018 (Note 35)	-	-	(494,910)	(494,910)
Balance as at 31 December 2019	**792,555**	**162,834**	**9,830,387**	**10,785,776**

Bank	Share capital RM'000	Non-distributable FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2018				
Balance as at 1 January 2018	792,555	94,135	8,335,026	9,221,716
Profit for the year	-	-	1,237,568	1,237,568
Other comprehensive loss	-	(8,325)	-	(8,325)
Total comprehensive income	-	(8,325)	1,237,568	1,229,243
Transaction with owners:				
Dividend paid				
- Final dividend for the financial year ended 31 December 2017 (Note 35)	-	-	(461,540)	(461,540)
Balance as at 31 December 2018	**792,555**	**85,810**	**9,111,054**	**9,989,419**

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

Statements of Cash Flows

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cash flows from operating activities					
Profit before taxation		1,602,342	1,626,135	1,598,786	1,625,380
Adjustments for:					
Share of net profit of an associate	14	(230)	(233)	-	-
Loss/(gain) on disposal and write-off of property, plant and equipment		19	(60)	19	(60)
Depreciation of property, plant and equipment	30	69,321	68,260	57,838	57,610
Depreciation of right-of-use assets	30	15,288	-	35,320	-
Allowances for expected credit losses on loans, advances and financing	32	253,363	168,720	253,418	169,085
Allowances for/(write-back of) expected credit losses on other financial assets	32	12,284	(4,566)	12,284	(4,566)
(Write-back of)/allowances for expected credit losses on commitments and contingencies	20(c)	(37,788)	43,133	(37,788)	43,133
Net unrealised (gain)/loss on financial assets at FVTPL	29	(3,001)	2,409	(3,001)	2,409
Dividend income from equity instruments at FVOCI	29	(3,342)	(822)	(3,342)	(822)
Interest/profit income from debt instruments at FVOCI	27	(633,896)	(521,751)	(633,896)	(521,751)
Interest income from debt instruments at amortised cost	27	(16,424)	(5,292)	(16,424)	(5,292)
Gain from sale of debt instruments at FVOCI	29	(99,960)	(10,282)	(99,960)	(10,282)
Unrealised foreign exchange gain		(60,628)	(40,256)	(60,628)	(40,256)
(Gain)/loss from sale of financial assets at FVTPL	29	(16,601)	283	(16,601)	283
Gain from trading derivatives	29	(26,489)	(77,388)	(26,489)	(77,388)
Unrealised (gain)/loss from trading derivatives	29	(6,866)	31,322	(6,866)	31,322
Unrealised loss/(gain) on fair value hedge	29	10,138	(620)	10,138	(620)
Loss/(gain) from sale of precious metals	29	2,188	(1,395)	2,188	(1,395)
Unrealised loss/(gain) from revaluation of precious metals	29	1,373	(213)	1,373	(213)
(Write-back)/impairment on property, plant and equipment, net	15	(222)	1,170	-	-
Interest expense from lease liabilities	28	843	-	2,444	-
Amortisation of premium less accretion of discount from					
- Financial assets at FVTPL	27	622	(44,178)	622	(44,178)
- Debt instruments at FVOCI	27	21,466	12,932	21,466	12,932
Operating profit before working capital changes		1,083,800	1,247,308	1,090,901	1,235,331
(Increase)/decrease in operating assets:					
Loans, advances and financing		(3,058,516)	(4,520,697)	(3,049,486)	(4,528,730)
Financial assets at FVTPL		(2,376,343)	(1,540,692)	(2,376,343)	(1,540,692)
Securities purchased under resale agreements		1,034,679	(3,523,639)	1,034,679	(3,523,639)
Statutory deposits with Bank Negara Malaysia		294,193	(214,665)	294,193	(214,665)
Derivative financial assets		(25,175)	215,664	(25,175)	215,664
Other assets		(26,631)	94,024	(31,480)	57,065
		(4,157,793)	(9,490,005)	(4,153,612)	(9,534,997)

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

Statements of Cash Flows (Continued)

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cash flows from operating activities (Continued)					
Increase/(decrease) in operating liabilities:					
Deposits from customers		373,612	5,344,313	380,172	5,350,368
Deposits and placements of banks and other financial institutions		4,963,552	4,812,748	4,963,552	4,812,738
Obligation on securities sold under repurchase agreements		313,861	-	313,861	-
Bills and acceptances payable		(174,720)	182,082	(174,720)	182,082
Derivative financial liabilities		116,138	(201,319)	116,138	(201,319)
Other liabilities		(482,068)	36,886	(481,683)	77,238
		5,110,375	10,174,710	5,117,320	10,221,107
Cash generated from operations		2,036,382	1,932,013	2,054,609	1,921,441
Tax paid		(358,115)	(465,957)	(356,054)	(464,210)
Net cash generated from operating activities		1,678,267	1,466,056	1,698,555	1,457,231
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		96	281	96	281
Purchase of property, plant and equipment	15	(115,955)	(158,627)	(66,577)	(84,802)
Interest/profit income from debt instruments at FVOCI		633,896	403,342	633,896	403,342
Interest income from debt instruments at amortised cost	27	16,424	5,292	16,424	5,292
Net purchase of debt instruments at FVOCI		(4,017,971)	(4,955,831)	(4,017,971)	(4,955,831)
Net purchase of debt instruments at amortised cost		(574,125)	(236,875)	(574,125)	(236,875)
Dividend income from equity instruments at FVOCI	29	3,342	822	3,342	822
Subscription of redeemable preference shares	13(a)	-	-	(50,000)	(65,000)
Net cash used in investing activities		(4,054,293)	(4,941,596)	(4,054,915)	(4,932,771)
Cash flows from financing activities					
Net proceeds from issuance of subordinated bonds	21(b)	-	600,000	-	600,000
Repayment of subordinated bonds		-	(500,000)	-	(500,000)
Lease payments	16	(14,180)	-	(33,846)	-
Dividend paid	35	(494,910)	(461,540)	(494,910)	(461,540)
Net cash used in financing activity		(509,090)	(361,540)	(528,756)	(361,540)
Net decrease in cash and cash equivalents		(2,885,116)	(3,837,080)	(2,885,116)	(3,837,080)
Cash and cash equivalents at beginning of the year		4,751,836	8,588,916	4,751,836	8,588,916
Cash and cash equivalents at end of the year		1,866,720	4,751,836	1,866,720	4,751,836
Analysis of cash and cash equivalents					
Cash and short-term funds	3	1,366,720	3,951,836	1,366,720	3,951,836
Deposits and placements with financial institutions	4	500,000	800,000	500,000	800,000
		1,866,720	4,751,836	1,866,720	4,751,836
Less: Allowances for Expected Credit Loss (ECL)	3, 4	(36,591)	(27,121)	(36,591)	(27,121)
		1,830,129	4,724,715	1,830,129	4,724,715

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 are banking and related financial services, including Islamic Banking. The principal activities of the subsidiaries and the associate are set out in Notes 13 and 14 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.

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 2016 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, amended MFRS and Interpretation Committee (IC) Interpretations 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 new, amended MFRS and IC Interpretations beginning on or after 1 January 2019
MFRS 16 Leases
IC Interpretation 23 Uncertainty over Income Tax Treatments
Amendments to MFRS 9 Prepayment Features with Negative Compensation
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015-2017 Cycle

The adoption of the above new, amended MFRS and IC Interpretations did not have any material impact on the financial statements of the Group and the Bank, except as described below:

MFRS 16 Leases (MFRS 16)
MFRS 16 superseded MFRS 117 *Leases* (MFRS 117), IC Interpretation 4 *Determining whether an Arrangement contains a Lease* (IC 4), IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group and the Bank adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group and the Bank elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group and the Bank applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC 4 at the date of initial application.

The effect of MFRS 16 adoption as at 1 January 2019 is as follows:

	Group RM'000	Bank RM'000
Assets		
Right-of-use assets (Note 16)	28,470	88,670
Liabilities		
Lease liabilities (Note 16)	25,835	82,488
Other liabilities - Provision of lease reinstatement cost	2,635	6,182
	28,470	88,670

The Group and the Bank have lease contracts for buildings. Before the adoption of MFRS 16, the Group and the Bank classified each of their leases as an operating lease. Refer to Note 2.4(k) Leases for the accounting policy prior to 1 January 2019.

2. Significant Accounting Policies (Continued)

2.2 Changes in Accounting Policies (Continued)

Adoption of new, amended MFRS and Interpretation Committee (IC) Interpretations issued (Continued)

MFRS 16 Leases (MFRS 16) (Continued)
Upon adoption of MFRS 16, the Group and the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.4(k) Leases for the accounting policy beginning 1 January 2019.

Leases previously accounted for as operating leases

The Group and the Bank applied the available practical expedients to account for MFRS 16, wherein they:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on their assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

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

	Group RM'000	Bank RM'000
Operating lease commitments as at 31 December 2018	19,426	38,237
Weighted average incremental borrowing rate as at 1 January 2019	3.55%	3.55%
Discounted operating lease commitments as at 1 January 2019	16,375	35,187
Less:		
Commitments relating to short-term leases	(985)	(1,075)
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	10,445	48,376
Lease liabilities as at 1 January 2019	25,835	82,488

2.3 Standards Issued but not yet Effective

As at the date of authorisation of these financial statements, the following MFRS and amendments to MFRS 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 2020
Amendments to MFRS 3 Definition of a Business
Amendments to MFRS 101 and MFRS 108 Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform
The Conceptual Framework for Financial Reporting

Effective for financial periods beginning on or after 1 January 2021
MFRS 17 Insurance Contracts

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. The initial application of the abovementioned pronouncements is not expected to have any significant impact to the financial statements of the Group and the Bank.

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements comprise of 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 controls 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries and Basis of Consolidation (Continued)

(i) Subsidiaries (Continued)

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.

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) Associate

An associate is an entity 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 carrying amount of the investment in an associate is 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(b) Associate (Continued)

The most recently available audited financial statements of the associate 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 from the last audited financial statements available and management financial statements for 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.

(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 FVTPL, debt and equity instruments at FVOCI and debt instruments at amortised cost are recognised on a declared basis.

(f) Securities purchased under resale agreements and obligations on securities sold under repurchase agreements

Securities purchased under resale agreements are collateralised lending whereby the lender (i.e. the Bank) 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.

Obligations on securities sold under repurchase agreements are collateralised borrowing whereby the borrower (i.e. the Bank) sells securities or money market instruments (representing the collateral) to the lender and simultaneously agrees to buy them back from the lender at a specified price and date. The commitment to repurchase the securities is reflected as a liability at amortised cost on the statements of financial position.

(g) Financial Instruments

(i) Classification

Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial assets. The Group and the Bank classify its financial assets under the following categories:

a) Amortised cost

Financial assets are measured at amortised cost if they are held within a business model which the objective is to hold the financial assets in order to collect contractual cash flows which represent solely payments of principal and interest/profit (SPPI).

b) Debt instruments at FVOCI

'FVOCI with recycling to profit or loss' applies to debt instruments with contractual cash flow characteristics that are SPPI and business model objective is to both collecting contractual cash flow and selling of the financial assets.

c) Equity instruments at FVOCI

'FVOCI without recycling to profit or loss' applies to equity instruments which are not held for trading, and which the irrevocable option of not carrying the financial instruments at FVTPL has been selected.

d) Financial instruments at FVTPL

Financial assets that qualify for neither held at amortised cost nor at FVOCI are measured at FVTPL.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(g) Financial Instruments (Continued)

(i) Classification (Continued)

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

a) Financial instruments at FVTPL
Financial liabilities are measured at FVTPL if they are held for trading and designated upon initial recognition as FVTPL.

b) Amortised cost
Non-derivative financial liabilities that are not held for active trading or designated as FVTPL 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 FVTPL, transaction costs are expensed off.

Subsequent measurement

a) Amortised cost
Amortised cost financial instruments are measured at amortised cost using effective interest/profit rate method. Gains/losses are recognised in profit or loss through the amortisation process and when the financial instruments are impaired or derecognised.

b) Debt instruments at FVOCI
Debt instruments classified as FVOCI are measured at fair value. Any gains or losses arising from the impairment loss and changes in fair value of these financial instruments are recognised in other comprehensive income (OCI), except for exchange differences and interest/profit income which are recognised in profit or loss. The cumulative gain or loss previously recognised in OCI is classified from equity to profit or loss as a reclassification adjustment when the financial instrument is derecognised.

c) Equity instruments at FVOCI
Equity instruments classified as FVOCI are measured at fair value. Any gains or losses arising from the changes in fair value of these financial instruments are recognised in OCI and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Bank's right to receive payment is established.

d) Financial instruments at FVTPL
All other financial instruments which are classified as FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial instruments at FVTPL do not include exchange differences, interest/profit and dividend income. Exchange differences, interest/profit and dividend income on financial instruments at FVTPL are recognised separately in profit or loss as part of income or losses.

(iii) Classification of Credit-Impaired Loans, Advances and Financing

The Group and the Bank classify a loan or advance or financing as credit-impaired when there is objective evidence that the loan or advance or financing is credit-impaired. In addition, the Group and the Bank also comply with Bank Negara Malaysia's Guideline on Classification and Impairment Provisions for Loans/Financing which states that, based on repayment conduct, a loan or financing should be classified as credit-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 credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
- 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, and the loan/financing exhibits weaknesses in accordance with the banking institution's credit risk measurement framework; or
- as soon as a default occurs where the principal and/or interest/profit repayments are scheduled on intervals of 3 months or longer.

Upgrading or de-classification of a credit-impaired account shall be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower or obligor. The Group and 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(g) Financial Instruments (Continued)

(iv) Impairment
The impairment requirements apply to financial assets measured at amortised cost and debt instruments at FVOCI and certain loan and financing commitments as well as financial guarantee contracts. The allowances for impairment are based on the expected credit losses (ECL) associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the probability of default over the expected remaining life of the assets. The impairment can be assessed either individually or collectively.

(v) 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.

(vi) Recognition and Derecognition
Financial instruments are recognised when the Group and the Bank become 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/settled, 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.

(vii) Write-Off Policy
A credit-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.

(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's 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(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 OCI and later reclassified to profit or loss where the hedge items affect profit or loss.

Derivatives embedded in financial liabilities 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 FVTPL.

(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 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 land	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

For the financial year ended 31 December 2019

The Group and the Bank assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group and Bank as lessee

The Group and the Bank apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(k) Leases (Continued)

For the financial year ended 31 December 2019 (Continued)

Group and Bank as lessee (Continued)

(i) Right-of-use Assets

The Group and the Bank have the lease contracts for the buildings. The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, reinstatement costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, the depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subjected to impairment as disclosed in Note 2.4(h).

(ii) Lease Liabilities

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

In calculating the present value of lease payments, the Group and the Bank use their incremental borrowing rates at the lease commencement date because the interest rates implicit in the lease are not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term Leases and Leases of Low-value Assets

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

For the financial year ended 31 December 2018

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 value of financial assets and financial liabilities with active markets is determined based on the market bid and ask prices respectively at the reporting date. For financial instruments with no active markets, fair value is 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(m) Foreign Currencies (Continued)

(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.

(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 off to the profit or loss over the vesting period with the corresponding increase in the amount due to the ultimate holding company.

The estimated number of grants to be ultimately vested and its financial impact are reviewed quarterly and adjustments are 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(s) Provisions (Continued)

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.

(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.

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 21(c).

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.

2. Significant Accounting Policies (Continued)

2.5 Significant Accounting Estimates and Judgements (Continued)

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) Allowances for ECL on Financial Assets

The measurement of ECL under MFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The Group's and the Bank's internal credit grading model, which assigns probability of default (PD) to each individual grade;
- The Group's and the Bank's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formula and the choice of inputs;
- Determination of associations between macroeconomic variables and, economic inputs, such as unemployment rates and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Group's and the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The amount of allowances for ECL on loans, advances and financing recognised by the Group and the Bank are as disclosed in Note 11.

(b) Level 3 Fair Value Estimation for Financial Instruments and Land and Buildings

The fair value of financial instruments, land and buildings are the price that would be received to sell an asset in the principal (or most advantageous) market at the measurement date under the current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The key assumptions used to determine the fair value are as disclosed in Note 25(d).

3. Cash and Short-Term Funds

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	812,456	476,049
Money at call and deposit placements maturing within one month	554,264	3,475,787
	1,366,720	3,951,836
Less: Allowances for ECL	(36,455)	(26,904)
	1,330,265	3,924,932

3. Cash and Short-Term Funds (Continued)

Movements in the allowances for ECL on cash and short-term funds are as follows:

Group and Bank 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	26,904	-	-	26,904
Allowances made for the financial year	44,551	-	-	44,551
Maturity/settlement/repayment	(35,000)	-	-	(35,000)
	9,551	-	-	9,551
At 31 December	36,455	-	-	36,455
2018				
At 1 January	35,974	-	-	35,974
Allowances made for the financial year	68,161	-	-	68,161
Maturity/settlement/repayment	(77,231)	-	-	(77,231)
	(9,070)	-	-	(9,070)
At 31 December	26,904	-	-	26,904

4. Deposits and Placements With Financial Institutions

	Group and Bank	
	2019 RM'000	2018 RM'000
Licensed banks	500,000	800,000
Less: Allowances for ECL	(136)	(217)
	499,864	799,783

Movements in the allowances for ECL on deposits and placements with financial institutions are as follows:

Group and Bank 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	217	-	-	217
Allowances made for the financial year	136	-	-	136
Maturity/settlement/repayment	(217)	-	-	(217)
	(81)	-	-	(81)
At 31 December	136	-	-	136

4. Deposits and Placements With Financial Institutions (Continued)

Movements in the allowances for ECL on deposits and placements with financial institutions are as follows (Continued):

Group and Bank (Continued) 2018	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	41	-	-	41
Allowances made for the financial year	217	-	-	217
Maturity/settlement/repayment	(41)	-	-	(41)
	176	-	-	176
At 31 December	217	-	-	217

5. Securities Purchased Under Resale Agreements (Reverse Repos) and Obligations On Securities Sold Under Repurchase Agreements (Repos)

Reverse Repos

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

	Group and Bank	
	2019 RM'000	2018 RM'000
Assets received for Reverse Repos transactions, at amortised cost	3,568,380	4,603,059

Repos

Repos are treated as collateralised borrowings and the amounts borrowed are reported as liabilities.

	Group and Bank	
	2019 RM'000	2018 RM'000
Assets sold for Repos transactions, at amortised cost	313,861	-

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

	Group and Bank	
	2019 RM'000	2018 RM'000
Money market instruments		
Bank Negara Malaysia bills	1,094,279	967,779
Malaysian Government treasury bills	99,162	123,525
Malaysian Government securities	803,263	360,554
Negotiable instruments of deposits	1,349,708	200,040
	3,346,412	1,651,898
Unquoted securities in Malaysia		
Cagamas bonds	235,551	-
Private debt securities	624,993	159,735
	860,544	159,735
Total debt instruments at FVTPL	4,206,956	1,811,633

7. Debt Instruments at Fair Value Through Other Comprehensive Income (FVOCI)

	Group and Bank	
	2019 RM'000	2018 RM'000
Money market instruments		
Bank Negara Malaysia bills	298,485	149,869
Malaysian Government securities	10,795,149	7,660,962
Negotiable instruments of deposits	6,109,376	5,810,424
	17,203,010	13,621,255
Unquoted securities in Malaysia		
Cagamas bonds	1,662,888	1,612,151
Private debt securities	1,160,447	618,895
	2,823,335	2,231,046
Total debt instruments at FVOCI	20,026,345	15,852,301

7. Debt Instruments at Fair Value Through Other Comprehensive Income (FVOCI) (Continued)

Movements in the allowances for ECL on debt instruments at FVOCI are as follows:

Group and Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL non credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total ECL
2019	RM'000	RM'000	RM'000	RM'000
At 1 January	4,294	-	39,960	44,254
Allowances made for the financial year	188,325	-	-	188,325
Maturity/settlement/repayment	(183,996)	-	-	(183,996)
	4,329	-	-	4,329
At 31 December	8,623	-	39,960	48,583
2018				
At 1 January	8,332	-	39,960	48,292
Allowances made for the financial year	45,546	-	-	45,546
Maturity/settlement/repayment	(49,584)	-	-	(49,584)
	(4,038)	-	-	(4,038)
At 31 December	4,294	-	39,960	44,254

8. Equity Instruments at Fair Value Through Other Comprehensive Income (FVOCI)

	Group and Bank	
	2019 RM'000	2018 RM'000
Quoted securities		
Shares of corporations in Malaysia	2,076	1,956
Unquoted securities		
Shares of corporations in Malaysia (Note (a))	131,809	112,489
	133,885	114,445

(a) The Group and the Bank have equity interests in several unquoted securities, which the fair values determined are disclosed in Note 25(d).

9. Debt Instruments at Amortised Cost

	Group and Bank	
	2019 RM'000	2018 RM'000
Unquoted securities in Malaysia		
Private debt securities	811,000	236,875
Less: Allowances for ECL	(7,540)	(8,560)
	803,460	228,315

Movements in the allowances for ECL on debt instruments at amortised cost are as follows:

Group and Bank 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	8,560	-	-	8,560
Allowances write-back	(1,020)	-	-	(1,020)
At 31 December	7,540	-	-	7,540
2018				
At 1 January	-	-	-	-
Allowances made for the financial year	8,560	-	-	8,560
At 31 December	8,560	-	-	8,560

10. Other Assets

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables, deposits and prepayments	251,393	259,866	256,307	259,939
Accrued interest/income receivable	216,811	205,603	216,811	205,603
Amount due from subsidiaries (Note (a))	-	-	146	138
Amount due from ultimate holding company (Note (b))	-	15,869	-	15,869
Precious metal accounts (Note (c))	209,442	173,229	209,442	173,229
Less: Allowances for ECL (Note (d))	(2,193)	(2,679)	(2,193)	(2,679)
	675,453	651,888	680,513	652,099

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

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

(c) As at 31 December 2019, 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 RM186,311,000 (2018: RM124,623,000). The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM83,098,000 (2018: RM64,770,000) net of cash collateral received from the customers of RM59,967,000 (2018: RM42,436,000).

(ii) Precious metal accounts due from financial institutions amounting to RM Nil. (2018: RM26,272,000).

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

(d) Movements in the allowances for ECL on other assets are as follows:

Group and Bank	Stage 1	Stage 2	Stage 3	
2019	12-month ECL RM'000	Lifetime ECL non credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	2,105	574	-	2,679
Allowances made for the financial year	728	208	-	936
Maturity/settlement/repayment	(1,199)	(232)	-	(1,431)
	(471)	(24)	-	(495)
Other movements	9	-	-	9
At 31 December	1,643	550	-	2,193
2018				
At 1 January	1,745	1,128	-	2,873
Allowances made for the financial year	360	-	-	360
Maturity/settlement/repayment	-	(554)	-	(554)
	360	(554)	-	(194)
At 31 December	2,105	574	-	2,679

11. Loans, Advances and Financing

At amortised cost	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Overdrafts	3,128,424	3,296,981	3,128,424	3,296,981
Term loans/financing and revolving credits				
- Housing loans/financing	32,518,470	31,082,702	32,518,470	31,082,702
- Syndicated term loans/financing	933,736	618,983	933,736	618,983
- Other term loans/financing*	36,690,664	36,414,587	36,804,304	36,537,257
Credit cards receivables	2,930,443	2,775,736	2,930,443	2,775,736
Bills receivables	1,337,074	930,165	1,337,074	930,165
Trust receipts	2,982,465	2,575,485	2,982,465	2,575,485
Claims on customers under acceptance credits	5,877,468	5,717,466	5,877,468	5,717,466
Staff loans	37,750	37,183	37,750	37,183
Others	18,640	10,247	18,640	10,247
	86,455,134	83,459,535	86,568,774	83,582,205
Unearned interest/income	(213,946)	(174,019)	(213,946)	(174,019)
Gross loans, advances and financing	86,241,188	83,285,516	86,354,828	83,408,186
Allowances for ECL on loans, advances and financing				
- Stage 1 - 12-month ECL	(869,349)	(797,395)	(870,677)	(798,668)
- Stage 2 - Lifetime ECL non credit-impaired	(367,276)	(362,169)	(367,276)	(362,169)
- Stage 3 - Lifetime ECL credit-impaired	(286,132)	(212,674)	(286,132)	(212,674)
Net loans, advances and financing	84,718,431	81,913,278	84,830,743	82,034,675

* Other term loans/financing include the following:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Loans/financing to subsidiaries				
- UOB Properties Bhd	-	-	100,133	109,155
- UOB Properties (KL) Bhd	-	-	13,507	13,515
	-	-	113,640	122,670

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Maturing within one year	25,079,072	24,325,312	25,079,072	24,325,312
One year to three years	4,732,853	4,730,492	4,846,493	4,853,162
Three years to five years	5,978,947	4,961,830	5,978,947	4,961,830
Over five years	50,450,316	49,267,882	50,450,316	49,267,882
	86,241,188	83,285,516	86,354,828	83,408,186

11. Loans, Advances and Financing (Continued)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(ii) Gross loans, advances and financing by type of customers:				
Domestic non-banking financial institutions				
- Stockbroking companies	31,643	10,199	31,643	10,199
- Others	1,334,225	757,929	1,334,225	757,929
Domestic business enterprises				
- Small and medium enterprises	18,194,120	17,687,565	18,194,120	17,687,565
- Others	17,159,632	16,601,228	17,273,272	16,723,898
Individuals	42,513,659	41,191,755	42,513,659	41,191,755
Foreign entities	7,007,909	7,036,840	7,007,909	7,036,840
	86,241,188	83,285,516	86,354,828	83,408,186
(iii) Gross loans, advances and financing by interest/profit rate sensitivity:				
Fixed rate				
- Housing loans/financing	36,953	36,387	36,953	36,387
- Other fixed rate loans/financing	10,668,457	9,616,001	10,668,457	9,616,001
Variable rate				
- Base rate/base lending/financing rate-plus	54,240,190	53,589,211	54,240,190	53,589,211
- Cost-plus	20,905,641	19,493,298	21,019,281	19,615,968
- Other variable rates	389,947	550,619	389,947	550,619
	86,241,188	83,285,516	86,354,828	83,408,186
(iv) Gross loans, advances and financing by economic sectors:				
Agriculture, hunting, forestry and fishing	1,489,590	1,550,623	1,489,590	1,550,623
Mining and quarrying	1,220,610	827,392	1,220,610	827,392
Manufacturing	7,124,817	7,032,638	7,124,817	7,032,638
Electricity, gas and water	239,591	241,989	239,591	241,989
Construction	7,047,184	7,061,239	7,047,184	7,061,239
Wholesale, retail trade, restaurants and hotels	11,340,909	11,103,719	11,340,909	11,103,719
Transport, storage and communication	2,001,989	1,396,309	2,001,989	1,396,309
Finance, insurance and business services	3,964,590	3,317,014	3,964,590	3,317,014
Real estate	3,902,845	4,067,240	4,016,485	4,189,910
Community, social and personal services	182,197	162,448	182,197	162,448
Households				
- Purchase of residential properties	33,136,223	31,851,983	33,136,223	31,851,983
- Purchase of non-residential properties	8,799,090	9,046,495	8,799,090	9,046,495
- Others	5,791,553	5,626,427	5,791,553	5,626,427
	86,241,188	83,285,516	86,354,828	83,408,186

11. Loans, Advances and Financing (Continued)

(v) Movements in credit-impaired loans, advances and financing:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
At beginning of the financial year	1,433,152	1,350,419
Classified as credit-impaired during the financial year	805,831	1,001,207
Amounts recovered	(278,122)	(370,124)
Reclassified as non credit-impaired	(240,558)	(312,772)
Amounts written-off	(159,493)	(235,578)
Gross credit-impaired loans, advances and financing	1,560,810	1,433,152
Less: Stage 3 - Lifetime ECL credit-impaired	(286,132)	(212,674)
Net credit-impaired loans, advances and financing	1,274,678	1,220,478
Ratio of net credit-impaired loans, advances and financing to gross loans, advances and financing less allowances for ECL on credit-impaired provisions	1.5%	1.5%

(vi) Movements in the allowances for ECL on loans, advances and financing:

Group 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	797,395	362,169	212,674	1,372,238
Transferred to Stage 1	43,278	(136,731)	(7,005)	(100,458)
Transferred to Stage 2	(62,901)	235,776	(14,701)	158,174
Transferred to Stage 3	(583)	(53,267)	177,925	124,075
Allowances made for the financial year	370,574	62,989	168,365	601,928
Maturity/settlement/repayment	(277,976)	(103,645)	(100,221)	(481,842)
Exchange differences	(438)	(15)		(453)
Net total (Note 32)	71,954	5,107	224,363	301,424
Amounts written-off	-	-	(145,329)	(145,329)
Other movements	-	-	(5,576)	(5,576)
At 31 December	869,349	367,276	286,132	1,522,757

11. Loans, Advances and Financing (Continued)

(vi) Movements in the allowances for ECL on loans, advances and financing (Continued):

Group 2018	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	690,008	402,436	310,143	1,402,587
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
Allowances made for the financial year	397,906	88,051	141,417	627,374
Maturity/settlement/repayment	(281,908)	(160,254)	(113,673)	(555,835)
Exchange differences	113	(113)	-	-
Net total (Note 32)	107,387	(40,267)	117,298	184,418
Amounts written-off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
At 31 December	797,395	362,169	212,674	1,372,238

Bank 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	798,668	362,169	212,674	1,373,511
Transferred to Stage 1	43,278	(136,731)	(7,005)	(100,458)
Transferred to Stage 2	(62,901)	235,776	(14,701)	158,174
Transferred to Stage 3	(583)	(53,267)	177,925	124,075
Allowances made for the financial year	370,086	62,989	168,365	601,440
Maturity/settlement/repayment	(277,433)	(103,645)	(100,221)	(481,299)
Exchange differences	(438)	(15)	-	(453)
Net total (Note 32)	72,009	5,107	224,363	301,479
Amounts written-off	-	-	(145,329)	(145,329)
Other movements	-	-	(5,576)	(5,576)
At 31 December	870,677	367,276	286,132	1,524,085

Bank 2018	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	690,916	402,436	310,143	1,403,495
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
Allowances made for the financial year	398,271	88,051	141,417	627,739
Maturity/settlement/repayment	(281,908)	(160,254)	(113,673)	(555,835)
Exchange differences	113	(113)	-	-
Net total (Note 32)	107,752	(40,267)	117,298	184,783
Amounts written-off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
At 31 December	798,668	362,169	212,674	1,373,511

11. Loans, Advances and Financing (Continued)

(vii) Credit-impaired loans, advances and financing analysed by economic sectors:

	Group and Bank	
	2019 RM'000	2018 RM'000
Agriculture, hunting, forestry and fishing	1,109	661
Mining and quarrying	978	-
Manufacturing	177,841	136,935
Construction	201,291	204,187
Wholesale, retail trade, restaurants and hotels	176,440	173,862
Transport, storage and communication	101,214	70,630
Finance, insurance and business services	19,803	23,531
Real estate	203,346	209,088
Community, social and personal services	213	541
Households		
- Purchase of residential properties	497,044	444,979
- Purchase of non-residential properties	82,771	79,010
- Others	98,760	89,728
	1,560,810	1,433,152

(viii) Credit-impaired loans, advances and financing analysed by geographical distribution:

	Group and Bank	
	2019 RM'000	2018 RM'000
In Malaysia	1,560,810	1,433,152

12. 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.

13. Investment in Subsidiaries

	Bank	
	2019 RM'000	2018 RM'000
Unquoted shares in Malaysia, at cost		
At 1 January	20	40
Dissolution of a subsidiary	-	(20)
At 31 December	20	20
Redeemable preference shares in Malaysia, at cost		
At 1 January	185,000	120,000
Subscription of preference shares (Note (a))	50,000	65,000
At 31 December	235,000	185,000
Total investment in subsidiaries	235,020	185,020

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
		2019	2018	
	RM	%	%	
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
UOB Credit Bhd	2	100	100	Dormant
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services

(a) In July 2017, the Board of UOB Properties (KL) Bhd approved the issuance of redeemable preference shares amounting to RM600,000,000 over the period from 1 July 2017 to 31 January 2021. As at 31 December 2019, the Bank has subscribed to 235,000,000 units of redeemable preference shares amounting to RM235,000,000, of which RM50,000,000 was subscribed by the Bank during the current financial year. The preference shares rank ahead of the ordinary shares in the event of liquidation. The redemption of the redeemable preference shares are solely at the discretion of UOB Properties (KL) Bhd and it does not carry the right to any dividends.

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 PLT.

14. Investment in an Associate

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	33,277	33,277	33,277	33,277
Balance brought forward	(3,435)	(3,668)	-	-
Share of net profit for the year	230	233	-	-
Share of post-acquisition deficit	(3,205)	(3,435)	-	-
	30,072	29,842	33,277	33,277
Accumulated impairment loss	(19,755)	(19,755)	(19,755)	(19,755)
	10,317	10,087	13,522	13,522

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

	Group's effective interest 2019 %	Group's effective interest 2018 %	Principal activities	Accounting model applied
Uni.Asia Capital Sdn Bhd (Uni.Asia Capital)	49	49	Investment holding company	Equity

Uni.Asia Capital's financial statements are not coterminous with the Bank. It has its financial year end at 31 March 2019 to conform with its holding company's financial year end.

The summarised financial information of the associate as at 31 December is as follows:

	2019 RM'000	2018 RM'000
Assets and liabilities		
Current assets	21,170	20,715
Total assets	21,170	20,715
Current liabilities	33	47
Total liabilities	33	47
Results		
Revenue	675	679
Profit before taxation	629	636
Profit for the year	470	475

At 31 December 2019, the amount of goodwill included within the Group's carrying amount of investment in an associate is RM19,755,000 (2018: RM19,755,000).

15. 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
2019								
Cost or valuation								
At 1 January:								
At cost	-	-	-	247,779	511,096	7,086	202,564	968,525
At valuation	87,377	96,846	203,404	-	-	-	-	387,627
	87,377	96,846	203,404	247,779	511,096	7,086	202,564	1,356,152
Additions	2,400	-	1,559	13,751	46,654	-	51,591	115,955
Reclassifications	-	-	-	4,822	31,889	-	(36,711)	-
Disposals/write-off	-	-	-	(3,287)	(9,001)	(12)	-	(12,300)
At 31 December	89,777	96,846	204,963	263,065	580,638	7,074	217,444	1,459,807
Representing:								
At cost	-	-	-	263,065	580,638	7,074	217,444	1,068,221
At valuation	89,777	96,846	204,963	-	-	-	-	391,586
At 31 December	89,777	96,846	204,963	263,065	580,638	7,074	217,444	1,459,807
Accumulated depreciation								
At 1 January	-	17,158	98,680	169,655	360,390	4,059	-	649,942
Depreciation charge (Note 30)	-	1,437	8,360	14,510	44,085	929	-	69,321
Disposals/write-off	-	-	-	(3,272)	(8,901)	(12)	-	(12,185)
At 31 December	-	18,595	107,040	180,893	395,574	4,976	-	707,078
Impairment loss								
At 1 January	-	-	6,751	-	-	-	-	6,751
Additional	1,810	79	-	-	-	-	-	1,889
Write-back	-	-	(2,111)	-	-	-	-	(2,111)
At 31 December	1,810	79	4,640	-	-	-	-	6,529
Net carrying amount								
At cost	-	-	-	82,172	185,064	2,098	217,444	486,778
At valuation	87,967	78,172	93,283	-	-	-	-	259,422
At 31 December	87,967	78,172	93,283	82,172	185,064	2,098	217,444	746,200

15. Property, Plant and Equipment (Continued)

Group (Continued)	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
2018								
Cost or valuation								
At 1 January:								
At cost	-	-	-	228,948	471,606	7,180	133,907	841,641
At valuation	60,382	81,068	187,175	-	-	-	-	328,625
	60,382	81,068	187,175	228,948	471,606	7,180	133,907	1,170,266
Additions	9,250	-	550	17,305	51,746	1,242	78,534	158,627
Revaluation surplus	17,745	15,778	15,679	-	-	-	-	49,202
Reclassifications	-	-	-	7,012	2,865	-	(9,877)	-
Disposals/write-off	-	-	-	(5,486)	(15,121)	(1,336)	-	(21,943)
At 31 December	87,377	96,846	203,404	247,779	511,096	7,086	202,564	1,356,152
Representing:								
At cost	-	-	-	247,779	511,096	7,086	202,564	968,525
At valuation	87,377	96,846	203,404	-	-	-	-	387,627
At 31 December	87,377	96,846	203,404	247,779	511,096	7,086	202,564	1,356,152
Accumulated depreciation								
At 1 January	-	15,947	90,739	161,473	330,925	4,320	-	603,404
Depreciation charge (Note 30)	-	1,211	7,941	13,456	44,577	1,075	-	68,260
Disposals/write-off	-	-	-	(5,274)	(15,112)	(1,336)	-	(21,722)
At 31 December	-	17,158	98,680	169,655	360,390	4,059	-	649,942
Impairment loss								
At 1 January	-	-	5,581	-	-	-	-	5,581
Additional	-	-	1,170	-	-	-	-	1,170
At 31 December	-	-	6,751	-	-	-	-	6,751
Net carrying amount								
At cost	-	-	-	78,124	150,706	3,027	202,564	434,421
At valuation	87,377	79,688	97,973	-	-	-	-	265,038
At 31 December	87,377	79,688	97,973	78,124	150,706	3,027	202,564	699,459

15. 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
2019								
Cost								
At 1 January	-	-	-	233,756	510,977	7,084	46,201	798,018
Additions	-	-	-	12,719	46,647	-	7,211	66,577
Reclassifications	-	-	-	2,943	31,889	-	(34,832)	-
Disposals/write-off	-	-	-	(3,287)	(9,001)	(12)	-	(12,300)
At 31 December	-	-	-	246,131	580,512	7,072	18,580	852,295
Accumulated depreciation								
At 1 January	-	-	-	166,898	360,336	4,057	-	531,291
Depreciation charge (Note 30)	-	-	-	12,843	44,065	930	-	57,838
Disposals/write-off	-	-	-	(3,272)	(8,901)	(12)	-	(12,185)
At 31 December	-	-	-	176,469	395,500	4,975	-	576,944
Net carrying amount								
At 31 December	-	-	-	69,662	185,012	2,097	18,580	275,351
2018								
Cost								
At 1 January	-	-	-	220,547	471,508	7,180	35,922	735,157
Additions	-	-	-	16,940	51,724	1,240	14,898	84,802
Reclassifications	-	-	-	1,754	2,865	-	(4,619)	-
Disposals/write-off	-	-	-	(5,485)	(15,120)	(1,336)	-	(21,941)
At 31 December	-	-	-	233,756	510,977	7,084	46,201	798,018
Accumulated depreciation								
At 1 January	-	-	-	160,194	330,887	4,319	-	495,400
Depreciation charge (Note 30)	-	-	-	11,975	44,561	1,074	-	57,610
Disposals/write-off	-	-	-	(5,271)	(15,112)	(1,336)	-	(21,719)
At 31 December	-	-	-	166,898	360,336	4,057	-	531,291
Net carrying amount								
At 31 December	-	-	-	66,858	150,641	3,027	46,201	266,727

15. 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	
	2019 RM'000	2018 RM'000
Freehold land	18,508	18,508
Freehold buildings	11,612	12,056
Leasehold land and buildings	35,635	36,887
	65,755	67,451

16. Right-of-use Assets and Lease Liabilities

Group and Bank as lessee

The Group and the Bank have lease contracts for various buildings used in their operations. Leases of buildings generally have lease terms of 3 years. There are several lease contracts that include extension and termination options, which are further discussed below.

Set out below are the carrying amounts recognised and the movements during the period:

	Buildings	
Right-of-use assets	Group RM'000	Bank RM'000
At 1 January 2019	28,470	88,670
Non-cash additions	7,589	7,484
Depreciation charge (Note 30)	(15,288)	(35,320)
At 31 December 2019	20,771	60,834
Lease liabilities		
At 1 January 2019	25,835	82,488
Non-cash additions	7,025	6,920
Accretion of interest (Note 28)	843	2,444
Lease payments	(14,180)	(33,846)
At 31 December 2019	19,523	58,006

The Group and the Bank have several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Bank's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

16. Right-of-use Assets and Lease Liabilities (Continued)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease terms:

2019	Within 1 year RM'000	More than 1 year RM'000	Total RM'000
Group			
Extension options expected not to be exercised	11,349	37,279	48,628
Bank			
Extension options expected not to be exercised	31,195	134,134	165,329

The future cash outflows relating to leases that have not yet commenced are as follows: (Prior to 1 January 2019)

2018	Group RM'000	Bank RM'000
Future minimum rental payments		
- Within one year	10,940	29,751
- After one year but not more than five years	8,486	8,486
	19,426	38,237

17. Deferred Tax Assets/(Liabilities)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	82,279	74,578	102,838	88,336
Charged to the income statements (Note 33)	2,867	10,991	(3,972)	11,873
Recognised in OCI	(30,213)	(3,290)	(24,324)	2,629
At 31 December	54,933	82,279	74,542	102,838

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:

Deferred tax assets, net	74,542	102,838	74,542	102,838
Deferred tax liabilities, net	(19,609)	(20,559)	-	-
	54,933	82,279	74,542	102,838

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

Deferred tax assets	149,881	149,318	159,318	149,114
Deferred tax liabilities	(94,948)	(67,039)	(84,776)	(46,276)
	54,933	82,279	74,542	102,838

17. 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	Other temporary difference RM'000	Lease liabilities RM'000	Deferred income RM'000	Allowances for ECL RM'000	Total RM'000
At 1 January 2018	67,807	24,188	-	46,584	-	138,579
Charged to income statements	(8,346)	(9,661)	-	(7,557)	36,303	10,739
At 31 December 2018	59,461	14,527	-	39,027	36,303	149,318
Effect of adopting MFRS 16	632	-	6,201	-	-	6,833
At 1 January 2019, as restated	60,093	14,527	6,201	39,027	36,303	156,151
Charged to income statements	(3,614)	(14,527)	(1,515)	(9,009)	22,395	(6,270)
At 31 December 2019	56,479	-	4,686	30,018	58,698	149,881

Deferred tax liabilities

Group	Property, plant and equipment RM'000	Right-of-use assets RM'000	FVOCI reserve RM'000	Total RM'000
At 1 January 2018	34,274	-	29,727	64,001
Charged to income statements	(252)	-	-	(252)
Recognised in OCI	5,919	-	(2,629)	3,290
At 31 December 2018	39,941	-	27,098	67,039
Effect of adopting MFRS 16	-	6,833	-	6,833
At 1 January 2019, as restated	39,941	6,833	27,098	73,872
Charged to income statements	(7,289)	(1,848)	-	(9,137)
Recognised in OCI	5,889	-	24,324	30,213
At 31 December 2019	38,541	4,985	51,422	94,948

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	Other temporary difference RM'000	Lease liabilities RM'000	Deferred income RM'000	Allowances for ECL RM'000	Total RM'000
At 1 January 2018	67,678	24,188	-	46,584	-	138,450
Charged to income statements	(8,421)	(9,661)	-	(7,557)	36,303	10,664
At 31 December 2018	59,257	14,527	-	39,027	36,303	149,114
Effect of adopting MFRS 16	1,484	-	19,797	-	-	21,281
At 1 January 2019, as restated	60,741	14,527	19,797	39,027	36,303	170,395
Charged to income statements	(4,061)	(14,527)	(5,876)	(9,009)	22,396	(11,077)
At 31 December 2019	56,680	-	13,921	30,018	58,699	159,318

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

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

Deferred tax liabilities

Bank	Property, plant and equipment RM'000	Right-of-use assets RM'000	FVOCI reserve RM'000	Total RM'000
At 1 January 2018	20,387	-	29,727	50,114
Charged to income statements	(1,209)	-	-	(1,209)
Recognised in OCI	-	-	(2,629)	(2,629)
At 31 December 2018	19,178	-	27,098	46,276
Effect of adopting MFRS 16	-	21,281	-	21,281
At 1 January 2019, as restated	19,178	21,281	27,098	67,557
Charged to income statements	(424)	(6,681)	-	(7,105)
Recognised in OCI	-	-	24,324	24,324
At 31 December 2019	18,754	14,600	51,422	84,776

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 their realisation, are as follows:

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses	131	131
Unabsorbed capital allowances	11,069	11,069
	11,200	11,200

The unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group for another 7 consecutive years effective from Year of Assessment 2019. The unabsorbed capital allowances of the Group are not subject to 7 year limitation period and available indefinitely for offsetting against future taxable profits of the respective entities within the Group.

These utilisation of carry forward of tax losses and allowances are also subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

18. Deposits from Customers

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Demand deposits #	22,242,524	21,027,840	22,271,013	21,049,769
Savings deposits	4,237,973	3,654,396	4,237,973	3,654,396
Fixed deposits #	61,564,118	60,717,079	61,564,118	60,717,079
Others	1,062,095	3,333,783	1,062,095	3,333,783
	89,106,710	88,733,098	89,135,199	88,755,027

18. Deposits from Customers (Continued)

Demand deposits and fixed deposits include the following:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Demand deposits from subsidiaries				
- UOB Properties Bhd	-	-	462	1,904
- UOB Properties (KL) Bhd	-	-	28,027	20,025
	-	-	28,489	21,929
Demand deposits from related companies				
- UOB Centre of Excellence (M) Sdn Bhd	500	500	500	500
- Chung Khiaw Realty Limited	3,567	198	3,567	198
	4,067	698	4,067	698
Fixed deposit from a related company				
- Chung Khiaw Realty Limited	366	356	366	356

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Due within six months	39,164,050	36,398,052	39,164,050	36,398,052
Six months to one year	22,069,344	24,058,409	22,069,344	24,058,409
One year to three years	137,679	96,889	137,679	96,889
Three years to five years	193,045	163,729	193,045	163,729
	61,564,118	60,717,079	61,564,118	60,717,079

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Business enterprises				
- Subsidiaries	-	-	28,489	21,929
- Related companies	4,433	1,054	4,433	1,054
- Others	36,320,318	34,113,169	36,320,318	34,113,169
Individuals	50,828,519	48,188,124	50,828,519	48,188,124
Others	1,953,440	6,430,751	1,953,440	6,430,751
	89,106,710	88,733,098	89,135,199	88,755,027

19. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks in Malaysia	2,179,238	1,848,770	2,179,238	1,848,770
Bank Negara Malaysia*	986,627	864,808	986,627	864,808
Other financial institutions**	11,012,125	6,500,860	11,012,145	6,500,880
	14,177,990	9,214,438	14,178,010	9,214,458

* Included in the deposits from BNM is an amount of RM659,133,000 (2018: RM789,357,000) 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, advances and financing.

** Included in the deposits from other financial institutions are the deposit placement from ultimate holding company amounting to RM11,008,315,000 (2018: RM6,472,788,000), deposit placement from subsidiaries amounting to RM20,000 (2018: RM20,000) and deposit placement from fellow subsidiaries amounting to RM1,399,000 (2018: RM518,000).

20. Other Liabilities

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowances for ECL on commitments and contingencies (Note (c))	110,732	148,529	110,732	148,529
Accrued interest payables	485,550	603,659	485,550	603,659
Accruals and provisions for operational expenses	176,298	198,426	174,621	196,863
Other payables and accruals (Note (a))	1,073,466	1,435,180	1,077,286	1,434,954
Deferred income (Note (b))	125,076	162,613	125,076	162,613
	1,971,122	2,548,407	1,973,265	2,546,618

(a) Included in other payables and accruals are 'Customer Gold Accounts' amounting to RM228,272,000 (2018: RM232,828,000).

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

20. Other Liabilities (Continued)

(c) Movements in the allowances for ECL on irrevocable commitments and contingencies are as follows:

Group and Bank 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	101,107	31,860	15,562	148,529
Transferred to Stage 1	32,690	(41,598)	(75)	(8,983)
Transferred to Stage 2	(26,688)	41,824	-	15,136
Transferred to Stage 3	(1)	(231)	993	761
Allowances made for the financial year	158,929	16,766	144	175,839
Maturity/settlement/repayment	(187,393)	(30,273)	(2,640)	(220,306)
Foreign translation gain	(194)	(40)	(1)	(235)
	(22,657)	(13,552)	(1,579)	(37,788)
Other movements	-	(9)	-	(9)
At 31 December	78,450	18,299	13,983	110,732
2018				
At 1 January	74,010	14,275	17,111	105,396
Transferred to Stage 1	16,992	(23,616)	(2)	(6,626)
Transferred to Stage 2	(23,094)	46,826	(55)	23,677
Transferred to Stage 3	(2)	(7)	410	401
Allowances made for the financial year	356,117	117,779	265	474,161
Maturity/settlement/repayment	(323,005)	(123,373)	(2,169)	(448,547)
Foreign translation loss/(gain)	89	(24)	2	67
	27,097	17,585	(1,549)	43,133
At 31 December	101,107	31,860	15,562	148,529

21. Subordinated Bonds

At amortised cost	Group and Bank 2019 RM'000	 2018 RM'000
RM1 billion subordinated bond 2015/2025, at par (Note (a))	1,001,694	1,001,690
RM600 million subordinated bond 2018/2028, at par (Note (b))	610,526	600,392
	1,612,220	1,602,082
Accumulated fair value hedge loss (Note (c))	(12,220)	(2,082)

21. Subordinated Bonds (Continued)

(a) On 8 May 2015, the Bank issued RM1 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) (the Bond 1).

The Bond 1 bears interest at the rate of 4.65% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 1 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 Bond 1 has been rated AA1 by Rating Agency Malaysia Bhd and it qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

(b) On 25 July 2018, the Bank issued RM600 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) (the Bond 2).

The Bond 2 bears interest at the rate of 4.80% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 2 may be redeemed at par at the option of the Bank, in part or in whole, on 25 July 2023 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 25 January and 25 July each year commencing 25 January 2019.

The Bond 2 has been rated AA1 by Rating Agency Malaysia Bhd and it qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

(c) Fair value hedge

The Bank uses fair value hedge to protect changes in fair value of the Bond 1 and Bond 2. The Bank primarily uses interest rate swap as hedge of interest rate risk.

As at 31 December 2019, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (2018: RM500 million) for Bond 1 and RM600 million (2018: RM600 million) for Bond 2.

For Bond 1, the Bank receives a fixed interest rate of 4.650% per annum and pays variable interests rate of 6-month KLIBOR plus 0.590% to 0.725% on the notional amount.

For Bond 2, the Bank receives a fixed interest rate of 3.835% per annum and pays variable interests rate of 3-month KLIBOR on the notional amount.

The swap is being used to hedge exposure to changes in fair value of fixed rate of both bonds, which have a fixed rate.

The movements in fair value of the interest rate swap of unrealised loss of RM10,138,000 (31 December 2018: unrealised gain of RM620,000) are recognised in trading and investment income during the period (Note 29). There is no ineffectiveness recognised for this hedge.

21. Subordinated Bonds (Continued)

(c) Fair value hedge (Continued)

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

	Group and Bank	
	2019 RM'000	2018 RM'000
Gain/(loss) on hedging instrument	10,138	(620)
(Loss)/gain on the hedged item attributable to the hedged risk (Note 29)	(10,138)	620
	-	-

22. Share Capital

	Group and Bank 2019		Group and Bank 2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid ordinary shares				
At 1 January/At 31 December	470,000	792,555	470,000	792,555

23. Reserves

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable					
Revaluation reserve	(a)	184,130	190,019	-	-
Fair value through other comprehensive income reserve	2.4(g)(ii) (b) and (c)	169,736	92,712	162,834	85,810
		353,866	282,731	162,834	85,810
Distributable					
Retained profits	(b)	9,763,631	9,035,171	9,830,387	9,111,054
Total reserves		10,117,497	9,317,902	9,993,221	9,196,864

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

(b) The Bank may distribute dividends out of its entire retained profits as at 31 December 2019 under the single-tier system.

24. 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 their 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 for customers, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The fair values of the financial derivatives are as follows:

Group and Bank	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2019			
Foreign exchange contracts			
- forwards	7,520,142	54,929	73,643
- swaps	15,828,214	85,128	220,370
- options	2,545,180	13,928	6,357
Interest rate related contracts			
- swaps	26,522,377	222,477	144,710
- options	180,000	3,552	671
Equity related contracts			
- swaps	66,493	2,149	2,149
- options	386,077	8,564	8,609
Commodity related contracts			
- swaps	412,120	34,866	55,387
- futures	44,579	5,643	854
- options	105,794	3,790	3,335
		435,026	516,085

24. Financial Derivatives (Continued)

The fair values of the financial derivatives are as follows (Continued):

Group and Bank	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2018			
Foreign exchange contracts			
- forwards	7,931,513	86,357	70,023
- swaps	16,964,555	30,824	107,689
- options	797,961	3,258	808
Interest rate related contracts			
- swaps	21,399,277	179,274	133,776
- futures	3,723,824	-	2,964
Equity related contracts			
- swaps	260,441	28,885	28,885
- options	700,536	13,984	13,984
Commodity related contracts			
- swaps	400,292	31,496	40,156
- futures	106,078	2,418	1,662
- options	128,262	-	-
		376,496	399,947

The table above analyses the principal amounts and the positive and negative fair values of the Group's and the Bank'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.

25. Fair Value of Assets and Liabilities

(a) Determination of fair values and fair values hierarchy

Where available, quoted and observable market prices are used as the measure of fair value. Where quoted and observable market prices are not available, fair value is estimated based on a range of methodologies and assumptions, the principal ones being as follows:

(i) Fair value of securities actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair value of unquoted equity securities is 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 is determined based on prevailing quoted market prices from the London Bullion Market Association.

25. Fair Value of Assets and Liabilities (Continued)

(a) Determination of fair values and fair values hierarchy (Continued)

(iii) For financial derivatives, where quoted and observable market prices are not available, fair value is 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.

(b) Financial instruments and non-financial assets carried at fair value

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Assets				
Financial assets at FVTPL	-	4,206,956	-	4,206,956
Debt instruments at FVOCI	-	20,026,345	-	20,026,345
Equity instruments at FVOCI	2,076	-	131,809	133,885
Derivative financial assets	-	435,026	-	435,026
Precious metal accounts	209,442	-	-	209,442
Land and buildings	-	-	259,422	259,422
Total	211,518	24,668,327	391,231	25,271,076
Liabilities				
Derivative financial liabilities	-	516,085	-	516,085
Total	-	516,085	-	516,085
2018				
Assets				
Financial assets at FVTPL	-	1,811,633	-	1,811,633
Debt instruments at FVOCI	-	15,852,025	276	15,852,301
Equity instruments at FVOCI	1,956	-	112,489	114,445
Derivative financial assets	-	376,496	-	376,496
Precious metal accounts	173,229	-	-	173,229
Land and buildings	-	-	265,038	265,038
Total	175,185	18,040,154	377,803	18,593,142
Liabilities				
Derivative financial liabilities	-	399,947	-	399,947
Total	-	399,947	-	399,947

25. Fair Value of Assets and Liabilities (Continued)

(b) Financial instruments and non-financial assets carried at fair value (Continued)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Assets				
Financial assets at FVTPL	-	4,206,956	-	4,206,956
Debt instruments at FVOCI	-	20,026,345	-	20,026,345
Equity instruments at FVOCI	2,076	-	131,809	133,885
Derivative financial assets	-	435,026	-	435,026
Precious metal accounts	209,442	-	-	209,442
Total	211,518	24,668,327	131,809	25,011,654
Liabilities				
Derivative financial liabilities	-	516,085	-	516,085
Total	-	516,085	-	516,085
2018				
Assets				
Financial assets at FVTPL	-	1,811,633	-	1,811,633
Debt instruments at FVOCI	-	15,852,025	276	15,852,301
Equity instruments at FVOCI	1,956	-	112,489	114,445
Derivative financial assets	-	376,496	-	376,496
Precious metal accounts	173,229	-	-	173,229
Total	175,185	18,040,154	112,765	18,328,104
Liabilities				
Derivative financial liabilities	-	399,947	-	399,947
Total	-	399,947	-	399,947

25. Fair Value of Assets and Liabilities (Continued)

(c) Fair value of financial instruments not carried at fair value

The fair value of fixed rate loans, advances and financing is estimated based on discounted cash flows using prevailing market rates of loans, advances and financing of similar credit risks and maturity. For fair value of variable rate loans, advances and financing, the fair value is estimated to approximate its carrying amounts.

The fair value of the subordinated bonds is estimated based on prevailing market rates of the subordinated bonds of similar credit risks and maturity. For fair value of the Bond 1 and 2, the fair value is estimated based on independent brokers' quotations.

The fair value of the debt instruments at amortised cost is estimated based on independent broker quotations.

Set out below is the comparison of the carrying amounts and fair value of the financial instruments of the Group and the Bank which are not carried at fair value in the financial statement.

	2019		2018	
Group	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Assets				
Gross loans, advances and financing	86,241,188	85,440,535	83,285,516	82,675,407
Gross debt instruments at amortised cost	811,000	811,000	236,875	243,118
	87,052,188	86,251,535	83,522,391	82,918,525
Liabilities				
Subordinated bonds	1,612,220	1,620,708	1,602,082	1,606,758
Bank				
Assets				
Gross loans, advances and financing	86,354,828	85,554,175	83,408,186	82,798,077
Gross debt instruments at amortised cost	811,000	811,000	236,875	243,118
	87,165,828	86,365,175	83,645,061	83,041,195
Liabilities				
Subordinated bonds	1,612,220	1,620,708	1,602,082	1,606,758

25. Fair Value of Assets and Liabilities (Continued)

(c) **Fair value of financial instruments not carried at fair value (Continued)**

The following tables show the fair value of the Group's and 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:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Assets				
Gross loans, advances and financing	-	85,440,535	-	85,440,535
Gross debt instruments at amortised cost	-	811,000	-	811,000
	-	86,251,535	-	86,251,535
Liabilities				
Subordinated bonds	-	1,620,708	-	1,620,708
2018				
Assets				
Gross loans, advances and financing	-	82,675,407	-	82,675,407
Gross debt instruments at amortised cost	-	243,118	-	243,118
	-	82,918,525	-	82,918,525
Liabilities				
Subordinated bonds	-	1,606,758	-	1,606,758

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Assets				
Gross loans, advances and financing	-	85,554,175	-	85,554,175
Gross debt instruments at amortised cost	-	811,000	-	811,000
	-	86,365,175	-	86,365,175
Liabilities				
Subordinated bonds	-	1,620,708	-	1,620,708
2018				
Assets				
Gross loans, advances and financing	-	82,798,077	-	82,798,077
Gross debt instruments at amortised cost	-	243,118	-	243,118
	-	83,041,195	-	83,041,195
Liabilities				
Subordinated bonds	-	1,606,758	-	1,606,758

25. Fair Value of Assets and Liabilities (Continued)

(d) Movement and assumptions used in Level 3 fair value

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
	Debt instruments at FVOCI: unquoted securities RM'000	Equity instruments at FVOCI: unquoted securities RM'000	Land and buildings RM'000
At 1 January 2018	276	137,947	216,358
Recognised in OCI	-	(25,458)	-
Depreciation (recognised in other operating expenses)	-	-	(9,152)
Additions	-	-	9,800
Impairment loss	-	-	(1,170)
Revaluation gain	-	-	49,202
At 31 December 2018	276	112,489	265,038
Recognised in OCI	-	19,320	-
Disposals	(276)	-	-
Depreciation (recognised in other operating expenses)	-	-	(9,797)
Additions	-	-	3,959
Write-back, net	-	-	222
At 31 December 2019	-	131,809	259,422

Debt instruments at FVOCI and equity instruments at FVOCI: unquoted securities

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 2018 and 2017 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.

Land and buildings

Land and buildings were revalued on 12 September 2018 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).

25. Fair Value of Assets and Liabilities (Continued)

(d) Movement and assumptions used in Level 3 fair value (Continued)

Land and buildings (Continued)

The updated preliminary assessment by Knight Frank Malaysia Sdn Bhd on 15 November 2019 revealed that there have been no significant changes in the value reported as per previous revaluation report on 12 September 2018. The preliminary assessment was conducted based on limited available information.

Area	Significant unobservable valuation input:	Range
Central	Price per square metre	RM3,121 - RM11,225
North	Price per square metre	RM2,439 - RM5,789
South	Price per square metre	RM1,560 - RM11,561
East Coast	Price per square metre	RM2,233 - RM2,662
East Malaysia	Price per square metre	RM2,950 - RM5,787

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

(e) Fair values of financial instruments that are carried at cost and which the fair value could not be reliably measured

The fair value of contingent liabilities and undrawn credit facilities is 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 value is unlikely to be significant given that the overall level of fees involved is not significant.

(f) Fair values of financial instruments carried at cost or amortised cost

For cash and short-term funds, securities purchased under resale agreements, obligations on securities sold under repurchase 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 value is expected to approximate the carrying amounts in the statements of financial position due to their short-term maturity.

26. Operating Revenue

Operating revenue of the Group and the Bank comprise interest/financing income, fee income, investment income/(loss) and other income derived from banking operations.

27. Interest Income

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, advances and financing	4,110,589	4,090,115	4,115,804	4,090,115
Credit-impaired loans, advances and financing	76,949	83,536	76,949	83,536
Money at call and deposit placements with financial institutions	169,451	276,505	169,451	281,861
Financial assets at FVTPL	136,934	54,687	136,934	54,687
Debt instruments at FVOCI	633,896	521,751	633,896	521,751
Debt instrument at amortised cost	16,424	5,292	16,424	5,292
Others	-	176	-	176
	5,144,243	5,032,062	5,149,458	5,037,418
Amortisation of premium less accretion of discount on				
- Financial assets at FVTPL	(622)	44,178	(622)	44,178
- Debt instruments at FVOCI	(21,466)	(12,932)	(21,466)	(12,932)
	5,122,155	5,063,308	5,127,370	5,068,664

28. Interest Expense

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits from customers	2,710,389	2,737,441	2,711,325	2,737,803
Deposits and placements of banks and other financial institutions	236,878	176,797	236,878	176,797
Subordinated bonds	72,033	72,504	72,033	72,504
Lease liabilities (Note 16)	843	-	2,444	-
Others	20,811	6,723	20,811	6,723
	3,040,954	2,993,465	3,043,491	2,993,827

29. Other Operating Income

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fee income				
- Commission	314,819	317,360	314,819	317,360
- Guarantee fees	78,892	83,159	78,892	83,159
- Service charges and fees	228,651	226,160	228,988	226,529
Less: Fee expenses	(66,980)	(63,145)	(66,980)	(63,145)
	161,671	163,015	162,008	163,384
- Commitment fees	37,864	27,584	37,864	27,584
- Arrangement and participation fees	6,612	11,470	6,612	11,470
	599,858	602,588	600,195	602,957

29. Other Operating Income (Continued)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trading and investment income				
- Gain/(loss) from sale of financial assets at FVTPL	16,601	(283)	16,601	(283)
- Unrealised gain/(loss) on financial assets at FVTPL	3,001	(2,409)	3,001	(2,409)
- Gain from trading derivatives	26,489	77,388	26,489	77,388
- Unrealised gain/(loss) from trading derivatives	6,866	(31,322)	6,866	(31,322)
- Unrealised (loss)/gain on fair value hedge (Note 21)	(10,138)	620	(10,138)	620
- (Loss)/gain from sale of precious metals	(2,188)	1,395	(2,188)	1,395
- Unrealised (loss)/gain from revaluation of precious metals	(1,373)	213	(1,373)	213
- Gain from sale of debt instruments at FVOCI	99,960	10,282	99,960	10,282
- Gross dividends from equity instruments at FVOCI	3,342	822	3,342	822
	142,560	56,706	142,560	56,706
Other income				
- Foreign exchange gain, net	214,688	213,844	214,688	213,844
- Rental income from operating leases	80	93	-	-
- Others	15,224	16,326	15,224	16,326
	229,992	230,263	229,912	230,170
	972,410	889,557	972,667	889,833

30. Other Operating Expenses

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel expenses	822,372	792,353	817,743	787,230
Establishment related expenses	295,729	229,352	306,658	241,715
Promotion and marketing related expenses	40,474	34,795	40,388	34,743
General administrative expenses	107,256	109,346	107,026	108,755
	1,265,831	1,165,846	1,271,815	1,172,443
Personnel expenses				
- Wages, salaries and bonus	635,113	622,827	631,364	618,681
- Defined contribution plan	100,217	98,206	99,667	97,618
- Other employee benefits	87,042	71,320	86,712	70,931
	822,372	792,353	817,743	787,230

30. Other Operating Expenses (Continued)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Establishment related expenses				
- Depreciation of property, plant and equipment (Note 15)	69,321	68,260	57,838	57,610
- Depreciation of right-of-use assets (Note 16)	15,288	-	35,320	-
- Information technology costs	105,888	54,631	105,888	54,631
- Repair and maintenance	49,519	41,936	48,515	40,993
- Short-term lease expenses	1,560	-	1,560	-
- Rental of premises	-	15,969	-	35,134
- Others	54,153	48,556	57,537	53,347
	295,729	229,352	306,658	241,715
Promotion and marketing related expenses				
- Advertising and publicity	40,474	34,795	40,388	34,743
General administrative expenses				
- Fees and commissions paid	31,098	28,854	30,937	28,307
- Auditors' remuneration				
- Statutory audit	1,239	3,314	1,213	3,288
- Assurance related services	105	103	105	103
- Others	118	88	118	88
	1,462	3,505	1,436	3,479
Others	74,696	76,987	74,653	76,969
	107,256	109,346	107,026	108,755

31. 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	
	2019 RM'000	2018 RM'000
Chief Executive Officer		
- Salary and other remuneration	1,602	1,570
- Bonus	2,101	1,737
- Benefits-in-kind	1,775	2,219
Non-executive directors		
- Fees	817	879
Shariah Committee members	333	322
	6,628	6,727

31. 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	
	2019	2018
Chief Executive Officer		
RM1 to RM6,000,000	1	1
Non-executive directors		
RM1 to RM100,000	1	-
RM100,001 to RM300,000	4	5

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
2019					
Chief Executive Officer					
Wong Kim Choong	1,602	-	2,101	1,775	5,478
Non-executive directors					
Dr Wee Cho Yaw (retired on 12 April 2019)	-	124	-	-	124
Ong Yew Huat (retired on 1 January 2019)	-	259	-	-	259
Dato' Jeffrey Ng Tiong Lip	-	160	-	-	160
Fatimah Binti Merican	-	178	-	-	178
Ching Yew Chye	-	96	-	-	96
	1,602	817	2,101	1,775	6,295
2018					
Chief Executive Officer					
Wong Kim Choong	1,570	-	1,737	2,219	5,526
Non-executive directors					
Dr Wee Cho Yaw	-	124	-	-	124
Ong Yew Huat	-	248	-	-	248
Dato' Jeffrey Ng Tiong Lip	-	160	-	-	160
Fatimah Binti Merican	-	175	-	-	175
Robert Kwan Koh Wah (retired on 2 October 2017)	-	172	-	-	172
	1,570	879	1,737	2,219	6,405

32. Allowances for ECL on Loans, Advances and Financing and Other Financial Assets

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowances for ECL on loans, advances and financing (Note 11(vi)):				
Stage 1 ECL	71,954	107,387	72,009	107,752
Stage 2 ECL	5,107	(40,267)	5,107	(40,267)
Stage 3 ECL	224,363	117,298	224,363	117,298
Credit-impaired loans, advances and financing:				
- written-off	40,662	39,289	40,662	39,289
- recovered	(88,723)	(54,987)	(88,723)	(54,987)
	253,363	168,720	253,418	169,085

	Group and Bank	
	2019 RM'000	2018 RM'000
Allowances for/(write-back of) ECL on other financial assets:		
Stage 1 ECL	12,308	(4,012)
Stage 2 ECL	(24)	(554)
	12,284	(4,566)

33. Income Tax Expense

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax				
- Malaysian income tax in respect of current financial year	401,012	409,632	398,156	407,176
- Over provision in prior financial years	(19,173)	(8,041)	(17,585)	(7,491)
	381,839	401,591	380,571	399,685
Deferred tax (Note 17)				
- Relating to origination and reversal of temporary differences	(7,795)	(11,581)	(6,827)	(11,847)
- Under/(over) provision in prior financial years	4,928	590	10,799	(26)
	(2,867)	(10,991)	3,972	(11,873)
	378,972	390,600	384,543	387,812

33. Income Tax Expense (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	1,602,342	1,626,135	1,598,786	1,625,380
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	384,562	390,272	383,709	390,091
Effects of income not subject to tax	(804)	(337)	(804)	(258)
Effects of expenses not deductible for tax purposes	9,514	8,172	8,424	5,496
Effects of share of an associate's post-tax profit included in Group's profit before taxation	(55)	(56)	-	-
Over provision of tax expense in prior financial years	(19,173)	(8,041)	(17,585)	(7,491)
Under/(over) provision of deferred tax in prior financial years	4,928	590	10,799	(26)
Tax expense for the financial year	378,972	390,600	384,543	387,812

34. 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 RM1,223,370,000 (2018: RM1,235,535,000) and on the number of issued and fully paid ordinary shares during the year of 470,000,000 (2018: 470,000,000).

35. Dividends

	Group and Bank 2019		Group and Bank 2018	
	Net dividend per share sen	Amount of dividend, net of tax RM'000	Net dividend per share sen	Amount of dividend, net of tax RM'000
Final dividend recognised during the year in respect of the previous financial year	105.3	494,910	98.2	461,540
Proposed final dividend for the current financial year	129.2	607,240	105.3	494,910

At the forthcoming Annual General Meeting, a final single-tier dividend of 129.2 sen in respect of the financial year ended 31 December 2019 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM607,240,000, 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 2020.

36. 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 13 and 14) 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

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.

(b) Related parties transactions

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.

2019	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	511	-	5,215	-	145	-
- Service charge income	34	24	336	-	-	8
- Other income	15,144	-	-	-	-	-
	15,689	24	5,551	-	145	8
Expenditure						
- Interest on deposits	145,968	-	936	620	812	10
- Rental expense	-	-	19,712	-	-	169
- Other expenses	103,708	-	4,971	-	-	327
	249,676	-	25,619	620	812	506
Assets						
- Cash and short-term funds	52,436	-	-	-	-	3,339
- Deposits and placements with financial institutions	327,494	-	-	-	-	-
- Loans, advances and financing	-	-	113,640	-	3,688	-
- Other assets	-	143	146	-	-	-
	379,930	143	113,786	-	3,688	3,339

36. Significant Related Party Transactions and Balances (Continued)

(b) Related parties transactions (Continued)

2019 (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
Liabilities						
- Deposits from customers	-	-	28,489	21,213	26,883	4,432
- Deposits and placements of banks and other financial institutions	11,008,315	-	20	-	-	1,399
- Other liabilities	51,081	-	-	-	-	-
	11,059,396	-	28,509	21,213	26,883	5,831
2018						
Income						
- Interest on placements, loans and advances	1,334	-	5,356	-	173	-
- Service charge income	4,382	24	369	-	-	11
	5,716	24	5,725	-	173	11
Expenditure						
- Interest on deposits	125,033	-	362	682	917	266
- Interest on subordinated bonds	15,084	-	-	-	-	-
- Rental expense	-	-	19,165	-	-	342
- Other expenses	52,260	-	6,319	-	-	275
	192,377	-	25,846	682	917	883
Assets						
- Cash and short-term funds	58,986	-	-	-	-	1,413
- Deposits and placements with financial institutions	-	-	-	-	-	8,799
- Loans, advances and financing	-	-	122,670	-	4,478	-
- Other assets	-	119	138	-	-	-
	58,986	119	122,808	-	4,478	10,212
Liabilities						
- Deposits from customers	-	-	21,929	20,762	28,765	1,054
- Deposits and placements of banks and other financial institutions	6,472,788	-	20	-	-	518
- Other liabilities	58,486	-	-	-	-	-
	6,531,274	-	21,949	20,762	28,765	1,572

36. Significant Related Party Transactions and Balances (Continued)

(b) Related parties transactions (Continued)

The remuneration of key management personnel included in the income statements was as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Short-term employee benefits	28,897	28,192
Post employment benefits: defined contribution plan	3,455	3,485
Share-based payment*	6,413	5,043
	38,765	36,720

* 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 Shares Plan. As at 31 December 2019, the number of options held by key management personnel were 242,990 (2018: 274,010).

37. Commitments and Contingencies

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2019			
Direct credit substitutes	2,705,659	2,620,287	1,696,912
Transaction-related contingent items	6,107,043	3,042,267	2,036,302
Short-term self-liquidating trade-related contingencies	389,829	89,824	52,267
Foreign exchange related contracts			
- not more than one year	25,342,582	475,949	139,178
- more than one year to less than five years	550,954	39,829	24,345
Interest rate related contracts			
- not more than one year	10,034,013	133,368	60,810
- more than one year to less than five years	15,392,386	713,544	405,647
- five years and above	1,275,978	165,528	112,757
Equity related contracts			
- not more than one year	369,983	516	82
- more than one year to less than five years	82,587	-	-
Commodity related contracts			
- not more than one year	486,130	74,099	44,693
- more than one year to less than five years	76,363	9,471	1,217
Undrawn credit facilities			
- not more than one year	17,191,093	879,668	175,675
- more than one year	7,483,692	5,148,254	3,548,768
- unconditionally cancellable	15,140,365	6,088,783	782,891
Other commitments	557,873	414,807	404,191
	103,186,530	19,896,194	9,485,735

37. Commitments and Contingencies (Continued)

Group (Continued)	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2018			
Direct credit substitutes	3,189,451	3,124,810	2,346,211
Transaction-related contingent items	6,192,218	3,104,378	2,184,179
Short-term self-liquidating trade-related contingencies	420,884	92,276	49,619
Foreign exchange related contracts			
- not more than one year	25,089,263	432,896	134,002
- more than one year to less than five years	604,766	39,997	21,641
Interest rate related contracts			
- not more than one year	7,938,700	41,229	20,365
- more than one year to less than five years	16,739,543	818,849	486,248
- five years and above	444,858	62,165	47,091
Equity related contracts			
- not more than one year	368,736	21,318	19,472
- more than one year to less than five years	592,241	24,477	3,863
Commodity related contracts			
- not more than one year	491,782	70,992	14,754
- more than one year to less than five years	142,850	16,031	2,818
Undrawn credit facilities			
- not more than one year	15,979,669	790,026	163,696
- more than one year	11,436,035	6,463,900	4,894,091
- unconditionally cancellable	11,668,659	5,738,926	643,341
Other commitments	659,498	382,572	382,572
	101,959,153	21,224,842	11,413,963

37. Commitments and Contingencies (Continued)

Bank	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2019			
Direct credit substitutes	2,705,659	2,620,287	1,696,912
Transaction-related contingent items	6,107,043	3,042,267	2,036,302
Short-term self-liquidating trade-related contingencies	389,829	89,824	52,267
Foreign exchange related contracts			
- not more than one year	25,342,582	475,949	139,178
- more than one year to less than five years	550,954	39,829	24,345
Interest rate related contracts			
- not more than one year	10,034,013	133,368	60,810
- more than one year to less than five years	15,392,386	713,544	405,647
- five years and above	1,275,978	165,528	112,757
Equity related contracts			
- not more than one year	369,983	516	82
- more than one year to less than five years	82,587	-	-
Commodity related contracts			
- not more than one year	486,130	74,099	44,693
- more than one year to less than five years	76,363	9,471	1,217
Undrawn credit facilities			
- not more than one year	17,191,093	879,668	175,675
- more than one year	7,483,692	5,148,254	3,548,768
- unconditionally cancellable	15,140,365	6,088,783	782,891
Other commitments	205,474	62,407	51,791
	102,834,131	19,543,794	9,133,335

37. Commitments and Contingencies (Continued)

Bank	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2018			
Direct credit substitutes	3,189,451	3,124,810	2,346,211
Transaction-related contingent items	6,192,218	3,104,378	2,184,179
Short-term self-liquidating trade-related contingencies	420,884	92,276	49,619
Foreign exchange related contracts			
- not more than one year	25,089,263	432,896	134,002
- more than one year to less than five years	604,766	39,997	21,641
Interest rate related contracts			
- not more than one year	7,938,700	41,229	20,365
- more than one year to less than five years	16,739,543	818,849	486,248
- five years and above	444,858	62,165	47,091
Equity related contracts			
- not more than one year	368,736	21,318	19,472
- more than one year to less than five years	592,241	24,477	3,863
Commodity related contracts			
- not more than one year	491,782	70,992	14,754
- more than one year to less than five years	142,850	16,031	2,818
Undrawn credit facilities			
- not more than one year	15,979,669	790,026	163,696
- more than one year	11,436,035	6,463,900	4,894,091
- unconditionally cancellable	11,668,659	5,738,926	643,341
Other commitments	288,715	11,790	11,790
	101,588,370	20,854,060	11,043,181

38. Capital Commitments

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure for property, plant and equipment - authorised and contracted for	404,192	388,381	51,792	11,790

39. 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 Group's and 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 Group and the Bank, and takes the lead in the formulation and approval of risk policies, controls and processes. The Product Control Department of 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 Group's and 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:

39.1 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.

(a) Credit risk management

The Credit Management Committee supports the CEO and Board of Directors in managing the credit risk exposures of the Group and the Bank. It serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and system.

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. Moreover, macro-economic factors and their impacts are regularly monitored as part of the normal process of the Bank in tracking credit risk and measuring ECL, including the ongoing COVID-19 development and impacts. Significant trends are reported to the Credit Management Committee.

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(a) Credit risk management (Continued)

Maximum exposure to credit risk

Group	2019 RM'000	2018 RM'000
Cash and short-term funds	1,330,265	3,924,932
Deposits and placements with financial institutions	499,864	799,783
Securities purchased under resale agreements	3,568,380	4,603,059
Financial assets at FVTPL	4,206,956	1,811,633
Debt instruments at FVOCI	20,026,345	15,852,301
Debt instruments at amortised cost	803,460	228,315
Other assets	327,938	318,095
Derivative financial assets	435,026	376,496
Loans, advances and financing	84,718,431	81,913,278
Statutory deposits with BNM	1,722,676	2,016,869
Total gross financial assets	117,639,341	111,844,761
Financial assets not subject to credit risk	1,333,230	1,260,622
	118,972,571	113,105,383
Commitments and contingencies	103,186,530	101,959,153

Bank	2019 RM'000	2018 RM'000
Cash and short-term funds	1,330,265	3,924,932
Deposits and placements with financial institutions	499,864	799,783
Securities purchased under resale agreements	3,568,380	4,603,059
Financial assets at FVTPL	4,206,956	1,811,633
Debt instruments at FVOCI	20,026,345	15,852,301
Debt instruments at amortised cost	803,460	228,315
Other assets	327,938	318,095
Derivative financial assets	435,026	376,496
Loans, advances and financing	84,830,743	82,034,675
Statutory deposits with BNM	1,722,676	2,016,869
Total gross financial assets	117,751,653	111,966,158
Financial assets not subject to credit risk	1,145,729	1,016,556
	118,897,382	112,982,714
Commitments and contingencies	102,834,131	101,588,370

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(a) Credit risk management (Continued)

Maximum exposure to credit risk (Continued)
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.

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 collaterals accepted are mainly properties, cash and marketable securities. We have in place policies and processes to monitor collateral concentration.

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 credit worthiness is not sufficient to justify an extension of credit.

Exposures arising from foreign exchange, derivatives and securities financing transactions are mitigated through agreements such as the International Swaps and Derivatives Association Master Agreements, the Credit Support Annex and the Global Master Repurchase Agreements. Such agreements help to minimise credit exposure by allowing the Bank to offset what is owed to a counterparty against what is due from that counterparty in the event of a default.

(b) Expected credit loss measurement

(i) Definition of default and cure
The Group and the Bank classify a loan or advance or financing as credit-impaired when there is objective evidence that the loan or advance or financing is credit-impaired.

The details of the default definition is as disclosed in Note 2.4(g)(iii).

(ii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques
The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower or obligor defaulting on its financial obligation (as per definition of default above), either over the next 12 months, or over the remaining lifetime of the obligation;

- EAD is based on the amounts the Group and the Bank expect to be owed at the time of default, over the next 12 months or over the remaining lifetime of the obligation; and

- LGD represents the Group's and the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. The discount rate used in the ECL calculation is the original effective interest rate or effective profit rate or an approximation thereof.

Information incorporated in the ECL models
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group and the Bank use external and internal information to generate a "base case" and "downturn" scenario which considers forecast economic variables, based on assigned probability weights determined by the Group and the Bank. The Group and the Bank have performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The macroeconomic variables (MEV) considered include gross domestic product (GDP), consumer price index (CPI), base lending rates (BLR), property price index (PPI), and unemployment rates.

The MEV data is obtained from Bank Negara Malaysia and in-house economist, which GDP forecast range from -3.5% to 5.2% (2018: -3.0% to 5.2%); CPI forecast range from 2.5% to 4.0% (2018: -0.5% to 3.2%); BLR range from 5.1% to 7.3% (2018: 5.3% to 6.8%); PPI forecast range from -10.0% to 4.5% (2018: -5.0% to 4.5%); and unemployment rates range from 3.3% to 4.4% (2018: 3.2% to 4.2%).

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(b) Expected credit loss measurement (Continued)

(ii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

Information incorporated in the ECL models (Continued)

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period since the last financial year.

(iii) Significant increase in credit risk (SICR)

The Group and the Bank continuously monitor all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group and the Bank assess whether there has been a SICR since initial recognition. The Group and the Bank consider an exposure to have significantly increased in credit risk when an instrument triggered the quantitative, qualitative or backstop criteria.

(iv) Grouping of financial assets measured on a collective basis

When estimating ECLs on a collective basis for a group of similar assets, the Group and the Bank apply the same principles for assessing whether there has been a SICR since initial recognition.

Asset classes where the Group and the Bank calculate ECL on an individual basis includes all Stage 3 financial assets.

Asset classes where the Group and the Bank calculate ECL on a collective basis includes all Stage 1 and Stage 2 financial assets. Subsequently, Stage 1 and Stage 2 financial assets are further disaggregated based on wholesale banking, business banking and personal financial services portfolios.

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank:

The following table sets out the credit risk concentration by economic sectors of the Group and the Bank:

Group 2019	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing 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	-	-	-	-	1,422,577	-	1,422,577	1,494,648
Mining and quarrying	-	-	-	-	1,208,101	-	1,208,101	469,480
Manufacturing	-	-	-	-	6,944,529	-	6,944,529	9,298,909
Electricity, gas and water	-	-	-	168,014	235,947	-	403,961	188,469
Construction	-	-	9,405	-	6,904,725	-	6,914,130	15,069,373
Wholesale, retail trade, restaurants and hotels	-	-	-	-	11,112,829	-	11,112,829	10,268,948
Transport, storage and communication	-	-	418,916	295,838	1,921,732	-	2,636,486	1,535,176
Finance, insurance and business services	5,398,509	4,206,956	19,548,581	339,608	3,874,191	2,485,640	35,853,485	49,117,199
Real estate	-	-	49,443	-	3,838,108	-	3,887,551	2,286,172
Community, social and personal services	-	-	-	-	179,096	-	179,096	66,754
Households								
- purchase of residential properties	-	-	-	-	32,684,747	-	32,684,747	-
- purchase of non-residential properties	-	-	-	-	8,679,204	-	8,679,204	-
- others	-	-	-	-	5,712,645	-	5,712,645	12,839,944
Others	-	-	-	-	-	-	-	551,458
Other assets not subject to credit risk	-	-	-	-	-	1,333,230	1,333,230	-
	5,398,509	4,206,956	20,026,345	803,460	84,718,431	3,818,870	118,972,571	103,186,530

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank (Continued):

The following table sets out the credit risk concentration by economic sectors of the Group and the Bank (Continued):

Group 2018	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing 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	-	-	-	-	1,531,350	-	1,531,350	1,073,934
Mining and quarrying	-	-	-	-	819,154	-	819,154	480,313
Manufacturing	-	-	-	-	6,879,851	-	6,879,851	9,207,232
Electricity, gas and water	-	-	-	228,315	242,571	-	470,886	296,213
Construction	-	-	17,965	-	6,908,330	-	6,926,295	15,754,972
Wholesale, retail trade, restaurants and hotels	-	-	-	-	10,879,802	-	10,879,802	9,619,098
Transport, storage and communication	-	-	-	-	1,334,219	-	1,334,219	2,120,432
Finance, insurance and business services	9,327,774	1,811,633	15,784,710	-	3,247,048	2,711,460	32,882,625	47,709,679
Real estate	-	-	49,626	-	3,999,137	-	4,048,763	1,947,230
Community, social and personal services	-	-	-	-	159,103	-	159,103	63,150
Households								
- purchase of residential properties	-	-	-	-	31,437,528	-	31,437,528	-
- purchase of non-residential properties	-	-	-	-	8,931,582	-	8,931,582	-
- others	-	-	-	-	5,543,603	-	5,543,603	12,937,578
Others	-	-	-	-	-	-	-	749,322
Other assets not subject to credit risk	-	-	-	-	-	1,260,622	1,260,622	-
	9,327,774	1,811,633	15,852,301	228,315	81,913,278	3,972,082	113,105,383	101,959,153

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank (Continued):

The following table sets out the credit risk concentration by economic sectors of the Group and the Bank (Continued):

Bank 2019	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing 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	-	-	-	-	1,422,577	-	1,422,577	1,494,648
Mining and quarrying	-	-	-	-	1,208,101	-	1,208,101	469,480
Manufacturing	-	-	-	-	6,944,529	-	6,944,529	9,298,909
Electricity, gas and water	-	-	-	168,014	235,947	-	403,961	188,469
Construction	-	-	9,405	-	6,904,725	-	6,914,130	15,069,373
Wholesale, retail trade, restaurants and hotels	-	-	-	-	11,112,829	-	11,112,829	10,268,948
Transport, storage and communication	-	-	418,916	295,838	1,921,732	-	2,636,486	1,535,176
Finance, insurance and business services	5,398,509	4,206,956	19,548,581	339,608	3,874,191	2,485,640	35,853,485	49,117,199
Real estate	-	-	49,443	-	3,950,420	-	3,999,863	1,933,773
Community, social and personal services	-	-	-	-	179,096	-	179,096	66,754
Households								
- purchase of residential properties	-	-	-	-	32,684,747	-	32,684,747	-
- purchase of non-residential properties	-	-	-	-	8,679,204	-	8,679,204	-
- others	-	-	-	-	5,712,645	-	5,712,645	12,839,944
Others	-	-	-	-	-	-	-	551,458
Other assets not subject to credit risk	-	-	-	-	-	1,145,729	1,145,729	-
	5,398,509	4,206,956	20,026,345	803,460	84,830,743	3,631,369	118,897,382	102,834,131

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank (Continued):

The following table sets out the credit risk concentration by economic sectors of the Group and the Bank (Continued):

Bank 2018	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing 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	-	-	-	-	1,531,350	-	1,531,350	1,073,934
Mining and quarrying	-	-	-	-	819,154	-	819,154	480,313
Manufacturing	-	-	-	-	6,879,851	-	6,879,851	9,207,232
Electricity, gas and water	-	-	-	228,315	242,571	-	470,886	296,213
Construction	-	-	17,965	-	6,908,330	-	6,926,295	15,754,972
Wholesale, retail trade, restaurants and hotels	-	-	-	-	10,879,802	-	10,879,802	9,619,098
Transport, storage and communication	-	-	-	-	1,334,219	-	1,334,219	2,120,432
Finance, insurance and business services	9,327,774	1,811,633	15,784,710	-	3,247,048	2,711,460	32,882,625	47,709,679
Real estate	-	-	49,626	-	4,120,534	-	4,170,160	1,576,447
Community, social and personal services	-	-	-	-	159,103	-	159,103	63,150
Households								
- purchase of residential properties	-	-	-	-	31,437,528	-	31,437,528	-
- purchase of non-residential properties	-	-	-	-	8,931,582	-	8,931,582	-
- others	-	-	-	-	5,543,603	-	5,543,603	12,937,578
Others	-	-	-	-	-	-	-	749,322
Other assets not subject to credit risk	-	-	-	-	-	1,016,556	1,016,556	-
	9,327,774	1,811,633	15,852,301	228,315	82,034,675	3,728,016	112,982,714	101,588,370

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(d) 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 control, monitor and report concentration risk to particular types of collateral.

The credit risk of financial assets of the Group and the Bank is mitigated by the collaterals held against the financial assets.

(i) Effects of holding collaterals on credit-impaired loans, advances and financing

All credit-impaired loans, advances and financing are subject to impairment review as at the current and previous financial year-ends. The collateral mitigates credit risk and would reduce the extent of allowance for expected credit losses 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
2019			
Credit-impaired loans, advances and financing	1,181,837	1,560,810	378,973
2018			
Credit-impaired loans, advances and financing	1,136,632	1,433,152	296,520

For credit-impaired loans, advances and financing, allowances for ECL as at the date of the statements of financial position would have been higher by approximately RM1,181,837,000 (2018: RM1,136,632,000) without the collaterals held.

(ii) 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 2019 and 31 December 2018 , there were no repossessed collaterals.

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(e) Credit exposure analysed by geography

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2019			
Cash and short-term funds	290,857	1,039,408	1,330,265
Deposits and placements with financial institutions	499,864	-	499,864
Securities purchased under resale agreements	3,568,380	-	3,568,380
Financial assets at FVTPL	4,206,956	-	4,206,956
Debt instruments at FVOCI	20,026,345	-	20,026,345
Debt instruments at amortised cost	803,460	-	803,460
Other assets	307,797	20,141	327,938
Derivative financial assets	331,685	103,341	435,026
Loans, advances and financing	77,710,522	7,007,909	84,718,431
Statutory deposits with BNM	1,722,676	-	1,722,676
Financial assets not subject to credit risk	1,272,397	60,833	1,333,230
	110,740,939	8,231,632	118,972,571
Commitments and contingencies	92,733,016	10,453,514	103,186,530
2018			
Cash and short-term funds	3,567,087	357,845	3,924,932
Deposits and placements with financial institutions	799,783	-	799,783
Securities purchased under resale agreements	4,603,059	-	4,603,059
Financial assets at FVTPL	1,811,633	-	1,811,633
Debt instruments at FVOCI	15,852,301	-	15,852,301
Debt instruments at amortised cost	228,315	-	228,315
Other assets	309,158	8,937	318,095
Derivative financial assets	311,462	65,034	376,496
Loans, advances and financing	74,876,438	7,036,840	81,913,278
Statutory deposits with BNM	2,016,869	-	2,016,869
Financial assets not subject to credit risk	1,234,350	26,272	1,260,622
	105,610,455	7,494,928	113,105,383
Commitments and contingencies	91,424,653	10,534,500	101,959,153

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(e) Credit exposure analysed by geography (Continued)

Bank	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2019			
Cash and short-term funds	290,857	1,039,408	1,330,265
Deposits and placements with financial institutions	499,864	-	499,864
Securities purchased under resale agreements	3,568,380	-	3,568,380
Financial assets at FVTPL	4,206,956	-	4,206,956
Debt instruments at FVOCI	20,026,345	-	20,026,345
Debt instruments at amortised cost	803,460	-	803,460
Other assets	307,797	20,141	327,938
Derivative financial assets	331,685	103,341	435,026
Loans, advances and financing	77,822,834	7,007,909	84,830,743
Statutory deposits with BNM	1,722,676	-	1,722,676
Financial assets not subject to credit risk	1,084,896	60,833	1,145,729
	110,665,750	8,231,632	118,897,382
Commitments and contingencies	92,380,617	10,453,514	102,834,131
2018			
Cash and short-term funds	3,567,087	357,845	3,924,932
Deposits and placements with financial institutions	799,783	-	799,783
Securities purchased under resale agreements	4,603,059	-	4,603,059
Financial assets at FVTPL	1,811,633	-	1,811,633
Debt instruments at FVOCI	15,852,301	-	15,852,301
Debt instruments at amortised cost	228,315	-	228,315
Other assets	309,158	8,937	318,095
Derivative financial assets	311,462	65,034	376,496
Loans, advances and financing	74,997,835	7,036,840	82,034,675
Statutory deposits with BNM	2,016,869	-	2,016,869
Financial assets not subject to credit risk	990,284	26,272	1,016,556
	105,487,786	7,494,928	112,982,714
Commitments and contingencies	91,053,870	10,534,500	101,588,370

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(f) Credit quality of financial assets and financial liabilities

Credit quality of the Group's and the Bank's financial assets and financial liabilities are graded based on the following risk grades:

Risk grades	**Description**
Pass	Indicates that timely repayment of the outstanding credit facility is not in doubt. Repayment is prompt and the credit facility does not exhibit any potential weakness in repayment capability, business, cash flow or financial position of the borrower or obligor.
Special mention	Indicates that the credit facility exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect repayment by the borrower or obligor at a future date, and warrant close attention by the Group and the Bank.
Substandard	Indicates that the credit facility exhibits definable weaknesses, either in respect of the business, cash flow or financial position of the borrower or obligor that may jeopardise repayment on existing terms.
Doubtful	Indicates that the outstanding credit facility exhibits more severe weaknesses than those in a "substandard" credit facility, such that the prospect of full recovery of the outstanding credit facility is questionable and the prospect of a loss is high, but the exact amount remains undeterminable as yet.
Loss	Indicates that the outstanding credit facility is not collectable, and little or nothing can be done to recover the outstanding amount from any collateral or from the assets of the borrower or obligor generally.
Investment grade	Indicates that the securities have a low risk of default, determined based on a relative scale by credit rating agencies such as RAM (AAA to BBB3) and Malaysian Rating Corporation Berhad (MARC) (AAA to BBB-). Such credit ratings express the ability and willingness of securities issuer to repay its debt and are based on many financial and economic indicators that influence the borrower's or obligor's creditworthiness.
Non-investment grade	Indicates that the securities have possible risk of default, determined based on a relative scale by credit rating agencies such as RAM (BB1 to C3) and MARC (BB+ to C-). Such credit ratings express the ability and willingness of securities issuer to repay its debt and are based on many financial and economic indicators that influence the borrower's or obligor's creditworthiness.
Unrated	Indicates that the securities are not assigned or have not been assigned with a rating by any credit rating agencies.

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(f) Credit quality of financial assets and financial liabilities (Continued)

Gross loans, advances and financing

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	79,688,890	3,894,530	-	83,583,420
Special mention	-	1,096,958	-	1,096,958
Substandard	-	-	1,255,098	1,255,098
Doubtful	-	-	94,033	94,033
Loss	-	-	211,679	211,679
	79,688,890	4,991,488	1,560,810	86,241,188
2018				
Pass	76,632,980	4,255,725	-	80,888,705
Special mention	-	963,659	-	963,659
Substandard	-	-	1,205,639	1,205,639
Doubtful	-	-	82,294	82,294
Loss	-	-	145,219	145,219
	76,632,980	5,219,384	1,433,152	83,285,516

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	79,802,530	3,894,530	-	83,697,060
Special mention	-	1,096,958	-	1,096,958
Substandard	-	-	1,255,098	1,255,098
Doubtful	-	-	94,033	94,033
Loss	-	-	211,679	211,679
	79,802,530	4,991,488	1,560,810	86,354,828
2018				
Pass	76,755,650	4,255,725	-	81,011,375
Special mention	-	963,659	-	963,659
Substandard	-	-	1,205,639	1,205,639
Doubtful	-	-	82,294	82,294
Loss	-	-	145,219	145,219
	76,755,650	5,219,384	1,433,152	83,408,186

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(f) Credit quality of financial assets and financial liabilities (Continued)

Irrevocable commitments and contingencies

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	41,853,055	1,514,476	-	43,367,531
Special mention	-	74,803	-	74,803
Substandard	-	-	10,767	10,767
Loss	-	-	13,983	13,983
	41,853,055	1,589,279	24,750	43,467,084
2018				
Pass	41,554,217	1,401,293	-	42,955,510
Special mention	-	381,851	-	381,851
Substandard	-	-	1,424	1,424
Doubtful	-	-	55	55
Loss	-	-	15,356	15,356
	41,554,217	1,783,144	16,835	43,354,196

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	41,502,083	1,514,476	-	43,016,559
Special mention	-	74,803	-	74,803
Substandard	-	-	10,767	10,767
Loss	-	-	13,983	13,983
	41,502,083	1,589,279	24,750	43,116,112
2018				
Pass	41,183,434	1,401,293	-	42,584,727
Special mention	-	381,851	-	381,851
Substandard	-	-	1,424	1,424
Doubtful	-	-	55	55
Loss	-	-	15,356	15,356
	41,183,434	1,783,144	16,835	42,983,413

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(f) Credit quality of financial assets and financial liabilities (Continued)

Debt instruments at FVOCI

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Investment grade	19,976,980	-	-	19,976,980
Non-investment grade	-	-	49,365	49,365
	19,976,980	-	49,365	20,026,345
2018				
Investment grade	15,802,936	-	-	15,802,936
Non-investment grade	-	-	49,365	49,365
	15,802,936	-	49,365	15,852,301

Debt instruments at amortised cost

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Unrated	811,000	-	-	811,000
2018				
Unrated	236,875	-	-	236,875

Cash and short-term funds

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	1,366,720	-	-	1,366,720
2018				
Pass	3,951,836	-	-	3,951,836

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(f) Credit quality of financial assets and financial liabilities (Continued)

Deposits and placements with financial institutions

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	500,000	-	-	500,000
2018				
Pass	800,000	-	-	800,000

Other assets

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	625,290	52,356	-	677,646
2018				
Pass	476,421	178,146	-	654,567

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Pass	629,959	52,747	-	682,706
2018				
Pass	476,575	178,203	-	654,778

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(g) Expected credit loss allowances

Movements in gross carrying amount between stages for loans, advances and financing are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Gross carrying amount as at 1 January	76,632,980	5,219,384	1,433,152	83,285,516
Transferred to Stage 1	5,734,506	(5,706,230)	(28,276)	-
Transferred to Stage 2	(7,210,005)	7,422,287	(212,282)	-
Transferred to Stage 3	(31,350)	(732,650)	764,000	-
Net increase/(decrease)	4,562,759	(1,211,303)	(236,291)	3,115,165
Write-off	-	-	(159,493)	(159,493)
Balance as at 31 December	79,688,890	4,991,488	1,560,810	86,241,188
2018				
Gross carrying amount as at 1 January	72,403,611	5,345,363	1,350,419	79,099,393
Transferred to Stage 1	4,001,004	(3,939,368)	(61,636)	-
Transferred to Stage 2	(5,523,729)	5,774,867	(251,138)	-
Transferred to Stage 3	(49,964)	(894,528)	944,492	-
Net increase/(decrease)	5,802,058	(1,066,950)	(313,407)	4,421,701
Write-off	-	-	(235,578)	(235,578)
Balance as at 31 December	76,632,980	5,219,384	1,433,152	83,285,516

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Gross carrying amount as at 1 January	76,755,650	5,219,384	1,433,152	83,408,186
Transferred to Stage 1	5,734,506	(5,706,230)	(28,276)	-
Transferred to Stage 2	(7,210,005)	7,422,287	(212,282)	-
Transferred to Stage 3	(31,350)	(732,650)	764,000	-
Net increase/(decrease)	4,553,729	(1,211,303)	(236,291)	3,106,135
Write-off	-	-	(159,493)	(159,493)
Balance as at 31 December	79,802,530	4,991,488	1,560,810	86,354,828
2018				
Gross carrying amount as at 1 January	72,518,248	5,345,363	1,350,419	79,214,030
Transferred to Stage 1	4,001,004	(3,939,368)	(61,636)	-
Transferred to Stage 2	(5,523,729)	5,774,867	(251,138)	-
Transferred to Stage 3	(49,964)	(894,528)	944,492	-
Net increase/(decrease)	5,810,091	(1,066,950)	(313,407)	4,429,734
Write-off	-	-	(235,578)	(235,578)
Balance as at 31 December	76,755,650	5,219,384	1,433,152	83,408,186

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(g) Expected credit loss allowances (Continued)

Movements in gross carrying amount between stages for irrevocable commitments and contingencies are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Gross carrying amount as at 1 January	41,554,217	1,783,144	16,835	43,354,196
Transferred to Stage 1	4,276,433	(4,276,368)	(65)	-
Transferred to Stage 2	(3,867,028)	3,867,123	(95)	-
Transferred to Stage 3	(390)	(12,551)	12,941	-
Net increase/(decrease)	(110,177)	227,931	(4,866)	112,888
Balance as at 31 December	41,853,055	1,589,279	24,750	43,467,084
2018				
Gross carrying amount as at 1 January	38,151,702	3,343,350	18,904	41,513,956
Transferred to Stage 1	1,930,783	(1,930,783)	-	-
Transferred to Stage 2	(2,959,033)	2,959,033	-	-
Net increase/(decrease)	4,430,765	(2,588,456)	(2,069)	1,840,240
Balance as at 31 December	41,554,217	1,783,144	16,835	43,354,196

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Gross carrying amount as at 1 January	41,183,434	1,783,144	16,835	42,983,413
Transferred to Stage 1	4,276,433	(4,276,368)	(65)	-
Transferred to Stage 2	(3,867,028)	3,867,123	(95)	-
Transferred to Stage 3	(390)	(12,551)	12,941	-
Net increase/(decrease)	(90,366)	227,931	(4,866)	132,699
Balance as at 31 December	41,502,083	1,589,279	24,750	43,116,112
2018				
Gross carrying amount as at 1 January	37,720,307	3,343,350	18,904	41,082,561
Transferred to Stage 1	1,930,783	(1,930,783)	-	-
Transferred to Stage 2	(2,959,033)	2,959,033	-	-
Net increase/(decrease)	4,491,377	(2,588,456)	(2,069)	1,900,852
Balance as at 31 December	41,183,434	1,783,144	16,835	42,983,413

39. Financial Risk Management (Continued)

39.1 Credit Risk (Continued)

(g) Expected credit loss allowances (Continued)

Cash and short-term funds
No transfer between stages occurred for the Group's and the Bank's cash and short-term funds during the financial year. Gross balance in Stage 1 as at 31 December 2019 was RM1,366,720,000 (2018: RM3,951,836,000).

Deposits and placements with financial institutions
No transfer between stages occurred for the Group's and the Bank's deposits and placements with financial institutions during the financial year. Gross balance in Stage 1 as at 31 December 2019 was RM500,000,000 (2018: RM800,000,000).

Debt instruments at FVOCI
No transfer between stages occurred for the Group's and the Bank's debt instruments at FVOCI during the financial year. Gross balance in Stage 1 as at 31 December 2019 was RM19,976,980,000 (2018: RM15,802,936,000). Gross balances in Stage 3 as at 31 December 2019 was RM49,365,000 (2018: RM49,365,000).

Debt instruments at amortised cost
No transfer between stages occurred for the Group's and the Bank's debt instruments at amortised cost during the financial year. Gross balance in Stage 1 as at 31 December 2019 was RM811,000,000 (2018: RM236,875,000).

Other assets
Movement in gross carrying amount between stages for the Group's and the Bank's other assets is as follows:

No transfer between stages occurred for the Group's and the Bank's other assets during the financial year. The Group's gross balances in Stage 1 and Stage 2 as at 31 December 2019 was RM625,290,000 (2018: RM476,421,000) and RM52,356,000 (2018: RM178,146,000) respectively. The Bank's gross balances in Stage 1 and Stage 2 as at 31 December 2019 was RM629,959,000 (2018: RM476,575,000) and RM52,747,000 (2018: RM178,203,000) respectively.

39.2 Market Risk

(i) Foreign exchange risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

Foreign exchange exposures of the Group and the Bank arise mainly from foreign exchange position-taking from proprietary business and customer facilitation business. Foreign exchange contracts and foreign exchange derivatives are utilised by the Group and the Bank to hedge and mitigate the foreign exchange exposures.

Foreign exchange risk is managed through policies which are approved by Board of Directors while the market risk limits approved by the EXCO. The limits are independently monitored by Market Risk Management Department of Risk Management Division.

The Group and the Bank have performed foreign currency sensitivity analysis by using Expected Shortfall (ES) as demonstrated in Note 39.2(iii).

(ii) Interest rate/rate of return risk in the banking book

Interest rate/rate of risk return in the banking book 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.

39. Financial Risk Management (Continued)

39.2 Market Risk (Continued)

(ii) Interest rate/rate of return risk in the banking book (Continued)

The Economic Value of Equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate/rate of return shocks were negative RM156 million and RM297 million (2018: negative RM139 million and RM262 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) Expected Shortfall (ES)

The Group and the Bank adopt a daily ES to estimate market risk within a 97.5% confidence interval using the historical simulation method. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. It assumes that possible future changes in market rates may be implied by observed historical market movements. ES is the average portfolio loss, assuming that the loss is greater than the specified percentile of the loss distribution. ES has been adopted by the Group and the Bank as a measure of market risk which replaces Value-at-Risk (VaR) since 2 January 2019. Market risk stress tests are conducted to complement the daily ES. The table below shows the ES/VaR profile by risk classes.

	Year end RM'000	High RM'000	Low RM'000	Average RM'000
2019				
Interest/profit rate	2,094	8,890	612	2,263
Foreign exchange	506	6,338	235	1,684
Commodities	20	964	20	239
Option volatility*	114	185	84	132
Total diversified ES	4,159	11,009	1,933	3,963
2018				
Interest/profit rate	3,677	10,470	1,998	3,978
Foreign exchange	3,572	6,818	1,162	3,128
Commodities	61	458	6	146
Total diversified VaR	5,082	10,463	3,306	5,572

*VaR/ES for option volatility component was previously combined in foreign exchange VaR in year 2018.

40. Liquidity Risk

Liquidity risk is defined as the risk to a Bank's earnings or capital from its inability to meet its obligations or fund increases in assets as they fall due, without incurring significant costs or losses.

The Group and the Bank manage liquidity risk in accordance with the Liquidity Risk Policy approved by the Board and Limits approved by EXCO. These 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 regulators to maintain high quality liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an ongoing basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

40. 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 37. These have been incorporated in the net off-balance sheet positions for the financial year ended 31 December 2019 and 31 December 2018. The total outstanding contractual amounts of these items do not represent future cash funding requirements since the Group and the Bank expect most of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and some of the contingent liabilities (such as letters of credit) are reimbursable by the customers.

The following table shows the contractual undiscounted cash flows 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	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
2019						
Assets						
Cash and short-term funds	1,330,277	-	-	-	-	1,330,277
Deposits and placements with financial institutions	500,992	-	-	-	-	500,992
Securities purchased under resale agreements	3,597,443	-	-	-	-	3,597,443
Financial assets at FVTPL	2,249,379	796,562	621,758	599,972	94,467	4,362,138
Debt instruments at FVOCI	5,432,021	2,901,498	1,930,953	10,451,753	244,599	20,960,824
Equity instruments at FVOCI	133,885	-	-	-	-	133,885
Debt instruments at amortised cost	2,762	2,775	48,389	386,207	476,324	916,457
Other assets	320,714	-	-	-	-	320,714
Derivative financial assets	128,837	52,011	55,163	161,852	37,163	435,026
Loans, advances and financing	18,243,962	4,303,274	8,621,652	26,741,901	61,353,488	119,264,277
Statutory deposits with BNM	-	-	-	-	1,722,676	1,722,676
	31,940,272	8,056,120	11,277,915	38,341,685	63,928,717	153,544,709
Liabilities						
Deposits from customers	52,127,412	14,895,530	22,660,706	373,627	-	90,057,275
Deposits and placements of banks and other financial institutions	12,508,665	1,026,657	4,842	38,734	607,717	14,186,615
Obligations on securities sold under repurchase agreements	314,307	-	-	-	-	314,307
Bills and acceptances payable	239,535	-	-	-	-	239,535
Other liabilities	470,333	72,550	143,108	59,283	101,750	847,024
Derivative financial liabilities	285,969	69,562	56,398	97,457	6,699	516,085
Lease liabilities	88	1,593	3,033	14,809	-	19,523
Subordinated bonds	-	-	-	1,255,814	859,437	2,115,251
	65,946,309	16,065,892	22,868,087	1,839,724	1,575,603	108,295,615
Net maturity mismatches	(34,006,037)	(8,009,772)	(11,590,172)	36,501,961	62,353,114	
Off-balance sheet liabilities						
Credit and commitments	20,965,674	7,078,533	35,215,887	7,358,111	5,865,948	76,484,153
Derivatives	167,164	240,777	(49,959)	747,400	(83,970)	1,021,412
Net maturity mismatches	21,132,838	7,319,310	35,165,928	8,105,511	5,781,978	77,505,565

40. Liquidity Risk (Continued)

Group 2018	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	3,926,796	-	-	-	-	3,926,796
Deposits and placements with financial institutions	802,093	-	-	-	-	802,093
Securities purchased under resale agreements	4,251,181	393,223	-	-	-	4,644,404
Financial assets at FVTPL	1,813,221	-	-	-	-	1,813,221
Debt instruments at FVOCI	5,861,364	543,286	1,046,293	9,035,754	1,673,664	18,160,361
Equity instruments at FVOCI	114,721	-	-	-	-	114,721
Debt instruments at amortised cost	-	-	67,125	46,000	123,750	236,875
Other assets	295,226	-	-	-	-	295,226
Derivative financial assets	146,703	32,265	33,120	156,283	8,125	376,496
Loans, advances and financing	17,642,637	8,142,943	4,300,840	26,593,718	62,695,268	119,375,406
Statutory deposits with BNM	-	-	-	-	2,016,869	2,016,869
	34,853,942	9,111,717	5,447,378	35,831,755	66,517,676	151,762,468
Liabilities						
Deposits from customers	51,970,274	9,670	13,159,709	24,825,434	87	89,965,174
Deposits and placements of banks and other financial institutions	7,548,193	930,399	5,566	44,524	729,919	9,258,601
Bills and acceptances payable	414,255	-	-	-	-	414,255
Other liabilities	331,286	292,805	21,616	271,913	1,746	919,366
Derivative financial liabilities	232,875	42,244	20,705	97,016	7,106	399,946
Subordinated bonds	14,518	23,059	37,723	1,167,176	715,200	1,957,676
	60,511,401	1,298,177	13,245,319	26,406,063	1,454,058	102,915,018
Net maturity mismatches	(25,657,459)	7,813,540	(7,797,941)	9,425,692	65,063,618	
Off-balance sheet liabilities						
Credit and commitments	28,692,614	5,368,707	6,061,155	30,141,484	6,571,692	76,835,652
Derivatives	52,996	(18,972)	12,088	(35,362)	769	11,519
Net maturity mismatches	28,745,610	5,349,735	6,073,243	30,106,122	6,572,461	76,847,171

40. Liquidity Risk (Continued)

Bank	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
2019						
Assets						
Cash and short-term funds	1,330,277	-	-	-	-	1,330,277
Deposits and placements with financial institutions	500,992	-	-	-	-	500,992
Securities purchased under resale agreements	3,597,443	-	-	-	-	3,597,443
Financial assets at FVTPL	2,249,379	796,562	621,758	599,972	94,467	4,362,138
Debt instruments at FVOCI	5,432,021	2,901,498	1,930,953	10,451,753	244,599	20,960,824
Equity instruments at FVOCI	133,885	-	-	-	-	133,885
Debt instruments at amortised cost	2,762	2,775	48,389	386,207	476,324	916,457
Other assets	320,714	-	-	-	-	320,714
Derivative financial assets	128,837	52,011	55,163	161,852	37,163	435,026
Loans, advances and financing	18,243,962	4,303,274	8,621,652	26,741,901	61,465,800	119,376,589
Statutory deposits with BNM	-	-	-	-	1,722,676	1,722,676
	31,940,272	8,056,120	11,277,915	38,341,685	64,041,029	153,657,021
Liabilities						
Deposits from customers	52,155,901	14,895,530	22,660,706	373,627	-	90,085,764
Deposits and placements of banks and other financial institutions	12,508,685	1,026,657	4,842	38,734	607,717	14,186,635
Obligations on securities sold under repurchase agreements	314,307	-	-	-	-	314,307
Bills and acceptances payable	239,535	-	-	-	-	239,535
Other liabilities	470,333	72,550	143,108	59,283	101,750	847,024
Derivative financial liabilities	285,969	69,562	56,398	97,457	6,699	516,085
Lease liabilities	88	1,593	3,033	53,292	-	58,006
Subordinated bonds	-	-	-	1,255,814	859,437	2,115,251
	65,974,818	16,065,892	22,868,087	1,878,207	1,575,603	108,362,607
Net maturity mismatches	(34,034,546)	(8,009,772)	(11,590,172)	36,463,478	62,465,426	
Off-balance sheet liabilities						
Credit and commitments	20,965,674	7,078,533	35,215,887	7,358,111	5,513,549	76,131,754
Derivatives	167,164	240,777	(49,959)	747,400	(83,970)	1,021,412
Net maturity mismatches	21,132,838	7,319,310	35,165,928	8,105,511	5,429,579	77,153,166

40. Liquidity Risk (Continued)

Bank 2018	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	3,926,796	-	-	-	-	3,926,796
Deposits and placements with financial institutions	802,093	-	-	-	-	802,093
Securities purchased under resale agreements	4,251,181	393,223	-	-	-	4,644,404
Financial assets at FVTPL	1,813,221	-	-	-	-	1,813,221
Debt instruments at FVOCI	5,861,364	543,286	1,046,293	9,035,754	1,673,664	18,160,361
Equity instruments at FVOCI	114,721	-	-	-	-	114,721
Debt instruments at amortised cost	-	-	67,125	46,000	123,750	236,875
Other assets	295,226	-	-	-	-	295,226
Derivative financial assets	146,703	32,265	33,120	156,283	8,125	376,496
Loans, advances and financing	17,642,637	8,142,943	4,300,840	26,593,718	62,816,665	119,496,803
Statutory deposits with BNM	-	-	-	-	2,016,869	2,016,869
	34,853,942	9,111,717	5,447,378	35,831,755	66,639,073	151,883,865
Liabilities						
Deposits from customers	51,992,203	9,670	13,159,709	24,825,434	87	89,987,103
Deposits and placements of banks and other financial institutions	7,548,193	930,399	5,566	44,524	729,919	9,258,601
Bills and acceptances payable	414,255	-	-	-	-	414,255
Other liabilities	331,286	292,805	21,616	271,913	1,746	919,366
Derivative financial liabilities	232,875	42,244	20,705	97,016	7,106	399,946
Subordinated bonds	14,518	23,059	37,723	1,167,176	715,200	1,957,676
	60,533,330	1,298,177	13,245,319	26,406,063	1,454,058	102,936,947
Net maturity mismatches	(25,679,388)	7,813,540	(7,797,941)	9,425,692	65,185,015	
Off-balance sheet liabilities						
Credit and commitments	28,692,614	5,368,707	6,061,155	30,141,484	6,201,309	76,465,270
Derivatives	52,996	(18,972)	12,088	(35,362)	769	11,519
Net maturity mismatches	28,745,610	5,349,735	6,073,243	30,106,122	6,202,078	76,476,789

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 37. These have been incorporated in the net off-balance sheet positions for the financial years ended 31 December 2019 and 31 December 2018. 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.

41. 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 2019	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	1,330,265	-	1,330,265
Deposits and placements with financial institutions	499,864	-	499,864
Securities purchased under resale agreements	3,568,380	-	3,568,380
Financial assets at FVTPL	3,624,972	581,984	4,206,956
Debt instruments at FVOCI	10,419,157	9,607,188	20,026,345
Equity instruments at FVOCI	133,885	-	133,885
Debt instruments at amortised cost	52,075	751,385	803,460
Other assets	665,412	10,041	675,453
Derivative financial assets	236,011	199,015	435,026
Loans, advances and financing	28,048,625	56,669,806	84,718,431
Statutory deposits with BNM	-	1,722,676	1,722,676
Investment in an associate	-	10,317	10,317
Property, plant and equipment	-	746,200	746,200
Right-of-use assets	5,163	15,608	20,771
Deferred tax assets	-	74,542	74,542
Total assets	48,583,809	70,388,762	118,972,571
Liabilities			
Deposits from customers	88,775,986	330,724	89,106,710
Deposits and placements of banks and other financial institutions	13,531,540	646,450	14,177,990
Obligations on securities sold under repurchase agreements	313,861	-	313,861
Bills and acceptances payable	239,535	-	239,535
Other liabilities	1,735,354	235,768	1,971,122
Derivative financial liabilities	411,929	104,156	516,085
Tax payable	85,864	-	85,864
Lease liabilities	4,714	14,809	19,523
Subordinated bonds	-	1,612,220	1,612,220
Deferred tax liabilities	-	19,609	19,609
Total liabilities	105,098,783	2,963,736	108,062,519
Net mismatch	(56,514,974)	67,425,026	10,910,052

41. Maturity Analysis of Assets and Liabilities (Continued)

Group 2018	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	3,924,932	-	3,924,932
Deposits and placements with financial institutions	799,783	-	799,783
Securities purchased under resale agreements	4,603,059	-	4,603,059
Financial assets at FVTPL	1,601,304	210,329	1,811,633
Debt instruments at FVOCI	6,855,309	8,996,992	15,852,301
Equity instruments at FVOCI	114,445	-	114,445
Debt instruments at amortised cost	64,699	163,616	228,315
Other assets	642,510	9,378	651,888
Derivative financial assets	212,088	164,408	376,496
Loans, advances and financing	26,462,814	55,450,464	81,913,278
Statutory deposits with BNM	-	2,016,869	2,016,869
Investment in an associate	-	10,087	10,087
Property, plant and equipment	-	699,459	699,459
Deferred tax assets	-	102,838	102,838
Total assets	45,280,943	67,824,440	113,105,383
Liabilities			
Deposits from customers	88,472,479	260,619	88,733,098
Deposits and placements of banks and other financial institutions	8,439,995	774,443	9,214,438
Bills and acceptances payable	414,255	-	414,255
Other liabilities	2,237,315	311,092	2,548,407
Derivative financial liabilities	295,825	104,122	399,947
Tax payable	62,140	-	62,140
Subordinated bonds	-	1,602,082	1,602,082
Deferred tax liabilities	-	20,559	20,559
Total liabilities	99,922,009	3,072,917	102,994,926
Net mismatch	(54,641,066)	64,751,523	10,110,457

41. Maturity Analysis of Assets and Liabilities (Continued)

Bank	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2019			
Assets			
Cash and short-term funds	1,330,265	-	1,330,265
Deposits and placements with financial institutions	499,864	-	499,864
Securities purchased under resale agreements	3,568,380	-	3,568,380
Financial assets at FVTPL	3,624,972	581,984	4,206,956
Debt instruments at FVOCI	10,419,157	9,607,188	20,026,345
Equity instruments at FVOCI	133,885	-	133,885
Debt instruments at amortised cost	52,075	751,385	803,460
Other assets	670,472	10,041	680,513
Derivative financial assets	236,011	199,015	435,026
Loans, advances and financing	28,048,625	56,782,118	84,830,743
Statutory deposits with BNM	-	1,722,676	1,722,676
Investment in subsidiaries	-	235,020	235,020
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	275,351	275,351
Right-of-use assets	5,163	55,671	60,834
Deferred tax assets	-	74,542	74,542
Total assets	48,588,869	70,308,513	118,897,382
Liabilities			
Deposits from customers	88,804,475	330,724	89,135,199
Deposits and placements of banks and other financial institutions	13,531,560	646,450	14,178,010
Obligations on securities sold under repurchase agreements	313,861	-	313,861
Bills and acceptances payable	239,535	-	239,535
Other liabilities	1,737,497	235,768	1,973,265
Derivative financial liabilities	411,929	104,156	516,085
Tax payable	85,425	-	85,425
Lease liabilities	4,714	53,292	58,006
Subordinated bonds	-	1,612,220	1,612,220
Total liabilities	105,128,996	2,982,610	108,111,606
Net mismatch	(56,540,127)	67,325,903	10,785,776

41. Maturity Analysis of Assets and Liabilities (Continued)

Bank 2018	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	3,924,932	-	3,924,932
Deposits and placements with financial institutions	799,783	-	799,783
Securities purchased under resale agreements	4,603,059	-	4,603,059
Financial assets at FVTPL	1,601,304	210,329	1,811,633
Debt instruments at FVOCI	6,855,309	8,996,992	15,852,301
Equity instruments at FVOCI	114,445	-	114,445
Debt instruments at amortised cost	64,699	163,616	228,315
Other assets	642,721	9,378	652,099
Derivative financial assets	212,088	164,408	376,496
Loans, advances and financing	26,462,814	55,571,861	82,034,675
Statutory deposits with BNM	-	2,016,869	2,016,869
Investment in subsidiaries	-	185,020	185,020
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	266,727	266,727
Deferred tax assets	-	102,838	102,838
Total assets	45,281,154	67,701,560	112,982,714
Liabilities			
Deposits from customers	88,494,409	260,618	88,755,027
Deposits and placements of banks and other financial institutions	8,440,015	774,443	9,214,458
Bills and acceptances payable	414,255	-	414,255
Other liabilities	2,235,526	311,092	2,546,618
Derivative financial liabilities	295,825	104,122	399,947
Tax payable	60,908	-	60,908
Subordinated bonds	-	1,602,082	1,602,082
Total liabilities	99,940,938	3,052,357	102,993,295
Net mismatch	(54,659,784)	64,649,203	9,989,419

42. 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
2019					
Financial assets					
Derivative financial assets	435,026	-	435,026	(32,942)	402,084
Financial liabilities					
Derivative financial liabilities	516,085	-	516,085	(111,127)	404,958
2018					
Financial assets					
Derivative financial assets	376,496	-	376,496	(48,251)	328,245
Financial liabilities					
Derivative financial liabilities	399,947	-	399,947	(103,693)	296,254

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.

43. 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 it provides:

<u>Retail</u>
The Retail segment covers Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offers 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 high net worth individuals and accredited investors, offering a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides financial advisory on an extended range of financial services, including wealth management products. Business Banking serves small enterprises, offers a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

<u>Wholesale Banking (WB)</u>
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.

<u>Global Markets (GM)</u>
The GM segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, 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.

<u>Others</u>
Other segments include corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.

43. Segment Information (Continued)

Operating Segments (Continued)

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
2019							
Operating income	1,522,675	1,162,950	267,332	166,823	3,119,780	(24,200)	3,095,580
Other operating expenses	(753,340)	(269,502)	(86,751)	(181,517)	(1,291,110)	25,279	(1,265,831)
Allowance for ECL	(68,447)	(159,424)	-	(47)	(227,918)	59	(227,859)
Impairment loss on property, plant and equipment	-	-	-	222	222	-	222
Share of net profit of an associate	-	-	-	230	230	-	230
Profit before taxation	700,888	734,024	180,581	(14,289)	1,601,204	1,138	1,602,342
Income tax expense							(378,972)
							1,223,370
Other information							
Gross loans, advances and financing	54,342,979	31,890,124	-	321,725	86,354,828	(113,640)	86,241,188
Deposits from customers	63,708,604	25,414,849	-	11,747	89,135,200	(28,490)	89,106,710
Inter-segment operating income/(expense)	394,788	198,936	(793,089)	223,565	24,200	(24,200)	-
Depreciation of property, plant and equipment and right-of-use assets	22,848	7,903	4,772	69,034	104,557	(19,948)	84,609
2018							
Operating income	1,432,533	1,156,651	142,397	294,482	3,026,063	(25,858)	3,000,205
Other operating expenses	(724,819)	(251,262)	(56,545)	(158,995)	(1,191,621)	25,775	(1,165,846)
Allowance for ECL	(84,571)	(123,030)	-	(55)	(207,656)	369	(207,287)
Impairment loss on property, plant and equipment	-	-	-	(1,170)	(1,170)	-	(1,170)
Share of net profit of an associate	-	-	-	233	233	-	233
Profit before taxation	623,143	782,359	85,852	134,495	1,625,849	286	1,626,135
Income tax expense							(390,600)
							1,235,535
Other information							
Gross loans, advances and financing	52,897,727	30,152,862	-	357,597	83,408,186	(122,670)	83,285,516
Deposits from customers	59,691,754	29,021,283	30,000	11,990	88,755,027	(21,929)	88,733,098
Inter-segment operating income/(expense)	243,353	280,112	(851,012)	353,405	25,858	(25,858)	-
Depreciation of property, plant and equipment and right-of-use assets	10,867	3,862	1,827	51,621	68,177	83	68,260

43. Segment Information (Continued)

Operating Segments (Continued)

	Group	
	2019 RM'000	2018 RM'000
Reconciliation of profit before taxation		
Segment profit	1,601,204	1,625,849
Eliminations		
Interest income		
- Interest income from loans, advances and financing	(6,151)	(5,718)
Interest expense		
- Deposits from customers	7,748	5,712
Fee income		
- Service charges and fees	(2,148)	(2,275)
Other income		
- Rental income from operating leases	(23,649)	(23,577)
	(24,200)	(25,858)
Allowance for ECL	59	369
Establishment related expenses		
- Depreciation of property, plant and equipment	(83)	(83)
- Depreciation of right-of-use assets	20,032	-
- Rental of premises	-	19,165
- Others	5,325	6,684
Promotion and marketing related expenses		
- Advertising and publicity	2	4
General administrative expenses		
- Others	3	5
	25,279	25,775
Profit before taxation	1,602,342	1,626,135

44. 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 (RWA) are computed based on the Internal Rating Based Approach (IRBA) for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk.

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Common Equity Tier 1 (CET1)/Tier 1 Capital</u>				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	9,763,631	9,035,171	9,830,387	9,111,054
Other reserves	353,866	282,731	162,834	85,810
Regulatory adjustments applied in the calculation of CET1 Capital	(374,785)	(349,705)	(438,805)	(365,064)
Total CET1/Tier 1 Capital	10,535,267	9,760,752	10,346,971	9,624,355
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,600,000	1,600,000	1,600,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	309,252	304,310	309,953	305,066
- General provisions	25,764	26,553	15,472	16,505
Regulatory adjustments applied in the calculation of Tier 2 Capital	85,508	85,437	-	-
Total Tier 2 Capital	2,020,524	2,016,300	1,925,425	1,921,571
Total Capital	12,555,791	11,777,052	12,272,396	11,545,926

44. Capital Management and Capital Adequacy (Continued)

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	2019	2018	2019	2018
CET1/Tier 1 Capital	17.073%	16.200%	16.959%	16.151%
Total Capital	20.347%	19.547%	20.115%	19.376%
CET1/Tier 1 Capital (net of proposed dividends)	16.089%	15.379%	15.964%	15.321%
Total Capital (net of proposed dividends)	19.363%	18.725%	19.120%	18.546%

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued on 3 May 2019.

(b) Analysis of gross RWA in the various categories of risk weights is as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total RWA for credit risk	54,113,926	52,842,515	53,407,386	52,164,645
Total RWA for market risk	2,011,892	1,975,548	2,011,892	1,975,548
Total RWA for operational risk	5,581,210	5,433,208	5,590,647	5,448,326
	61,707,028	60,251,271	61,009,925	59,588,519

45. Credit Exposure Arising from Credit Transactions with Connected Parties

	Group and Bank	
	2019	2018
Outstanding credit exposures with connected parties (RM'000)	1,103,846	1,224,402
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.278%	1.468%
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 issued on 16 July 2014.

46. Islamic Banking Operations

Statement of financial position
As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	a	48,626	2,709,957
Debt instruments at FVOCI	b	1,652,244	179,662
Other assets	d	12,044	2,656
Derivative financial assets	e	2,637	50
Financing, advances and others	c	4,353,177	2,702,218
Statutory deposits with Bank Negara Malaysia		90,000	58,500
Plant and equipment		6,030	54
Deferred tax assets		5,026	4,140
Total assets		6,169,784	5,657,237
Liabilities and Islamic Banking funds			
Deposits from customers	f	4,277,118	4,635,848
Investment accounts due to a designated financial institution	g	373,047	99,946
Deposits and placements of banks and other financial institutions	h	973,886	419,903
Bills and acceptances payable		802	318
Other liabilities	i	79,696	52,491
Derivative financial liabilities	e	3,057	467
Tax payable		4,406	2,748
Total liabilities		5,712,012	5,211,721
Capital fund		450,000	450,000
Reserves		7,772	(4,484)
Islamic Banking funds	j	457,772	445,516
Total liabilities and Islamic Banking funds		6,169,784	5,657,237
Commitments and contingencies	r	1,597,453	1,373,030

The notes on pages 204 to 220 are integral part of the financial statements.

46. Islamic Banking Operations (Continued)

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

	Note	2019 RM'000	2018 RM'000
Income derived from depositors' funds	k	124,507	68,226
Income derived from investment of Islamic Banking funds	l	132,982	66,770
Income derived from investment of investment account funds	m	13,174	11
Write-back of/(allowances for) expected credit losses on:			
Financing, advances and others	n	4,635	(24,269)
Other financial assets	n	(117)	(1,090)
Commitment and contingencies	n	(1,410)	14
Total attributable income		273,771	109,662
Income attributable to depositors	o	(218,155)	(94,193)
Income attributable to an investment account holder	p	(10,539)	(9)
Total net income		45,077	15,460
Other operating expenses	q	(30,848)	(20,778)
Profit/(loss) for the year before taxation		14,229	(5,318)
Income tax expense		(3,149)	1,358
Profit/(loss) for the year after taxation		11,080	(3,960)
Other comprehensive income:			
Items that will be reclassified subsequently to income statements:			
Net fair value changes in debt instruments at fair value through other comprehensive income		1,547	99
Income tax effect		(371)	(24)
Total other comprehensive income for the year, net of tax		1,176	75
Total comprehensive income/(loss) for the year		12,256	(3,885)

Net income from Islamic Banking operations as reported in the income statements of the Group and Bank is derived as follows:

	2019 RM'000	2018 RM'000
Income derived from depositors' funds	124,507	68,226
Income derived from investment of Islamic Banking funds	132,982	66,770
Income derived from investment of investment account funds	13,174	11
Income attributable to depositors	(218,155)	(94,193)
Income attributable to an investment account holder	(10,539)	(9)
Net income from Islamic Banking operations reported in the income statements of the Group and Bank	41,969	40,805

46. Islamic Banking Operations (Continued)

Statement of changes in Islamic Banking funds
For the financial year ended 31 December 2019

	Capital fund RM'000	FVOCI reserve RM'000	Retained profit/ (accumulated losses) RM'000	Total RM'000
2019				
Balance as at 1 January 2019	450,000	(6)	(4,478)	445,516
Profit for the year	-	-	11,080	11,080
Other comprehensive income	-	1,176	-	1,176
Total comprehensive income	-	1,176	11,080	12,256
Balance as at 31 December 2019	450,000	1,170	6,602	457,772
2018				
Balance as at 1 January 2018	450,000	(81)	(518)	449,401
Loss for the year	-	-	(3,960)	(3,960)
Other comprehensive income	-	75	-	75
Total comprehensive loss	-	75	(3,960)	(3,885)
Balance as at 31 December 2018	450,000	(6)	(4,478)	445,516

46. Islamic Banking Operations (Continued)

Statement of cash flows
For the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit/(loss) before taxation		14,229	(5,318)
Adjustments for:			
Profit income from debt instruments at FVOCI	l	(26,052)	(4,019)
Allowances for ECL on:			
Financing, advances and others	n	(4,635)	24,269
Other financial assets	n	117	1,090
Commitment and contingencies	n	1,410	(14)
Depreciation of plant and equipment	q	726	17
Trading income	l	(973)	(333)
Operating (loss)/income before working capital changes		(15,178)	15,692
Increase in operating assets:			
Financing, advances and others		(1,646,324)	(1,884,391)
Derivative financial assets		(1,614)	(50)
Statutory deposits with BNM		(31,500)	(50,580)
Other assets		(9,387)	(2,072)
		(1,688,825)	(1,937,093)
(Decrease)/increase in operating liabilities:			
Deposits from customers		(358,730)	4,035,469
Investment accounts due to designated financial institution		273,101	99,946
Deposits and placements of banks and other financial institutions		553,983	415,192
Derivative financial liabilities		2,590	467
Other liabilities		25,795	47,056
Bills and acceptances payable		484	244
		497,223	4,598,374
Cash (used in)/generated from operations		(1,206,780)	2,676,973
Tax paid		(2,748)	-
Net cash (used in)/generated from operating activities		(1,209,528)	2,676,973
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,702)	-
Profit income from debt instruments at FVOCI		26,052	3,836
Net purchase of debt instruments at FVOCI		(1,471,152)	(149,203)
Net cash used in investing activities		(1,451,802)	(145,367)
Net (decrease)/increase in cash and cash equivalents		(2,661,330)	2,531,606
Cash and cash equivalents at beginning of the year		2,711,053	179,447
Cash and cash equivalents at end of the year		49,723	2,711,053
Analysis of cash and cash equivalents			
Cash and short-term funds	a	49,723	2,711,053
Less: Allowances for ECL	a	(1,097)	(1,096)
		48,626	2,709,957

46. Islamic Banking Operations (Continued)

(a) Cash and Short-Term Funds

	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	49,723	150,053
Money at call and deposit placements maturing within one month	-	2,561,000
	49,723	2,711,053
Less: Allowances for ECL	(1,097)	(1,096)
	48,626	2,709,957

Movements in the allowances for ECL on cash and short-term funds are as follows:

2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	1,096	-	-	1,096
Allowances made for the financial year	6,408	-	-	6,408
Maturity/settlement/repayment	(6,407)	-	-	(6,407)
	1	-	-	1
At 31 December	1,097	-	-	1,097
2018				
At 1 January	228	-	-	228
Allowances made for the financial year	3,282	-	-	3,282
Maturity/settlement/repayment	(2,414)	-	-	(2,414)
	868	-	-	868
At 31 December	1,096	-	-	1,096

(b) Debt instruments at FVOCI

	2019 RM'000	2018 RM'000
Money market instruments		
Government Islamic investments	1,353,781	29,824
Malaysian Government treasury bills	298,463	149,838
	1,652,244	179,662

46. Islamic Banking Operations (Continued)

(b) Debt instruments at FVOCI (Continued)

Movements in the allowances for ECL on debt instruments at FVOCI are as follows:

2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	219	-	-	219
Allowances made for the financial year	513	-	-	513
Maturity/settlement/repayment	(396)	-	-	(396)
	117	-	-	117
At 31 December	336	-	-	336
2018				
At 1 January	-	-	-	-
Allowances made for the financial year	219	-	-	219
At 31 December	219	-	-	219

(c) Financing, Advances and Others

(i) Financing by type of Shariah contract:

	Sale based contracts			
2019	Tawarruq RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Total RM'000
Term financing and revolving credits				
- Housing financing	2,074,390	-	-	2,074,390
- Others term financing	2,255,435	-	-	2,255,435
Trust receipt	-	1,579	-	1,579
Claim on customers under acceptance credit	-	65,293	1,688	66,981
Gross financing, advances and others	4,329,825	66,872	1,688	4,398,385
Allowances for ECL on financing, advances and others				
- Stage 1 - 12-month ECL				(10,763)
- Stage 2 - Lifetime ECL non-credit impaired				(27,330)
- Stage 3 - Lifetime ECL credit-impaired				(7,115)
Net financing, advances and others				4,353,177

46. Islamic Banking Operations (Continued)

(c) Financing, Advances and Others (Continued)

(i) Financing by type of Shariah contract: (Continued)

	Sale based contracts			
2018	Tawarruq RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Total RM'000
Term financing and revolving credits				
- Housing financing	1,324,968	-	-	1,324,968
- Others term financing	1,359,194	-	-	1,359,194
Claim on customers under acceptance credit	-	46,688	2,156	48,844
Gross financing, advances and others	2,684,162	46,688	2,156	2,733,006
Allowances for ECL on financing, advances and others				
- Stage 1 - 12-month ECL				(13,706)
- Stage 2 - Lifetime ECL non-credit impaired				(15,449)
- Stage 3 - Lifetime ECL credit-impaired				(1,633)
Net financing, advances and others				2,702,218

Included in financing and advances are specific business ventures funded by the Restricted Specific Investment Account (RSIA) arrangement between Islamic Banking and Conventional Bank. The Conventional Bank, being the RSIA depositor, is exposed to the risks and rewards of the business venture and accounts for the ECL allowances arising thereon.

As at 31 December 2019, the gross exposure and ECL relating to RSIA financing amounting to RM312,736,235 (2018: RM75,000,000) and RM21,952,739 (2018: RM54,036) respectively.

(ii) Gross financing, advances and others by maturity structure:

	2019 RM'000	2018 RM'000
Maturing within one year	435,011	323,581
One year to three years	93,178	85,954
Three years to five years	85,695	103,904
Over five years	3,784,501	2,219,567
	4,398,385	2,733,006

46. Islamic Banking Operations (Continued)

(c) Financing, Advances and Others (Continued)

(iii) Gross financing, advances and others by type of customers:

	2019 RM'000	2018 RM'000
Domestic non-banking financial institutions		
- Others	5,613	-
Domestic business enterprises		
- Small and medium enterprises	1,086,860	560,316
- Others	1,024,355	691,434
Individuals	2,164,280	1,386,740
Foreign entities	117,277	94,516
	4,398,385	2,733,006

(iv) Gross financing, advances and others by profit rate sensitivity:

	2019 RM'000	2018 RM'000
Fixed rate		
- Other fixed rate financing	249,104	48,847
Variable rate		
- Base rate/base financing rate-plus	3,055,449	1,986,861
- Cost-plus	1,093,832	697,298
	4,398,385	2,733,006

(v) Gross financing, advances and others by economic sectors:

	2019 RM'000	2018 RM'000
Agriculture, hunting, forestry and fishing	358,038	125,525
Manufacturing	373,749	206,940
Electricity, gas and water	60,891	63,294
Construction	279,199	198,404
Wholesale, retail trade, restaurants and hotels	589,499	383,295
Transport, storage and communication	92,738	31,454
Finance, insurance and business services	132,355	98,464
Real estate	207,671	138,790
Community, social and personal services	22,052	5,579
Households		
- purchase of residential properties	2,083,372	1,331,417
- purchase of non-residential properties	139,166	99,973
- others	59,655	49,871
	4,398,385	2,733,006

46. Islamic Banking Operations (Continued)

(c) Financing, Advances and Others (Continued)

(vi) Movements in the allowances for ECL on financing, advances and others:

2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	13,706	15,449	1,633	30,788
Transferred to Stage 1	499	(6,297)	-	(5,798)
Transferred to Stage 2	(952)	29,735	(1,134)	27,649
Transferred to Stage 3	(23)	(1,649)	6,405	4,733
Allowances made for the financial year	45,739	489	3,462	49,690
Maturity/settlement/repayment	(48,206)	(10,397)	(2,496)	(61,099)
Net total (Note (n))	(2,943)	11,881	6,237	15,175
Other movements	-	-	(755)	(755)
At 31 December	10,763	27,330	7,115	45,208

2018	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	4,678	1,733	201	6,612
Transferred to Stage 1	349	(4,481)	-	(4,132)
Transferred to Stage 2	(1,054)	17,132	-	16,078
Transferred to Stage 3	-	(2,301)	2,130	(171)
Allowances made for the financial year	66,530	3,613	49	70,192
Maturity/settlement/repayment	(56,801)	(251)	(596)	(57,648)
Exchange differences	2	2	-	4
Net total (Note (n))	9,026	13,714	1,583	24,323
Other movements	2	2	(151)	(147)
At 31 December	13,706	15,449	1,633	30,788

(vii) Movements in credit-impaired financing, advances and others:

	2019 RM'000	2018 RM'000
At 1 January	12,704	703
Classified as credit-impaired during the financial year	36,469	12,862
Amount recovered	(1,637)	(6)
Reclassified as non credit-impaired	(9,050)	(855)
Gross credit-impaired financing, advances and others	38,486	12,704
Allowances for ECL	(7,115)	(1,633)
Net credit-impaired financing, advances and others	31,371	11,071
Ratio of net credit-impaired financing, advances and others to gross financing, advances and others less allowances for ECL on credit-impaired provision	0.7%	0.4%

46. Islamic Banking Operations (Continued)

(c) Financing, Advances and Others (Continued)

(viii) Credit-impaired financing, advances and others analysed by economic sectors:

	2019 RM'000	2018 RM'000
Manufacturing	642	-
Construction	654	-
Wholesale, retail trade, restaurants and hotels	5,028	2,119
Households		
- purchase of residential properties	31,563	10,585
- purchase of non-residential properties	499	-
- others	100	-
	38,486	12,704

(ix) Credit-impaired financing, advances and others analysed by geographical distribution:

	2019 RM'000	2018 RM'000
In Malaysia	38,486	12,704

(d) Other Assets

	2019 RM'000	2018 RM'000
Other receivables, deposits and prepayments	558	462
Profit receivable	11,488	2,197
Less: Allowances for ECL	(2)	(3)
	12,044	2,656

Movements in the allowances for ECL on other assets are as follows:

2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	2	1	-	3
Maturity/settlement/repayment	(1)	-	-	(1)
At 31 December	1	1	-	2

46. Islamic Banking Operations (Continued)

(d) Other Assets (Continued)

Movements in the allowances for ECL on other assets are as follows: (Continued)

2018	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	-	-	-	-
Allowances made for the financial year	7	2	-	9
Maturity/settlement/repayment	(5)	(1)	-	(6)
	2	1	-	3
At 31 December	2	1	-	3

(e) 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 Bank customises derivatives to meet specific needs of their customers. The Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases for customers, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The fair value of the derivatives are as follow:

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2019			
Foreign exchange contracts			
- forwards	153,257	2,637	3,057
2018			
Foreign exchange contracts			
- forwards	113,442	50	467

46. Islamic Banking Operations (Continued)

(f) Deposits From Customers

(i) By type of deposits:

	2019 RM'000	2018 RM'000
Non-mudharabah fund		
Demand deposits		
- Qard	232,527	106,229
Savings deposits		
- Qard	25,256	11,860
Fixed deposits		
- Tawarruq	4,003,585	4,500,309
Other deposits		
- Tawarruq	15,750	17,450
	4,277,118	4,635,848

(ii) The maturity structure of fixed deposits is as follows:

	2019 RM'000	2018 RM'000
Due within six months	1,863,323	2,353,657
Six months to one year	1,878,402	1,984,818
One year to three years	90,001	-
Three years to five years	171,859	161,834
	4,003,585	4,500,309

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

	2019 RM'000	2018 RM'000
Business enterprises	1,187,459	997,912
Individuals	2,207,545	1,043,184
Others	882,114	2,594,752
	4,277,118	4,635,848

(g) Investment Accounts Due to A Designated Financial Institution

	2019 RM'000	2018 RM'000
Mudharabah RSIA		
Licensed bank	395,000	100,000
Amount receivable from Conventional Banking	(21,953)	(54)
	373,047	99,946

46. Islamic Banking Operations (Continued)

(h) Deposits and Placements of Banks and Other Financial Institutions

	2019 RM'000	2018 RM'000
Non-mudharabah fund		
Other financial institutions	973,886	419,903

(i) Other Liabilities

	2019 RM'000	2018 RM'000
Allowances for ECL for commitment and contingencies	5,701	2,202
Accrued profit payable	73,954	47,410
Accruals and provisions for operational expenses	41	2,879
	79,696	52,491

Movements in the allowances for ECL on commitments and contingencies:

	Stage 1	Stage 2	Stage 3	
2019	12-month ECL RM'000	Lifetime ECL non credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	1,997	205	-	2,202
Transferred to Stage 1	66	(139)	-	(73)
Transferred to Stage 2	(58)	2,675	-	2,617
Allowances made for the financial year	11,441	111	-	11,552
Maturity/settlement/repayment	(10,313)	(284)	-	(10,597)
	1,136	2,363	-	3,499
At 31 December	3,133	2,568	-	5,701
2018				
At 1 January	2,207	9	-	2,216
Transferred to Stage 1	19	(27)	-	(8)
Transferred to Stage 2	(24)	200	-	176
Allowances made for the financial year	20,062	3,536	-	23,598
Maturity/settlement/repayment	(20,267)	(3,513)	-	(23,780)
	(210)	196	-	(14)
At 31 December	1,997	205	-	2,202

46. Islamic Banking Operations (Continued)

(j) Islamic Banking Funds

	2019 RM'000	2018 RM'000
Capital fund	450,000	450,000
FVOCI reserve	1,170	(6)
Retained profits/(accumulated losses)	6,602	(4,478)
	457,772	445,516

(k) Income Derived From Depositors' Funds

	2019 RM'000	2018 RM'000
Finance income and hibah		
Financing, advances and others	71,626	37,909
Money at call and deposit placements with financial institutions	52,881	30,317
	124,507	68,226

(l) Income Derived From Investment of Islamic Banking Funds

	2019 RM'000	2018 RM'000
Finance income and hibah		
Financing, advances and others	93,306	47,976
Money at call and deposit placements with financial institutions	4,733	5,591
Debt instruments at FVOCI	26,052	4,019
	124,091	57,586
Other operating income		
Trading income	973	333
Commission income	5,498	6,057
Fee income	2,377	2,778
Others	43	16
	132,982	66,770

(m) Income Derived From Investment of Investment Account Funds

	2019 RM'000	2018 RM'000
Financing, advances and others	11,091	9
Money at call and deposit placements with financial institutions	2,083	2
	13,174	11

46. Islamic Banking Operations (Continued)

(n) Allowances for ECL

	2019 RM'000	2018 RM'000
Financing, advances and others:		
Stage 1 ECL	(2,943)	9,026
Stage 2 ECL	11,881	13,714
Stage 3 ECL	6,237	1,583
Recovery from RSIA holder*	(19,810)	(54)
	(4,635)	24,269
Other financial assets:		
Stage 1 ECL	117	1,089
Stage 2 ECL	-	1
	117	1,090
Commitment and contingencies:		
Stage 1 ECL	1,136	(210)
Stage 2 ECL	2,363	196
Recovery from RSIA holder*	(2,089)	-
	1,410	(14)
Total allowances for ECL	(3,108)	25,345

*The RSIA holder is the Conventional Banking (Note c(i))

(o) Income Attributable to Depositors

	2019 RM'000	2018 RM'000
Income attributable to depositors from non-mudharabah fund	218,155	94,193

(p) Income Attributable to Investment Account Holders

	2019 RM'000	2018 RM'000
Income attributable to depositors from mudharabah fund	10,539	9

46. Islamic Banking Operations (Continued)

(q) Other Operating Expenses

	2019 RM'000	2018 RM'000
Personnel expenses	2,092	1,725
Establishment related expenses	2,467	563
Promotion and marketing related expenses	332	261
General administrative expenses	25,957	18,229
	30,848	20,778
Personnel expenses		
- Wages, salaries and bonus	1,526	1,287
- Defined contribution plan	244	204
- Other employee benefits	322	234
	2,092	1,725
Establishment related expenses		
- Depreciation of plant and equipment	726	17
- Repair and maintenance	18	2
- Rental of premises	-	12
- Information technology costs	847	217
- Others	876	315
	2,467	563
Promotion and marketing related expenses		
- Advertisement and publicity	332	261
General administrative expenses		
- Fees and commissions paid	424	381
- Management fee	25,172	17,747
- Others	361	101
	25,957	18,229

Included in other operating expenses is the Shariah Committee's remuneration. The total remuneration of the Shariah Committee members are as follows:

	2019 RM'000	2018 RM'000
Dr. Samsuri bin Sharif	77	74
Prof. Dr. Norhashimah binti Mohd Yasin	64	62
Dr. Marhanum binti Che Mohd Salleh	64	62
Assoc. Prof. Dr. Sharifah Faigah binti Syed Alwi	64	62
Dr. Ahmad Zakirullah bin Mohamed Shaarani	64	62
	333	322

46. Islamic Banking Operations (Continued)

(r) Commitments and Contingencies

The off-balance sheet exposures and their related counterparty credit risk are as follows:

2019	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	11,874	11,874	6,968
Transaction-related contingent items	54,306	27,278	31,581
Short-term self-liquidating trade-related contigencies	3,259	652	359
Foreign exchange related contracts			
- not more than one year	153,257	2,277	1,049
Undrawn credit facility			
- not more than one year	212,341	2,119	789
- more than one year	950,177	637,296	210,473
- unconditionally cancellable	212,239	-	-
	1,597,453	681,496	251,219

2018	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	11,092	11,092	5,833
Transaction-related contingent items	31,974	15,987	14,260
Short-term self-liquidating trade-related contigencies	1,717	343	71
Foreign exchange related contracts			
- not more than one year	113,442	1,745	422
Undrawn credit facility			
- not more than one year	162,598	280	126
- more than one year	1,052,207	582,650	114,732
	1,373,030	612,097	135,444

46. Islamic Banking Operations (Continued)

(s) **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.

	2019 RM'000	2018 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital		
Capital fund	450,000	450,000
Retained profit/(accumulated losses)	6,602	(4,478)
Other reserves	1,170	(6)
Regulatory adjustments applied in the calculation of CET1 Capital	(5,698)	(4,156)
Total CET1/Tier 1 Capital	452,074	441,360
Tier 2 Capital		
Financing loss provision		
- Surplus eligible provisions over expected losses	12,873	8,136
- General provisions	94	247
Total Tier 2 Capital	12,967	8,383
Total Capital	465,041	449,743

(a) The capital adequacy ratios are as follows:

	2019	2018
Before the effects of RSIA		
CET1/Tier 1 Capital	16.543%	30.386%
Total Capital	17.018%	30.977%
After the effects of RSIA		
CET1/Tier 1 Capital	20.346%	31.099%
Total Capital	20.930%	31.689%

In accordance with BNM's Guidelines on the Investment Account, the credit and market risk weighted assets funded by the RSIA which qualify as risk absorbent are excluded from the calculation of capital adequacy ratio. As at 31 December 2019, credit risks related to RSIA assets excluded from the total capital ratio calculation amounting to RM510,781,000 (2018: RM33,283,000).

(b) Analysis of gross RWA in the various categories of risk-weights is as follows:

	2019 RM'000	2018 RM'000
Total RWA for credit risk	2,153,038	1,375,717
Total RWA for market risk	2,366	159
Total RWA for operational risk	66,532	43,348
	2,221,936	1,419,224

46. Islamic Banking Operations (Continued)

(t) Mudharabah RSIA

(i) Movement in the Mudharabah RSIA:

	2019 RM'000	2018 RM'000
As at 1 January	99,946	-
Funding inflows/(outflows)		
New placement during the year	295,000	100,000
Profit to fund provider	(10,539)	(9)
Income from investment	13,174	11
Share of profit		
Profit distributed to mudarib	(2,635)	(2)
Amount receivable from Conventional Banking	(21,899)	(54)
As at 31 December	373,047	99,946
Investment assets		
Financing and advances	290,783	74,946
Interbank placement	82,264	25,000
	373,047	99,946

(ii) Profit sharing ratio and rate of return:

	Average profit sharing ratio (Depositor: Islamic Banking operations)		Average rate of return (%)	
	2019	2018	2019	2018
Up to 1 year	80:20	80:20	4.35	4.25
Over 5 year	80:20	-	4.15	-

46. Islamic Banking Operations (Continued)

(u) Liquidity Risk

The following table shows the contractual undiscounted cash flows 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.

2019	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	48,626	-	-	-	-	48,626
Debt instruments at FVOCI	298,463	886,482	437,852	40,803	-	1,663,600
Derivative financial assets	2,637	-	-	-	-	2,637
Financing, advances and others	592,263	111,864	213,159	1,437,807	4,220,100	6,575,193
Statutory deposits with BNM	-	-	-	-	90,000	90,000
	941,989	998,346	651,011	1,478,610	4,310,100	8,380,056
Liabilities						
Deposits from customers	1,447,423	702,859	1,925,356	299,082	-	4,374,720
Investment accounts due to a designated financial institution	-	-	103,520	-	373,156	476,676
Deposits and placements of banks and other financial institutions	574,022	-	421,459	-	-	995,481
Bills and acceptances payable	802	-	-	-	-	802
Derivative financial liabilities	2,917	140	-	-	-	3,057
	2,025,164	702,999	2,450,335	299,082	373,156	5,850,736
Net maturity mismatches	(1,083,175)	295,347	(1,799,324)	1,179,528	3,936,944	
Off-balance sheet liabilities						
Credit and commitments	160,633	12,574	351,651	39,996	1,032,599	1,597,453
Net maturity mismatches	160,633	12,574	351,651	39,996	1,032,599	1,597,453

46. Islamic Banking Operations (Continued)

(u) Liquidity Risk (Continued)

2018	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	2,711,941	-	-	-	-	2,711,941
Debt instruments at FVOCI	-	179,662	-	-	-	179,662
Financing, advances and others	456,500	107,888	129,063	820,473	2,679,922	4,193,846
Derivative financial assets	50	-	-	-	-	50
Statutory deposits with BNM	-	-	-	-	58,500	58,500
	3,168,491	287,550	129,063	820,473	2,738,422	7,143,999
Liabilities						
Deposits from customers	1,916,617	621,516	2,062,627	197,111	-	4,797,871
Investment accounts due to a designated financial institution	100,384	-	-	-	-	100,384
Deposits and placements of banks and other financial institutions	19,903	-	-	432,467	-	452,370
Bills and acceptances payable	318	-	-	-	-	318
Derivative financial liabilities	467	-	-	-	-	467
	2,037,690	621,516	2,062,627	629,578	-	5,351,410
Net maturity mismatches	1,130,801	(333,966)	(1,933,564)	190,895	2,738,422	
Off-balance sheet liabilities						
Credit and commitments	121,739	300	8,320	252,241	990,430	1,373,030
Net maturity mismatches	121,739	300	8,320	252,241	990,430	1,373,030

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