United Overseas Bank (Malaysia) Bhd
Annual Report 2020

Forging a Sustainable Future

United We Stand
He Shu

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

Content

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

United We Stand

He Shu
Chinese ink on rice paper
69 x 91 cm

United We Stand, a Highly Commended artwork of the 2020 UOB Painting of the Year (Singapore), Emerging Artist Category, is the design inspiration for this year's Annual Report. Ms He Shu's artwork reflects the strength of the human spirit in overcoming difficulties, especially in a tumultuous year beset by the global COVID-19 pandemic.

Through the orchids blossoming in the harsh environment, Ms He plants in our minds the power and beauty of solidarity. The butterflies symbolise how the smallest effort can seed the biggest impact. In the words of the artist, "Where there are winds of change, we shall press on with great fortitude to find new waves of transformation. Adapt and learn fast in this changing world, turn anxiety into action, turn waste into energy, turn challenges into opportunities."

Likewise, in 2020, UOB continued to forge ahead sustainably, relying on our time-tested values, strong balance sheet, robust risk management approach and entrepreneurial roots to guide our customers, colleagues and the community through to better times.

As the leading patron of art in Asia, UOB sees the value of art for its power to unify, to heal and opens us to possibilities. In its 39th year in 2020, the Bank's flagship art programme, the UOB Painting of the Year competition is currently held across four Southeast Asian markets in which UOB has a deep presence.

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2020

Overview

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 is the largest foreign bank operating in Malaysia by total assets, loans and deposits.

UOB Malaysia offers an extensive range of financial products and 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 2020

Asian Banking and Finance

ABF Wholesale Banking Awards 2020
- Malaysia International Trade Finance Bank of the Year

The Asset

The Asset Triple A Awards 2020
Best Service Providers in Malaysia
- Best Transaction Bank
- Best Supply Chain Finance Bank

Best Solutions
- Best Payments and Collections Solution
- Best Supply Chain Solution

CorporateTreasurer

CorporateTreasurer Awards 2020
- Asia's Best Treasury and Finance Strategies

Treasury Today Asia

Adam Smith Awards Asia 2020
- Highly Commended: Best Account Receivables/Account Payables
- Highly Commended: Best Trade/Supply Chain Finance Solutions

The Asian Banker

Transaction Awards & Banker's Choice Awards 2020
- Best Financial Supply Chain in Malaysia

Ministry of Energy and Natural Resources Malaysia

National Energy Awards 2020
- Special Award – Sustainable Energy Financing (Conventional Financing Category)

Cambridge Institute of Islamic Finance (Cambridge-IFA)

Islamic Retail Banking Awards 2020
- Best Premier Islamic Banking

Wealth Briefing Asia

Wealth Briefing Asia Awards 2020
- Best Domestic Private Bank – Malaysia

Global Banking & Finance

Global Banking & Finance Awards 2020
- Best Retail Bank Malaysia
- Banking Customer Satisfaction and Happiness Malaysia

Alpha Southeast Asia

Annual Deal & Solutions Awards 2020
- The Best Dual-Structure Islamic Finance Deal of The Year

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 was appointed as 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 (UOB Singapore). In 2013, he was conferred the title of Chairman Emeritus and Adviser when he stepped down as Chairman of the Bank. Upon his retirement as director in April 2019, the Board appointed Dr Wee as Honorary Adviser in recognition of his many years of dedicated service and wise counsel.

A veteran in the banking, insurance, real estate and hospitality industries, Dr Wee has received numerous awards and 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 National Day Award, ASEAN Business Advisory Council Legacy Award for Singapore and Honorary Doctor of Letters degrees from the National University of Singapore and Nanyang Technological University.

Dr Wee is the Chairman Emeritus and Honorary Adviser of UOB Singapore, the Chairman of United Overseas Bank (Thai) Public Company and the Supervisor of UOB (China). He also chairs the board of United Overseas Insurance, UOL Group, United Industrial Corporation, Haw Par Corporation, Pan Pacific Hotels Group, Marina Centre Holdings and the Wee Foundation.

Dr Wee is an alumni and Chairman of Chung Cheng High School. He has served on various school management committees and the Councils of the Nanyang University and National University of Singapore.

Chairman's Statement

2020 Financial Performance

Against the backdrop of the global pandemic in 2020, UOB Malaysia recorded a total operating income of RM3,209.2 million, 3.7 per cent higher than the previous year (2019: RM3,095.6 million). However, the higher operating income was offset by the increase in allowances arising from pre-emptive provisioning made for expected credit losses mainly for non-impaired assets in view of the uncertainties arising from the COVID-19 pandemic. This resulted in a net profit after tax of RM1,018.0 million for the year, which was 16.8 per cent or RM205.4 million lower than the year before (2019: RM1,223.4 million).

Net interest income grew 5.7 per cent to RM2,200.0 million (2019: RM2,081.2 million). This was attributed to proactive balance sheet management, but offset by the effects of the Overnight Policy Rate reduction of 125 basis points in 2020. Net income from our Islamic Banking business also rose 67.4 per cent to RM70.3 million (2019: RM42.0 million). A 3.5 per cent drop in non-interest income to RM938.8 million (2019: RM972.4 million) was due to lower fee income and net foreign exchange gain, offset by higher trading and investment income.

Total operating expenses increased 1.1 per cent to RM1,280.1 million (2019: RM1,265.8 million) as we continued to invest in our technology infrastructure to support business growth but remained prudent in managing our discretionary expenses.

Total allowance for expected credit losses increased by RM356.1 million, largely from expected losses categorised as Stage 1 (within the next 12 months) and Stage 2 (indefinitely) on loans, advances and financing. The additional provision was pre-emptively set aside for non-impaired assets in view of COVID-19 pandemic as well as an increase in provisioning for impaired assets. Our asset quality remained sound with the net non-performing loans ratio at 1.4 per cent.

Gross loans, advances and financing rose 1.5 per cent to RM87.5 billion (2019: RM86.2 billion) and non-bank deposits increased by 5.0 per cent to RM93.6 billion (2019: RM89.1 billion).

2021 Outlook

Even as COVID-19 infection cases continue to rise in many parts of the world, the global economy is expected to enter a recovery, albeit uneven, path in 2021. Monetary and fiscal measures as well as more relaxed containment measures, depending on the stage of the pandemic within each country, will support the recovery. Globally, central banks including those in Asia have responded with aggressive policy rate cuts, as well as conventional and unconventional monetary policy measures, to restore financial market stability and to safeguard their respective economies.

While potential waves of infection from new strains of the virus will continue to pose risks to the recovery, many governments across the world have also deployed extraordinary fiscal stimulus to prevent more severe economic outcomes brought on by the COVID-19 pandemic. A catalyst for a pick-up in growth would be the effectiveness of COVID-19 vaccines as production is scaled up, adequate doses are distributed worldwide and national inoculation programmes gain ground.

Despite a cautious global outlook, prospects for Asia, particularly China, are much stronger than for most other markets. Following its effective pandemic containment, China was able to reopen its economy and to normalise economic activity in April 2020. A sharp cyclical rebound in China's economic growth alongside moderate recoveries across the rest of Asia and developed countries in 2021 will hopefully see more green shoots in global demand and trade.

We expect Malaysia's gross domestic product to expand at an above-average rate in 2021 given it is coming off a low-base, while the recovery in global demand and spillover benefits into domestic sectors will help lift private consumption and investments. Ongoing policy support from the various fiscal packages, additional reliefs under the *PERMAI* and *PEMERKASA* programmes and Budget 2021 measures, as well as the cumulative interest rate cuts to date, will provide additional impetus to sustain the recovery.

Chairman's Statement (Continued)

2021 Outlook (Continued)

However, we expect the pace of recovery to be uneven across sectors with some industries expected to remain below pre-pandemic levels and a slower improvement in the labour market. Although downside risks linger given the uncertainty surrounding the pandemic, the economy could benefit from Malaysia's various policy measures, effective vaccine roll-out, diversified economic structure, implementation of 5G network and accelerated digital transformation, as well as the global economy's better-than-expected recovery.

Looking ahead, UOB Malaysia expects the economic recovery to support overall interest margins and loan growth, while we continue to manage credit risks in a proactive, prudent and disciplined manner.

In 2021, we will continue to place our customers at the heart of everything that we do. We will continue to leverage our expertise and regional network to offer relevant and distinctive solutions through conventional and Islamic Banking. We will remain prudent and disciplined as we forge a sustainable future with our customers.

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 responsibility 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 commitment to doing right by our customers, our colleagues and our community as we forge a sustainable future together.

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 continues to benefit greatly from his insight, experience and knowledge.

Finally, I would like to thank our valued customers for continuing to place their confidence and trust in UOB Malaysia.

Dato' Jeffrey Ng Tiong Lip
Chairman

Board of Directors and its Committees

As at 2 March 2021

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
  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 2021

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 36 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).

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)
- Sunway Lagoon Club Berhad (Chairman and Director)
- SunREIT Perpetual Bond Berhad (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 & President)
- 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 more than 40 years' experience in the UOB Group. Mr Wee is also active in the banking and financial services industry and the community through his involvement in various industry-based organisations.

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 (Thai) Public Company Limited (Deputy Chairman)
- United Overseas Bank (China) Limited (Chairman)
- PT Bank UOB Indonesia (President Commissioner)
- United Overseas Insurance Limited (Director)
- The Association of Banks in Singapore (Vice Chairman)
- The Institute of Banking & Finance (Council Member)
- Indonesia-Singapore Business Council (Member)
- Singapore-China Foundation (Member, Board of Governors)
- Singapore Chinese Chamber of Commerce & Industry (Honorary Council Member)
- Nanyang Academy of Fine Arts (Patron)
- Wee Foundation (Director)

Past Directorship in Other Companies and Principal Commitments

- Far Eastern Bank Limited (Director)
- Pan Pacific Hotels Group (Director)
- United International Securities (Director)
- UOL Group (Director)
- Housing & Development Board (Deputy Chairman)
- Port of Singapore Authority (Director)
- Visa AP Senior Client Council (Member)

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 2021

Wong Kim Choong

Executive and Chief Executive Officer

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

Mr Wong has 38 years of banking experience and started his career with United Overseas Bank Limited (UOB Singapore) in 1983, where he served for over 14 years. During his tenure with UOB Singapore, 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)
- The Association of Banks in Malaysia (Council Member)
- The Asian Institute of Chartered Bankers (Council Member)

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 program. 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

Datuk Phang Ah Tong
Independent

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

Corporate Information

Senior Management

Wong Kim Choong
Chief Executive Officer

Lee Che Kong
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

Kan Wing Yin
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

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
Country Head, Islamic Banking

Tam Chee Meng
Executive Director
Country Head, Credit - Corporate

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

Tang Wai Fong, Anita (Ms)
Executive Director
Country Head, Wholesale Banking Business Management

Wan Yoke Nee, Penny (Ms)
Executive Director
Country Head, Legal & Secretariat

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

Yap Kok Tee
Executive Director
Country Head, Channels and Digitalisation

Secretaries

Wan Yoke Nee, Penny
Lai Su Ming

Auditors

Ernst & Young PLT
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 (to be relocated to Bandar Bukit Tinggi in 2021)
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: Yang Suan Seng

Kelantan
Kota Bharu Branch
No. 724, Jalan Sultanah Zainab
15000 Kota Bharu
Tel: 09-748 2699 / 09-748 3066
Fax: 09-748 4307
Manager: Wei Hui Kim

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: Ang Zhen Yao

Butterworth Branch
4071 & 4072, Jalan Bagan Luar
12000 Butterworth
Tel: 04-314 8000
Fax: 04-323 6953
Manager: Tay G. Lim

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

Lebuh Bishop Branch
64E-H Lebuh Bishop
10200 Pulau Pinang
Tel: 04-258 8000
Fax: 04-261 0868
Manager: Tan Yang Cheng

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: Tracia Kek Choon Yian

City Square Branch
Lot 1-23, Johor Bahru City Square
106-108, Jalan Wong Ah Fook
80000 Johor Bahru
Tel: 07-219 6300
Fax: 07-224 3706
Manager: Ben Liew Kar Voon

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: Chong Hui See

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 2020

Governance

Corporate Governance

Board of Directors' Composition, Function and Conduct

The UOB Malaysia Board is committed in upholding good corporate governance, which is integral to the Bank's growth and success. The Board, together with Management, ensures that principles of good corporate governance are observed at all levels of the Bank. In the adoption of its corporate governance practices, the Bank is guided by the principles set out in the Policy on Corporate Governance issued by Bank Negara Malaysia (BNM) 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/policies, culture and internal controls;
- reviewing and approving Internal Ratings Based Framework; and
- managing Money Laundering/Terrorism Financing risks.

Matters pertaining to remuneration policy, risk appetite, technology, data and productivity initiatives, policies relating to Shariah matters, Islamic Banking products and services are also under the purview and subject to the approval of the Board. The Board is also entrusted to oversee other matters reserved to the Board by the requirements of law and the regulators.

The Board receives updates through regular management reports, and interacts with Management outside 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 the 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 2020 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 2020				
	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Dato' Jeffrey Ng Tiong Lip	6^	5	N/A	N/A	N/A
Mr Wee Ee Cheong	6	N/A	N/A	N/A	3
Puan Fatimah Binti Merican	6	5	4	2^	3^
Mr Ching Yew Chye	6	5	4^	2	3
Datuk Phang Ah Tong	6	5^	4	2	3
Mr Wong Kim Choong	6	N/A	N/A	N/A	N/A
Number of meetings held in 2020	6	5	4	2	3

^ 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 the independence of each director according to the criteria in BNM's Policy 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 on-going renewal of the Board has ensured that it comprises a composition 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 decisions of the Board. With the assistance of senior management, the CEO takes executive responsibility for the day-to-day operations and business of the Bank, including seeking business opportunities and ensuring the system of internal controls and risk management framework and policies of the Bank are relevant, adequate and effective. The CEO also ensures 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, digitalisation, anti-bribery 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 and thereby providing the directors with the relevant knowledge and skills to perform their roles 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 company 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 expense of the Bank.

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 BNM's Policy 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 BNM's Policy 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 and oversees succession plans for the Board, CEO and key senior management officers;
- assess the fitness and propriety of directors, Shariah Committee members, CEO, key senior management 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, reappointment, 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
- the appointment, resignation, 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 107.

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 Audit Committee (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 Risk Management Committee (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 2020.

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 has a primary reporting line to the Audit Committee (AC). The primary role of the Internal Audit (IA) function 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 IA Charter and adopts the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and is guided by The Internal Audit Function in Banks issued by the Basel Committee on Banking Supervision. To ensure IA maintains its high performance standards, IA conducts a self-assessment of its activities against these standards and guidelines annually.

Internal Audit 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 at least annually and tabled to the AC for approval. In addition to the self-assessment, an external quality assurance review of the internal audit function is conducted at least once every five years. The last review was conducted in 2019.

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

Remuneration Policy

UOB'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, aligned with our vision to become a trusted bank, 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.

Determining Variable Pay

UOB's 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 remunerations 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

UOB's variable pay deferral policy applies to all senior ranked 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.

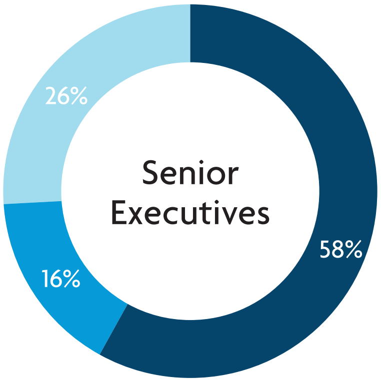
Summary of 2020 Remuneration Outcomes

1. Breakdown of total remuneration for CEO for FY2020

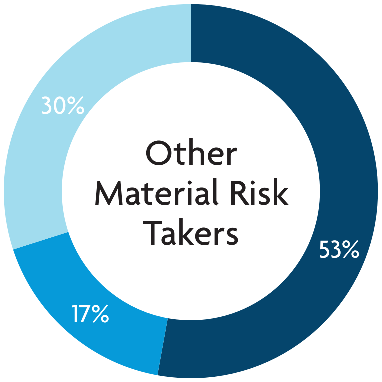
Name	Fixed Pay (RM'000)	Variable Pay – Unrestricted (RM'000)	Deferred Variable Pay – EEP (RM'000)
Wong Kim Choong	1,281	1,891	1,261

2. Breakdown of Remuneration Awarded to SEs and MRTs for FY2020

- 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 2020.
- In addition to all SEs, there were 5 other MRTs in 2020.



Total remuneration for FY2020 is RM27.2mil



Total remuneration for FY2020 is RM3.8mil

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.

Summary of 2020 Remuneration Outcomes (Continued)

3. Guaranteed Bonuses, Sign-on Awards and Severance Payments for FY2020

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	-	-
Number of sign-on awards	2	-
Number of severance payments	-	-
Total amounts of above payments made for the financial year (RM’000)	200	-

4. Breakdown of Deferred Remuneration

Category	SEs	MRTs
Total amount of outstanding deferred remuneration		
Cash (RM’000)	-	248
Shares (RM’000)	13,792	828
Total amount of deferred remuneration paid in FY2020		
Cash (RM’000)	-	39
Shares (RM’000)	4,377	141
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

UOB Malaysia first developed its Shariah Governance Framework (the Framework) in 2016, adhering closely to the Shariah Governance Framework 2010 by Bank Negara Malaysia (BNM). In March 2020, the Bank replaced the Framework with the Shariah Governance Policy, (the Policy) by closely adhering to BNM's policy document on Shariah Governance that was issued on 20 September 2019. The Policy establishes the minimum governance standards governing the directors, management, Shariah functions and Shariah Committee. Within the Policy, all parties are bound to exercise their duty of care and diligence to ensure the Bank's Islamic Banking business, operation and affairs comply with Shariah principles.

The Board of Directors (the Board) is ultimately accountable and responsible for the overall Shariah Governance Structure and UOB Malaysia's Shariah compliance. In keeping with this, the Board must ensure that the Shariah Governance Structure adopted by the Bank commensurate with the size, complexity and nature of its business.

To ensure that the Bank's operations are consistently conducted in according to Shariah principles, the Bank established an independent Shariah Committee (SC) 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 Board ultimately bears the responsibility and is accountable for the overall governance of the Bank, the SC shall be responsible and accountable for all its decisions, views and opinions related to Shariah. The SC comprises of the following qualified members:

1. Dr. Samsuri bin Sharif - Chairman
2. Prof. Dr. Norhashimah binti Mohd Yasin (tenure expired on 30 November 2020)
3. Dr. Marhanum binti Che Mohd Salleh (tenure expired on 30 November 2020)
4. Assoc. Prof. Dr. Sharifah Faigah binti Syed Alwi
5. Dr. Ahmad Zakirullah bin Mohamed Shaarani

During the financial year, the SC met 12[1] times. Attendance by the SC members was recorded as follows:

SC Member	Attendance
Dr. Samsuri bin Sharif (Chairman)	11/12
Prof. Dr. Norhashimah binti Mohd Yasin	10/12
Dr. Marhanum binti Che Mohd Salleh	11/12
Assoc. Prof. Dr. Sharifah Faigah binti Syed Alwi	12/12
Dr. Ahmad Zakirullah bin Mohamed Shaarani	12/12

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

Meanwhile, the Shariah Review conducts regular assessments on the compliance of the Bank's operations, business, affairs and activities with Shariah requirements.

Shariah Risk Management systematically identifies, measures, monitors, and reports Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

Finally, Shariah Audit provides an independent assessment of the quality and effectiveness of the Bank's internal control, risk management systems, and governance processes. The Shariah Audit scope covers the overall compliance of the Bank's operations, business, affairs and activities with Shariah.

In addition to the above, the Management is responsible for providing adequate resources across every function involved in Shariah governance implementation to ensure end-to-end compliance with Shariah principles. The Management expects the various functions to be responsible for and to manage the implementation of any and all SC issued Shariah rulings and that they are complying with the said policy.

[1] Due to the Covid-19 pandemic, 10 meetings were conducted through online platform within the Banks's secured technology parameters to limit physical contact, as well as to preserve confidentiality of the deliberations.

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 UOB Malaysia'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, UOB Malaysia started to offer Islamic financial services under its Islamic Banking Window.

Scope of Application

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

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

Capital Adequacy

Our approach to capital management is to ensure that the UOB Malaysia 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 UOB Malaysia 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 UOB Malaysia 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 UOB Malaysia Group while the Risk and Capital Committee manages the UOB Malaysia Group's ICAAP, overall risk profile and capital requirements. The UOB Malaysia Group's capital position, capital management plan, contingency capital plan, as well as any capital management actions, are submitted to the senior management and/or to the Board for approval.

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 2020 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	23,059,910	22,859,553	229,862	18,389
	Public sector entities	179,046	179,046	-	-
	Insurance cos, securities firms and fund managers	62	62	62	5
	Corporates	294,798	292,128	291,658	23,333
	Regulatory retail	9,965	9,965	9,965	797
	Other assets	1,321,778	1,321,778	702,149	56,172
	Equity exposure	155,929	155,929	155,929	12,474
	Defaulted exposures	3,950	3,950	5,922	474
	Total on-balance sheet exposures	25,025,438	24,822,411	1,395,547	111,644
	Off-balance sheet exposures				
	OTC derivatives	98,390	98,390	56,255	4,500
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	90,766	89,748	88,198	7,056
	Total off-balance sheet exposures	189,156	188,138	144,453	11,556
	Total on and off-balance sheet exposures (SA)	**25,214,594**	**25,010,549**	**1,540,000**	**123,200**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	8,545,328	7,696,678	743,093	59,447
	Insurance cos, securities firms and fund managers	1,130,296	1,120,279	278,386	22,271
	Corporates	34,219,891	30,171,147	30,587,833	2,447,027
	Equity (simple risk weight)	2,456	2,456	7,369	590
	Defaulted exposures	983,679	965,294	-	-
	Total on-balance sheet exposures	44,881,649	39,955,855	31,616,681	2,529,334
	Off-balance sheet exposures				
	OTC derivatives	2,201,029	2,197,675	883,199	70,656
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,546,399	6,555,912	6,106,505	488,520
	Defaulted exposures	16,613	15,446	-	-
	Total off-balance sheet exposures	9,764,041	8,769,033	6,989,704	559,176
	Total on and off-balance sheet exposures (FIRB)	**54,645,690**	**48,724,888**	**38,606,385**	**3,088,511**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2020 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	-	-	-	-
	Residential mortgages	35,534,166	35,534,166	3,822,943	305,835
	Qualifying revolving retail	2,548,509	2,548,509	929,284	74,343
	Other retail	15,730,978	15,730,978	2,836,203	226,896
	Defaulted exposures	745,269	745,269	358,289	28,663
	Total on-balance sheet exposures	54,558,922	54,558,922	7,946,719	635,738
	Off-balance sheet exposures				
	OTC derivatives	482	482	110	9
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,347,069	9,347,069	1,251,725	100,138
	Defaulted exposures	-	-	-	-
	Total off-balance sheet exposures	9,347,551	9,347,551	1,251,836	100,147
	Total on and off-balance sheet exposures (AIRB)	63,906,473	63,906,473	9,198,555	735,884
	Total exposures under IRB Approach	118,552,163	112,631,361	47,804,940	3,824,395
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			52,213,236	4,177,059
2.0	Large exposures risk requirement	-	-	-	-
3.0	Market risk	Long position	Short position		
	Interest rate risk	121,706	88,261	907,177	72,574
	Foreign currency risk	498,504	570,773	94,230	7,538
	Commodity risk	1,622	-	3,041	243
	Options risk	-	-	62,200	4,976
4.0	Operational risk (Basic Indicator Approach)			5,658,697	452,696
5.0	Total RWA and capital requirements			58,938,581	4,715,087

Capital Adequacy (Continued)

The aggregate breakdown of 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 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	13,070,835	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
	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**

Capital Adequacy (Continued)

The aggregate breakdown of 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)				
	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
	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 Islamic Banking Window for the financial year ended 31 December 2020 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	1,338,772	1,338,772	-	-	-	-
	Corporate	535	95	95	-	95	8
	Other assets	6,486	6,486	6,486	-	6,486	519
	Total on-balance sheet exposures	1,345,793	1,345,353	6,581	-	6,581	526
	Off-balance sheet exposures						
	OTC derivatives	5,627	5,627	2,013	-	2,013	161
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-	-	-
	Total off-balance sheet exposures	5,627	5,627	2,013	-	2,013	161
	Total on and off-balance sheet exposures (SA)	1,351,421	1,350,981	8,594	-	8,594	688
1.2	Exposures under the FIRB Approach						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	115,504	115,504	11,893	-	11,893	951
	Insurance cos, securities firms and fund managers	1,001,476	1,001,476	238,004	238,004	238,004	19,040
	Corporates	2,092,581	1,966,802	2,457,216	527,369	1,691,844	135,348
	Defaulted exposures	15,486	15,486	-	-	-	-
	Total on-balance sheet exposures	3,225,048	3,099,269	2,707,113	765,372	1,941,741	155,339
	Off-balance sheet exposures						
	OTC derivatives	637	612	804	-	804	64
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	131,255	124,533	160,743	-	160,743	12,859
	Total off-balance sheet exposures	131,892	125,145	161,547	-	161,547	12,924
	Total on and off-balance sheet exposures (FIRB)	3,356,940	3,224,414	2,868,660	765,372	2,103,288	168,263

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 2020 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 AIRB Approach						
	On-balance sheet exposures						
	Corporate	-	-	-	-	-	-
	Residential mortgages	2,539,930	2,539,930	408,690	-	408,690	32,695
	Other retail	1,087,704	1,087,704	294,283	-	294,283	23,543
	Defaulted exposures	59,951	59,951	18,139	-	18,139	1,451
	Total on-balance sheet exposures	3,687,585	3,687,585	721,111	-	721,111	57,689
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	457,948	457,948	73,259	-	73,259	5,861
	Total off-balance sheet exposures	457,948	457,948	73,259	-	73,259	5,861
	Total on and off-balance sheet exposures (AIRB)	4,145,532	4,145,532	794,370	-	794,370	63,550
	Total exposures under IRB Approach	7,502,472	7,369,946	3,663,030	765,372	2,897,658	231,813
	Total (exempted exposures and exposures under the IRB Approach after scaling factor			3,891,406	811,295	3,080,111	246,409
2.0	Large exposures risk requirement	-	-	-	-	-	-
3.0	Market risk	Long Position	Short Position				
	Interest rate risk	256	256	5,221	-	5,221	418
	Foreign currency risk	62	339	339	-	339	27
	Commodity risk	-	-	-	-	-	-
	Options risk	-	-	-	-	-	-
4.0	Operational risk (Basic Indicator Approach)			93,714	-	93,714	7,497
5.0	Total RWA and capital requirements			3,990,680	811,295	3,179,385	254,351

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 FIRB Approach						
	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)	1,636,728	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 AIRB Approach						
	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				
	Interest 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 Structure

As at 31 December 2020, the Bank had issued the following subordinated notes under the RM8 billion Medium Term Notes and/or Senior Medium Term Notes Programme :
(1) On 25 July 2018, the Bank issued RM600 million subordinated notes at 4.80% p.a maturing on 25 July 2028;
(2) On 3 August 2020, the Bank issued RM750 million subordinated notes at 3.00% p.a. maturing on 2 August 2030.
Both subordinated notes are for working capital, general funding and corporate funding purposes.

For the main features of the subordinated notes, please refer to Note 22 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) and Capital Adequacy Framework (Basel II – Risk-Weighted Assets).

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

	Group		Bank	
	Dec 31, 20 RM'000	Dec 31, 19 RM'000	Dec 31, 20 RM'000	Dec 31, 19 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	10,174,394	9,763,631	10,236,774	9,830,387
Other reserves	493,176	353,866	302,144	162,834
Regulatory adjustments applied in the calculation of CET1 Capital	(469,918)	(374,785)	(704,740)	(438,805)
Total CET1/Tier 1 Capital	10,990,207	10,535,267	10,626,733	10,346,971
Tier 2 Capital				
Tier 2 Capital instruments	1,350,000	1,600,000	1,350,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	298,644	309,252	299,172	309,953
- General provisions	30,000	25,764	19,249	15,472
Regulatory adjustments applied in the calculation of Tier 2 Capital	82,858	85,508	-	-
Total Tier 2 Capital	1,761,502	2,020,524	1,668,421	1,925,425
Total Capital	12,751,709	12,555,791	12,295,154	12,272,396

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

	Group		Bank	
	Dec 31, 20	Dec 31, 19	Dec 31, 20	Dec 31, 19
CET1/Tier 1 Capital	18.407%	17.073%	18.030%	16.959%
Total Capital	21.358%	20.347%	20.861%	20.115%
CET1/Tier 1 Capital (net of proposed dividends)	17.558%	16.089%	17.170%	15.964%
Total Capital (net of proposed dividends)	20.508%	19.363%	20.001%	19.120%

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 Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets).

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

	Dec 31, 20 RM'000	Dec 31, 19 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital		
Capital fund	450,000	450,000
Retained profits	6,311	6,602
Other reserves	262	1,170
Regulatory adjustments applied in the calculation of CET1 Capital	(10,130)	(5,698)
Total CET1/Tier 1 Capital	446,443	452,074
Tier 2 Capital		
Financing loss provision		
- Surplus eligible provisions over expected losses	18,173	12,873
- General provisions	107	94
Total Tier 2 Capital	18,280	12,967
Total Capital	464,723	465,041

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

	Dec 31, 20	Dec 31, 19
Before the effects of RSIA		
CET1/Tier 1 Capital	11.187%	16.543%
Total Capital	11.645%	17.018%
After the effects of RSIA		
CET1/Tier 1 Capital	14.042%	20.346%
Total Capital	14.617%	20.930%

In accordance with BNM's Guidelines on the Investment Account, the credit and market risk weighted assets funded by the Restricted Specific Investment Account (RSIA) which qualify as risk absorbent are excluded from the calculation of capital adequacy ratio. As at 31 December 2020, credit risks related to RSIA assets excluded from the total capital ratio calculation amounting to RM811,295,000 (2019: RM510,781,000).

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 strengthening our risk management practices to support our strategic objectives.

Risk Culture

The Bank believes that a strong risk culture is vital to the long-term sustainability of the Bank's business franchise. Specifically, risk culture refers to the norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. The Bank's risk culture is based on the Bank's values. A strong risk culture ensures that the Bank's decisions and actions are considered and focused on our customers, and that the Bank is not distracted by short-term gains.

UOB Malaysia's Risk Culture Statement

Managing risk is integral to how the Bank creates long-term value for the customers and stakeholders. The Bank's risk culture is built on four principles: enforcing robust risk governance; balancing growth with stability; ensuring accountability for all the risk-based decisions and actions; and encouraging awareness, engagement and consistent behaviour in every employee.

Each of these principles is based on the Bank's distinctive set of values that guides every action the Bank takes. In maintaining a sound risk culture across our franchise, the Bank upholds the commitment to financial safety and soundness; fair outcomes and appropriate support for our stakeholders; sustainable and prudent business approach and performance based on integrity, ethics and discipline.

Safeguarding our reputation in creating long term value for our stakeholders

Our Risk Culture Impact	Financial safety and soundness	Fair outcomes for all stakeholders and appropriate support	Sustainable and prudent approach to business	Performance based on integrity, ethics and discipline

Maintaining a sound risk culture across our franchise

Our Risk Culture Principles	**GOVERNANCE** Enforce robust governance of risk	**BALANCE** Balance growth with stability in taking risk	**ACCOUNTABILITY** Ensure accountability for risk	**CONSISTENCY** Encourage consistent risk-focused behaviour
Our Risk Culture Components	• Comprehensive risk management framework, policies and processes. • Well-defined risk appetite. • Pre-emptive supervision. • Independent control functions.	• Open communication and collaboration. • Regular risk reviews and continual improvements.	• Clear ownership and escalation through Three Lines of Defence. • Balanced risk-reward remuneration. • Established consequences. • Individual's accountability.	• Tone from above. • Leadership oversight and responsibility. • Clear articulation of principles and desired outcomes. • Frequent and regular sharing. • Ongoing training.

Demonstrating our unique set of values through consistent behaviour

Our Values	**Honourable**	**Enterprising**	**United**	**Committed**

Risk Management (Continued)

Risk Culture (Continued)

UOB Malaysia's Risk Culture Statement (Continued)

To manage conduct risk holistically, we have adopted a multi-faceted approach with the key components set out in the figure below.

Our risk management strategy is to embed our risk culture across the Bank 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 (Continued)

Risk Governance

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).

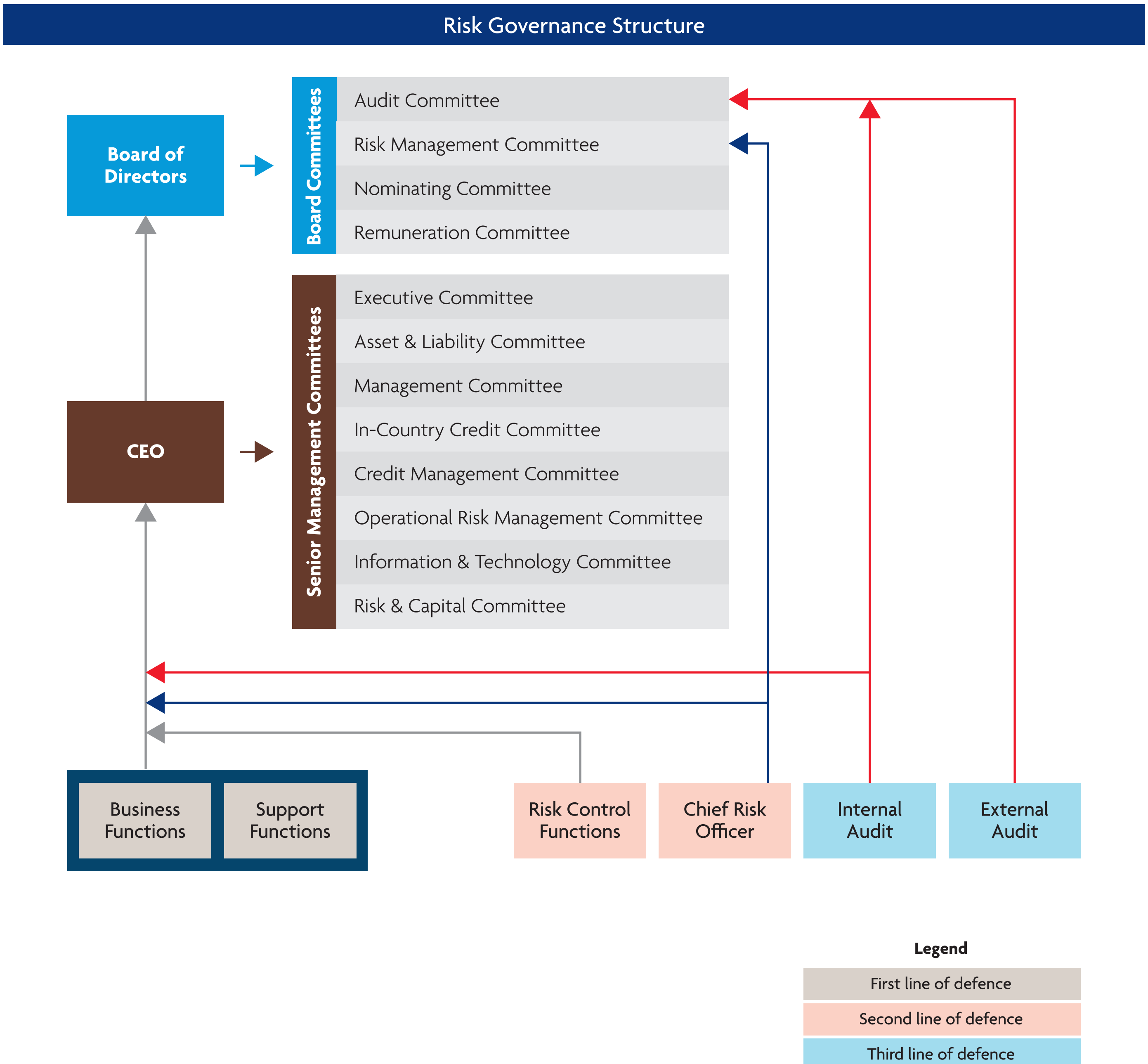
The Chief Executive Officer has established senior management committees to assist in making business decisions with due consideration to risks and returns. The main senior management committees involved in this are the Executive Committee (EXCO), Management Committee (MC), Asset and Liability Committee (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 is 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 Management (Continued)

Risk Governance (Continued)



Risk Management (Continued)

Risk Governance (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 risk 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 Defence.

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 highlighting 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 enables us to remain a steadfast partner to 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 on a regular basis.

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 the 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 assesses 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 the 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. 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.

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.

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 Monitoring and Remedial Management (Continued)

i. 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. All delinquent accounts, including revolving credit facilities (such as an overdraft) with limit excesses, are 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.

ii. Classification and loan/financing loss impairment
The Bank classifies its credit portfolios according to the borrower's ability to repay the credit facilities 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 are likely to adversely affect 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 to comply with the Bank's impairment policy.

iii. 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.

iv. Write-off policy
A non-performing account is 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 2020 were as follows:

Bank	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	-	-	-	-	1,912,643	26,806	-	-	-	1,939,449
Mining and quarrying	-	-	939,264	-	196,953	10,209	-	-	-	1,146,426
Manufacturing	-	-	76,037	-	7,307,636	1,365,505	-	-	-	8,749,178
Electricity, gas and water	-	-	-	-	262,442	12,793	-	-	-	275,235
Construction	-	-	-	-	10,891,718	549,171	-	-	-	11,440,889
Wholesale, retail trade, restaurants and hotels	-	179,045	3,230	-	13,412,676	4,383,772	-	-	-	17,978,723
Transport, storage and communication	-	-	268	-	2,078,322	187,574	-	-	-	2,266,164
Finance, insurance and business services	14,104	52,467	9,415,524	1,238,898	3,019,857	975,109	-	-	-	14,715,959
Real estate	-	-	-	-	4,053,440	666,667	-	-	-	4,720,107
Community, social and personal services	-	-	-	-	40,629	126,365	-	-	-	166,994
Households	-	-	-	-	3,406	17,208,786	38,403,682	-	-	55,615,874
Others	23,045,806	-	-	-	171,290	-	-	158,385	1,376,278	24,751,759
	23,059,910	231,512	10,434,323	1,238,898	43,351,012	25,512,757	38,403,682	158,385	1,376,278	143,766,757

Note: The credit exposures in the tables (i) to (iv) are based on exposures as defined under BNM's Capital Adequacy Framework for Standardised Approach and IRB Approach respectively.

Credit Risk (Continued)

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

Bank	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
	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)

(ii) The credit exposures by sector of the Islamic Banking Window for the financial year ended 31 December 2020 were as follows:

Islamic Banking Window	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	-	-	-	-	524,065	450	-	-	-	524,515
Mining and quarrying	-	-	-	-	96,873	-	-	-	-	96,873
Manufacturing	-	-	-	-	319,301	160,764	-	-	-	480,065
Electricity, gas and water	-	-	-	-	56,921	-	-	-	-	56,921
Construction	-	-	-	-	416,643	66,793	-	-	-	483,436
Wholesale, retail trade, restaurants and hotels	-	-	-	-	479,525	389,479	-	-	-	869,004
Transport, storage and communication	-	-	-	-	96,846	34,482	-	-	-	131,328
Finance, insurance and business services	1,405	4,518	115,504	1,002,586	36,288	158,644	-	-	-	1,318,945
Real estate	-	-	-	-	214,033	109,194	-	-	-	323,227
Community, social and personal services	-	-	-	-	-	26,942	-	-	-	26,942
Households	-	-	-	-	-	291,032	2,907,752	-	-	3,198,784
Others	1,337,367	-	-	-	-	-	-	-	6,486	1,343,854
	1,338,772	4,518	115,504	1,002,586	2,240,495	1,237,780	2,907,752	-	6,486	8,853,893

Credit Risk (Continued)

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

Islamic Banking Window	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
	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)

(iii) The credit exposures by remaining contractual maturities of the Bank for the financial year ended 31 December 2020 were as follows:

Bank	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	7,418,993	29,575	6,287,134	166,738	11,963,366	824,667	11,376	-	-	26,701,849
3 - 6 months	399,945	22,892	1,766,966	15,203	3,183,683	236,593	7,176	-	-	5,632,458
6 - 12 months	925,705	-	234,336	16,167	4,404,287	7,229,928	1,562,091	-	505,038	14,877,552
1 - 3 years	7,961,590	152,118	1,523,194	19,566	11,465,997	2,648,115	100,174	158,385	871,240	24,900,379
3 - 5 years	3,640,054	26,927	526,916	1,021,224	6,578,760	847,866	264,882	-	-	12,906,629
> 5 years	2,713,623	-	95,777	-	5,754,919	13,725,588	36,457,983	-	-	58,747,890
	23,059,910	231,512	10,434,323	1,238,898	43,351,012	25,512,757	38,403,682	158,385	1,376,278	143,766,757

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

Bank	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
	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)

(iv) The credit exposures by remaining contractual maturities of the Islamic Banking Window for the financial year ended 31 December 2020 were as follows:

Islamic Banking Window	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	1,216,661	2,410	100,896	1,109	653,095	2,825	-	-	-	1,976,996
3 - 6 months	120,706	2,108	-	-	32,686	427	-	-	-	155,927
6 - 12 months	-	-	-	-	101,832	195	-	-	-	102,027
1 - 3 years	1,405	-	14,608	-	101,393	7,591	-	-	6,486	131,483
3 - 5 years	-	-	-	1,001,477	261,337	3,908	1,253	-	-	1,267,975
> 5 years	-	-	-	-	1,090,152	1,222,834	2,906,499	-	-	5,219,485
	1,338,772	4,518	115,504	1,002,586	2,240,495	1,237,780	2,907,752	-	6,486	8,853,893

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

Islamic Banking Window	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
	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)

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

Bank	2020 Past due but not impaired RM'000	2020 Impaired loans RM'000	2019 Past due but not impaired RM'000	2019 Impaired loans RM'000
Agriculture, hunting, forestry and fishing	50,632	559	3,751	1,109
Mining and quarrying	10,412	776	10,886	978
Manufacturing	169,827	213,580	175,063	177,841
Electricity, gas and water	3,855		1,740	
Construction	598,013	314,203	195,085	201,291
Wholesale, retail trade, restaurants and hotels	292,238	212,724	311,676	176,440
Transport, storage and communication	68,637	92,750	16,654	101,214
Finance, insurance and business services	74,141	23,895	33,765	19,803
Real estate	120,049	181,370	162,141	203,346
Community, social and personal services	6,047	-	6,367	213
Households				
- purchase of residential properties	743,747	466,125	1,284,066	497,044
- purchase of non-residential properties	280,502	96,145	365,325	82,771
- others	127,975	76,244	203,231	98,760
	2,546,075	1,678,371	2,769,750	1,560,810

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

Islamic Banking Window	2020 Past due but not impaired RM'000	2020 Credit-impaired financing, advances and others RM'000	2019 Past due but not impaired RM'000	2019 Credit-impaired financing, advances and others RM'000
Manufacturing	20,629	15,485	2,089	642
Construction	2,582	4,386	7,177	654
Wholesale, retail trade, restaurants and hotels	8,310	10,006	29,829	5,028
Transport, storage and communication	3,406	-	3,381	-
Finance, insurance and business services	3,717	-	-	-
Real estate	4,290	-	-	-
Community, social and personal services	2,653	-	-	-
Households				
- purchase of residential properties	55,130	45,488	95,914	31,563
- purchase of non-residential properties	5,605	538	6,299	499
- others	615	-	935	100
	106,937	75,903	145,624	38,486

Credit Risk (Continued)

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

Bank	2020 ECL 3 RM'000	2020 ECL1 and ECL2 RM'000	2019 ECL 3 RM'000	2019 ECL1 and ECL2 RM'000
Agriculture, hunting, forestry and fishing	-	22,448	-	67,013
Mining and quarrying	-	13,282	-	12,509
Manufacturing	98,382	153,946	75,948	117,584
Electricity, gas and water	-	3,408	-	3,644
Construction	43,409	158,293	29,130	110,688
Wholesale, retail trade, restaurants and hotels	94,088	264,875	33,347	197,484
Transport, storage and communication	42,621	41,094	47,121	32,644
Finance, insurance and business services	10,612	89,846	5,884	80,239
Real estate	33,044	85,737	3,223	62,550
Community, social and personal services	-	3,108	-	3,101
Households				
- purchase of residential properties	98,378	444,863	63,799	382,205
- purchase of non-residential properties	17,261	107,136	8,424	101,492
- others	17,781	110,220	19,256	66,800
	455,576	1,498,256	286,132	1,237,953

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

Islamic Banking Window	2020 ECL 3 RM'000	2020 ECL1 and ECL2 RM'000	2019 ECL 3 RM'000	2019 ECL1 and ECL2 RM'000
Agriculture, hunting, forestry and fishing	-	1,642	-	20,138
Mining and quarrying	-	566	-	-
Manufacturing	4,068	8,023	643	5,386
Electricity, gas and water	-	184	-	30
Construction	1,203	6,544	-	2,329
Wholesale, retail trade, restaurants and hotels	4,490	11,625	1,058	4,006
Transport, storage and communication	-	2,436	-	600
Finance, insurance and business services	-	5,332	-	829
Real estate	-	3,969	-	1,341
Community, social and personal services	-	617	-	123
Households				
- purchase of residential properties	10,776	13,911	5,414	3,021
- purchase of non-residential properties	147	570	-	187
- others	-	288	-	103
	20,684	55,707	7,115	38,093

Credit Risk (Continued)

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

Bank	2020 Allowances for ECL 3 made during the year RM'000	2020 Write-offs during the year RM'000	2019 Allowances for ECL 3 made during the year RM'000	2019 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	1,604	-	-	-
Manufacturing	45,757	10,145	54,651	9,149
Construction	38,491	19,054	7,710	1,837
Wholesale, retail trade, restaurants and hotels	78,549	9,189	32,927	17,519
Transport, storage and communication	5,540	654	13,113	587
Finance, insurance and business services	6,643	3,669	8,235	2,832
Real estate	34,298	830	3,079	-
Community, social and personal services	42	42	280	280
Households				
- purchase of residential properties	111,801	36,500	135,905	51,139
- purchase of non-residential properties	21,642	4,343	11,841	2,189
- others	61,767	49,572	78,549	59,797
	406,133	133,998	346,290	145,329

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

Islamic Banking Window	2020 Allowances for ECL 3 made during the year RM'000	2020 Write-offs during the year RM'000	2019 Allowances for ECL 3 made during the year RM'000	2019 Write-offs during the year RM'000
Manufacturing	4,086	-	-	-
Construction	1,554	-	-	-
Wholesale, retail trade, restaurants and hotels	4,041	791	1,973	-
Households				
- purchase of residential properties	9,681	1,165	7,878	-
- purchase of non-residential properties	207	-	-	-
- others	31	-	16	-
	19,600	1,956	9,867	-

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	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
As at 31 December 2020			
Cash and short-term funds	4,780,793	1,288,715	6,069,508
Deposits and placements with financial institutions	1,149,710	-	1,149,710
Securities purchased under resale agreements	1,170,004	-	1,170,004
Financial assets at fair value through profit or loss (FVTPL)	4,346,399	-	4,346,399
Debt instruments at fair value through other comprehensive income (FVOCI)	25,638,935	-	25,638,935
Debt instruments at amortised cost	519,844	-	519,844
Other assets	451,255	47,149	498,404
Loans, advances and financing	78,859,080	6,749,192	85,608,272
Derivative financial assets	765,829	48,289	814,118
Statutory deposits with BNM	196,451	-	196,451
Financial assets not subject to credit risk	1,642,702	75,197	1,717,899
	119,521,002	8,208,542	127,729,544
Commitments and contingencies	109,191,048	12,037,649	121,228,697

Bank	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
As at 31 December 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 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	307,797	20,141	327,938
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	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

Note: The credit exposures in the above tables are based on current outstanding for on balance sheet disclosures which can be found on page 111 of the Financial Statement. Likewise, Commitments & Contingencies can be found on page 178 & page 179 of the Financial Statement.

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	25,011	48,725	63,906

*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 2020 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	Regulatory Retail	Other assets	Equity	Total exposures after netting and CRM	Total RWA
0%	21,710,244	179,046	-	-	2,021	-	619,629	-	22,510,940	-
10%	-	-	-	-	-	-	-	-	-	-
20%	1,149,309	52,467	-	-	202	-	0	-	1,201,977	240,395
35%	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	2	-	-	-	2	1
75%	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	43,041	328,099	9,965	756,649	155,929	1,293,683	1,293,683
110%	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	3,947	-	-	-	3,947	5,921
270%	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-
Total	22,859,553	231,512	-	43,041	334,270	9,965	1,376,278	155,929	25,010,549	1,540,000

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	Regulatory Retail	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)

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	1,351	3,224	4,146

*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 2020 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%	1,338,772	-	-	-	-	-	1,338,772	-
10%	-	-	-	-	-	-	-	-
20%	-	4,518	-	-	-	-	4,518	904
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	1,109	95	6,486	7,690	7,690
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-
Total	1,338,772	4,518	-	1,109	95	6,486	1,350,981	8,594

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 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)

Rated Exposures according to ratings by ECAIs of the Bank as at 31 December 2020 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)		-	-	-	-	231,512
Insurance cos, securities firms and fund managers		-	-	-	-	43,041
Corporates		-	-	-	-	334,270
Total		-	-	-	-	608,823

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		-	21,761,800	-	-	-	1,097,753
Total		-	21,761,800	-	-	-	1,097,753

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Bank for the financial year ended 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 Islamic Banking Window as at 31 December 2020 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)		-	-	-	-	4,518
Insurance cos, securities firms and fund managers		-	-	-	-	1,109
Corporates		-	-	-	-	95
Total		-	-	-	-	5,722

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		-	829,859	-	-	-	508,913
Total		-	829,859	-	-	-	508,913

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Islamic Banking Window for the financial year ended 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)

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 internal models estimate a probability of default (PD) or supervisory slot for each borrower. These 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 risk grade structure for IPRE portfolios, like our Corporate models, has 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 model takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The model 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 model.

Credit Risk (Continued)

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.

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 using historical default data and the recovery experience from such defaulted cases. 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 2020:

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)	22,064,468	19,858,378	998,245
Bank	10,343,279	91,044	-
Total non-retail exposures	32,407,748	19,949,422	998,245
Undrawn commitments (RM'000)			
Large corporate, SMEs and specialised lending (IPRE)	1,682,598	605,667	1,877
Bank	-	-	-
Total undrawn commitments	1,682,598	605,667	1,877
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	42%	40%	45%
Bank	41%	45%	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	66%	114%	0%
Bank	11%	62%	-

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	91,962	-	-	-	-
Object Finance	-	-	-	-	-
Risk Weighted Assets	64,373	-	-	-	-

Credit Risk (Continued)

Credit Risk Profile (Continued)

Exposures under the IRB Approach by Risk Grade (Continued)

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	34,025,110	598,344	3,270,180	510,048
Qualifying revolving retail	4,105,639	856,893	1,746,060	23,764
Other retail	14,223,677	2,074,020	2,261,152	211,587
Total retail exposures	52,354,426	3,529,257	7,277,392	745,399
Undrawn commitments (RM'000)				
Residential mortgages	2,045,170	168,974	145,325	-
Qualifying revolving retail	3,003,987	391,010	765,085	-
Other retail	2,171,693	418,075	238,102	129
Total undrawn commitments	7,220,849	978,059	1,148,512	129
Exposure weighted average LGD				
Residential mortgages	12.74%	13.87%	13.49%	14.06%
Qualifying revolving retail	32.91%	45.65%	44.32%	59.03%
Other retail	16.34%	26.77%	25.61%	25.34%
Exposure weighted average risk weight				
Residential mortgages	7.33%	21.89%	43.63%	27.51%
Qualifying revolving retail	6.26%	19.84%	62.75%	287.35%
Other retail	12.19%	29.91%	40.37%	70.75%

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%

Credit Risk (Continued)

Credit Risk Profile (Continued)

Exposures under the IRB Approach by Risk Grade (Continued)

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 (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 application to the asset classes for the financial year ended 31 December 2020:

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)	1,354,068	869,279	16,612
Bank	115,504	-	-
Total non-retail exposures	**1,469,572**	**869,279**	**16,612**
Undrawn commitments (RM'000)			
Large corporate, SMEs and specialised lending (IPRE)	50,107	15,936	1,126
Bank	-	-	-
Total undrawn commitments	**50,107**	**15,936**	**1,126**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	44%	41%	45%
Bank	45%	-	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	105%	138%	0%
Bank	10%	-	-

As at 31 December 2020, there were no Specialised Lending exposures 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	2,477,900	73,348	311,319	45,185
Other retail	649,306	435,782	137,926	14,766
Total retail exposures	**3,127,206**	**509,130**	**449,245**	**59,951**
Undrawn commitments (RM'000)				
Residential mortgages	285,376	25,760	11,501	-
Other retail	61,503	67,711	6,097	-
Total undrawn commitments	**346,879**	**93,471**	**17,598**	**-**
Exposure weighted average LGD				
Residential mortgages	15.55%	15.46%	16.52%	15.71%
Other retail	23.84%	27.31%	27.64%	41.90%
Exposure weighted average risk weight				
Residential mortgages	11.04%	23.69%	52.17%	2.04%
Other retail	20.00%	30.39%	43.93%	116.61%

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 application 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 exposures 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)

Retail exposures under the IRB Approach by expected loss range of the Bank for the financial year ended 31 December 2020 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	37,117,141	830,021	86,040	370,480	-
Qualifying revolving retail	5,017,892	1,229,668	239,944	197,628	47,224
Other retail	17,544,085	856,165	175,754	127,952	66,480
Total retail exposures	**59,679,118**	**2,915,854**	**501,738**	**696,060**	**113,704**
Undrawn commitments (RM'000)					
Residential mortgages	2,341,425	17,062	982	-	-
Qualifying revolving retail	3,450,546	542,915	86,516	78,368	1,737
Other retail	2,775,908	48,743	3,215	133	-
Total undrawn commitments	**8,567,879**	**608,720**	**90,713**	**78,501**	**1,737**
Exposure weighted average risk weight					
Residential mortgages	9.50%	71.45%	83.07%	0.64%	0.00%
Qualifying revolving retail	8.30%	47.81%	106.02%	129.28%	162.14%
Other retail	15.13%	57.52%	105.09%	47.38%	36.32%

Retail exposures under the IRB Approach by expected loss range of the Bank for the financial year ended 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%

Credit Risk (Continued)

Retail exposures under the IRB Approach by expected loss range of the Islamic Banking Window for the financial year ended 31 December 2020 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	2,818,294	35,866	8,407	45,185	-
Other retail	1,159,614	48,323	10,938	9,655	9,250
Total retail exposures	3,977,908	84,189	19,345	54,840	9,250
Undrawn commitments (RM'000)					
Residential mortgages	321,948	689	-	-	-
Other retail	133,460	1,851	-	-	-
Total undrawn commitments	455,408	2,540	-	-	-
Exposure weighted average risk weight					
Residential mortgages	14.79%	80.38%	89.95%	2.04%	0.00%
Other retail	25.09%	50.00%	68.29%	140.91%	42.54%

Retail exposures under the IRB Approach by expected loss range of the Islamic Banking Window for the financial year ended 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%

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 2020.

Comparison of actual loss and expected loss by asset class

Bank RM'000

Asset class	Actual loss (as at 31 December 2020)	Expected loss (as at 31 December 2019)	Actual loss (as at 31 December 2019)	Expected loss (as at 31 December 2018)
Corporate	162,496	887,882	19,355	867,297
Bank	-	3,784	-	5,022
Retail	117,955	368,221	155,368	287,377
Total	280,451	1,259,887	174,723	1,159,696

The actual loss in 2020 is lower than the expected loss computed as at 31 December 2019. The Bank continues to be proactive in its risk management approach to ensure that actual losses remained within the 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 2019 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 2020)	Expected loss (as at 31 December 2019)	Actual loss (as at 31 December 2019)	Expected loss (as at 31 December 2018)
Corporate	4,086	18,557	-	8,416
Bank	-	17	-	21
Retail	12,478	16,567	6,235	6,881
Total	16,564	35,141	6,235	15,318

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 2020.

Bank 2020	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	870,677	367,276	286,132	1,524,085
Transferred to Stage 1	66,937	(167,488)	(4,439)	(104,990)
Transferred to Stage 2	(75,955)	281,661	(11,214)	194,492
Transferred to Stage 3	(566)	(48,500)	169,358	120,292
Allowances made for the financial year	371,575	478,059	236,775	1,086,409
Maturity/settlement/repayment	(521,555)	(124,189)	(74,951)	(720,695)
Exchange differences	1,187	(863)	-	324
Net total	(158,377)	418,680	315,529	575,832
Amounts written-off	-	-	(133,998)	(133,998)
Other movements	0	0	(12,087)	(12,087)
At 31 December	712,300	785,956	455,576	1,953,832

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
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

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 2020	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	10,763	27,330	7,115	45,208
Transferred to Stage 1	1,217	(7,722)	-	(6,505)
Transferred to Stage 2	(2,884)	17,670	(105)	14,681
Transferred to Stage 3	(282)	(1,605)	3,263	1,376
Allowances made for the financial year	75,965	7,591	16,337	99,893
Maturity/settlement/repayment	(63,804)	(8,532)	(2,917)	(75,253)
Exchange differences	-	-	-	-
Net total	10,212	7,402	16,578	34,192
Amounts written-off	-	-	(1,956)	(1,956)
Other movements	-	-	(1,053)	(1,053)
At 31 December	**20,975**	**34,732**	**20,684**	**76,391**

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**

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 table presents the total exposures which are covered by eligible credit risk mitigants of the Bank for the financial year ended 31 December 2020:

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	23,059,910	-	200,357	-
Public sector entities	179,046	179,046	-	-
Banks, DFIs and MDBs	8,545,328	-	848,650	-
Insurances cos, securities firms and fund managers	1,130,358	-	10,016	-
Corporates	34,524,654	2,803,114	2,339,840	1,711,575
Regulatory retail	18,279,487	-	-	-
Residential mortgages	35,534,166	-	-	-
Other assets	1,321,778	-	-	-
Equity exposures	158,385	-	-	-
Defaulted exposures	1,283,719	4,407	566	14,599
Total on-balance sheet exposures	124,016,831	2,986,567	3,399,428	1,726,174
Off-balance sheet exposures				
OTC derivatives	1,679,485	2,314	1,797	0
Off-balance sheet exposures other than OTC derivatives or credit derivatives	17,604,520	145,264	821,528	182,240
Defaulted exposures	7,665	-	878	-
Total off-balance sheet exposures	19,291,670	147,578	824,204	182,240
Total on and off-balance sheet exposures	143,308,501	3,134,145	4,223,632	1,908,414

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following table presents 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 table presents the total exposures which are covered by eligible credit risk mitigants of Islamic Banking Window for the financial year ended 31 December 2020:

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	1,338,772	-	-	-
Banks, DFIs and MDBs	115,504	-	-	-
Insurances cos, securities firms and fund managers	1,001,476	-	-	-
Corporates	2,093,116	94,904	80,354	45,864
Regulatory retail	1,087,704	-	-	-
Residential mortgages	2,539,930	-	-	-
Other assets	6,486	-	-	-
Defaulted exposures	55,183	-	-	-
Total on-balance sheet exposures	8,238,171	94,904	80,354	45,864
Off-balance sheet exposures				
OTC derivatives	6,265	-	25	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	588,077	3,127	6,681	41
Defaulted exposures	1,126	-	-	-
Total off-balance sheet exposures	595,468	3,127	6,707	41
Total on and off-balance sheet exposures	8,833,639	98,031	87,061	45,905

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following table presents 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

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)

Credit Exposures from Foreign Exchange and Derivatives (Continued)

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2020 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	2,627,192		2,549,849	1,727,545
Transaction related contingent items	5,866,993		2,910,012	1,801,497
Short-term self-liquidating trade-related contingencies	436,465		99,150	61,223
Foreign exchange related contracts				
One year or less	35,267,102	257,337	670,627	182,943
Over one year to five years	196,407	1,300	17,149	11,954
Interest/Profit rate related contracts				
One year or less	6,219,513	44,782	94,004	44,549
Over one year to five years	25,759,642	385,087	1,196,853	516,581
Over five years	1,807,224	69,181	242,603	126,779
Equity related contracts				
One year or less	118,736	4,263	-	-
Commodity contracts				
One year or less	518,729	51,824	78,012	56,693
Over one year to five years	19,308	343	653	65
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,483,994		4,456,619	2,852,274
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	20,177,400		1,040,924	233,966
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	15,634,135		5,925,122	751,331
Unutilised credit card lines	95,857		19,171	17,579
Total	121,228,697	814,118	19,300,748	8,384,979

Credit Risk (Continued)

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

Credit Exposures from Foreign Exchange and Derivatives (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)

Credit Exposures from Foreign Exchange and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window for the financial year ended 31 December 2020 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	35,164		35,164	36,981
Transaction related contingent items	56,499		28,449	32,415
Short-term self-liquidating trade-related contigencies	4,362		872	1,436
Foreign exchange related contracts with an original maturity up to one year	435,412	8,729	6,265	2,817
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	720,560		518,124	160,519
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	260,048		6,594	2,651
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	227,495		-	-
Total	1,739,540	8,729	595,468	236,819

Credit Risk (Continued)

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

Credit Exposures from Foreign Exchange and Derivatives (Continued)

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

Market Risk

Market risk refers to the risk of losses to the Bank from movements in the market rates or prices (such as 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 and services 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. Market Risk appetite is established for all trading exposures and non-trading FX exposures within the Bank. This ensures that the Bank remains well-capitalised even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits have proportional returns that are commensurate with the risks taken.

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 option, plain vanilla interest rate contract, interest rate option, cross currency swap, government bond, quasi government bond, corporate bond, commodity contract and commodity option.

The Bank adopts a daily Expected Shortfall (ES) within a 97.5 percent confidence interval over a one-day holding period, using the historical Value-at-Risk (VaR) simulation method, as a control of market risk. This entails the estimation of tail loss based on the most recent historical data. ES is the average portfolio loss, assuming that the loss is greater than the specified percentile of the loss distribution. 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.

For backtesting purpose, the Bank uses daily VaR within a 99 percent confidence interval over a one-day holding period, based on historical simulation method. As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtesting exceptions are tabled to the 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 as at 31 December 2020 was RM7.843 million.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2020				
Interest rate	3,375	10,615	883	4,466
Foreign exchange	1,737	3,191	75	868
Commodities	145	560	5	155
Option Volatility	135	426	3	113
Total diversified ES	7,843	15,455	2,555	7,794
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

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.

Mismatches in pricing and other characteristics of assets and liabilities of the Bank would give rise to sensitivity to interest/profit rate movements. As interest/profit rates and yield curves change over time, these mismatches may result in change in the Bank's earnings and economic net worth. 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.

The ALCO maintains oversight of the effectiveness of the interest/profit rate risk management structure including policies, limits and controls. Balance Sheet Risk Management under Risk Management supports the ALCO in monitoring the interest/profit rate risk profile of the banking book.

IRRBB/RORRBB is quantified on a monthly basis using a combination of static analysis tools and dynamic simulation techniques. 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 1 basis point increase in prevailing interest/profit rate than similar position in the shorter tenor.

Net Interest Income (NII)/Net Profit Income (NPI) sensitivity 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. Economic Value of Equity (EVE) sensitivity simulation provides a measure of the potential economic value impact of interest/profit rate changes across the full maturity profile of the balance sheet, including off-balance sheet items. It measures the net effect of the present value of repricing cash flows of the banking book under different interest/profit rate scenarios.

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 movements in 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)

Interest/Profit Rate Sensitivity Analysis - Banking Book

The table below shows 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 2020		RM'000		RM'000
Currency				
Total	**+ 200/(200)**	**(544,784)/533,352**	**+ 100/(100)**	**(281,127)/304,669**
MYR	+ 200/(200)	(554,087)/532,553	+ 100/(100)	(285,816)/304,481
USD	+ 200/(200)	9,303/799	+ 100/(100)	4,689/188
31 December 2019				
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)

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 2020		RM'000		RM'000
Currency				
Total	**+ 200/(200)**	**389,685/(570,677)**	**+ 100/(100)**	**194,843/(264,821)**
MYR	+ 200/(200)	422,720/(549,896)	+ 100/(100)	211,360/(255,267)
USD	+ 200/(200)	(33,035)/(20,781)	+ 100/(100)	(16,517)/(9,554)
31 December 2019				
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

Liquidity Risk

Liquidity risk is the risk that arises from the Bank's 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 on 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 potential cash shortfall.

The distribution of deposits is actively managed 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.

The Bank's liquidity ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), are above the regulatory requirement.

Contingency funding plans are in place to identify potential liquidity crisis using a series of warning indicators. Crisis management processes and various strategies including funding and communication plans 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 41 to the financial statements on pages 201 to 204 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 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 (ORM) under Risk Management, as the Second Line of Defence, provides an overarching governance over operational risk through relevant frameworks, policies, programmes and systems. It also monitors and reports key risk self-assessment results, outsourcing matters, operational risk indicator breaches, self-identified operational risks and operational risk incidents to the 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 controls through periodic audit reviews.

The Bank has an established business continuity and crisis management programme which ensures prompt recovery of critical business and support units should there be unforeseen events. An annual attestation is provided to the Board on the state of business continuity readiness of the Bank.

Operational Risk (Continued)

Operational Risk Governance, Framework and Programmes (Continued)

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

The Bank adopts the Basic Indicator Approach for the calculation of operational risk capital.

The subject-specific key risks that we focus on include but not limited to :

Technology Risk

Technology risk is defined as any potential adverse outcome, damage, loss, violation, failure or disruption arising from the use of or reliance on information and communication technologies. The governance of technology risk rests with the ORMC, who facilitates a holistic oversight of operational risk matters across the Bank. The Bank has an established technology risk management framework which ensures technology and cyber risks are managed in a systematic and consistent manner. A dedicated Technology Risk Management (TRM) function within ORM, as the Second Line of Defence, drives the governance and oversight for technology risk management across the Bank. TRM works closely with business and support units, including the technology and information security teams, to oversee, review and strengthen their practices in technology risk management.

Regulatory Compliance Risk

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 governance framework of compliance policies, procedures and guidelines. The framework also manages the risk of regulatory breaches relating to sanctions, anti-money laundering and countering the financing of terrorism.

Legal Risk

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

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.

Outsourcing Risk

Outsourcing risk is the risk of adverse financial, operational, reputational, legal and compliance impact arising from the failure of a service provider to provide the outsourced service, or to comply with legal and regulatory requirements or breaches of security by a service provider. The Bank manages this risk through an outsourcing framework, policy, procedures and guidelines.

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

The Bank's fraud hotline managed by IFM provides a safe channel to report suspected frauds. IFM conducts independent fraud investigations and works closely with business and support units to strengthen its practices across the five pillars of prevention, detection, response, remediation and reporting.

Anti-bribery and Corruption

The Bank adopts a zero tolerance policy against any form of bribery and corruption, and all other illegal or unethical behaviour. All employees are required to comply fully with laws and regulations governing bribery and corruption which include the Malaysian Anti-Corruption Commission Act 2009 (MACC Act) and the UK Bribery Act 2010 amongst others. The Bank's contracts with customers, service providers, agents and business associates contain provisions prohibiting bribery and corruption practices. Procedures and controls are put in place to identify and manage the risks of bribery and corruption across our business. All employees are also educated via the Code of Conduct and mandatory online training on what would constitute corrupt practices as well as related legal and regulatory requirements on bribery and corruption.

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 2020		31 December 2019	
	Exposures	RWA	Exposures	RWA
	RM'000	RM'000	RM'000	RM'000
Publicly traded equity exposures *mainly acquired via loan restructuring activities	2,456	7,369	2,076	6,226
All other equity exposures	155,929	155,929	131,809	131,809
Total	158,385	163,298	133,885	138,035

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Realised (loss)/gains arising from sales and liquidation	-	-
Unrealised gains included in fair value reserve	145,850	121,346

As at 31 December 2020 and 31 December 2019, there were no equity exposures under Islamic Banking Window.

Profit Sharing Investment Accounts and Shariah Governance

Profit Sharing Investment Accounts (PSIA)

This disclosure is not applicable as UOB Malaysia's Islamic Banking Window does not have any PSIA arrangement with third party.

Shariah Governance

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

No actual Shariah non-compliance event has been detected for the financial year ended 31 December 2020. As such, no Shariah non-compliant income has been recorded for the year.

Other

COVID-19 and Relief Measures during the Pandemic

Exposures to COVID-19 impacted sectors

The table below represents loans, advances and financing (net of impairment) by industry sectors that were identified as directly vulnerable affected by COVID-19 pandemic for the Group and the Bank:

	Group and Bank	
	2020 RM'000	2019 RM'000
Loans, advances and financing		
Retail and wholesale/trading, accommodation, travel agencies/tourism, airline/aviation, food and beverage services/restaurants	10,981,248	11,146,621

Similar industry sectors as at 31 December 2019 are presented for comparative purposes only.

COVID-19 relief measures during the pandemic

During the year, UOB Malaysia has assisted affected customers overcome the challenges of the current trying environment brought about by the pandemic. The Bank has tailored repayment reliefs to suit each customer's specific circumstances so that they can better manage their financial situation and emerge stronger in time to come.

COVID-19 relief measures during the pandemic (Continued)

Summary of relief measures for retail and non-retail customers as at 31 December 2020:

	Retail Customers					Non-retail Customers	
Group and Bank	Mortgages RM'000	Credit card^ RM'000	Personal financing RM'000	SMEs RM'000	Total RM'000	Total RM'000	Total Relief Measures RM'000
2020							
Total payment moratoriums, repayment assistances, rescheduling and restructuring (R&R) granted	35,810,957	213,080	225,354	4,701,195	40,950,586	12,330,023	53,280,609
- Automatic moratorium	30,092,401	69,921	192,924	4,663,321	35,018,567	10,022,848*	45,041,415
- By application	5,718,556	143,159	32,430	37,874	5,932,019	2,307,175	8,239,194
Resumed repayments	29,034,029	118,105	170,752	3,936,149	33,259,035	7,334,200	40,593,235
Extended and repaying as per revised schedules[1]	490,574	-	-	444,568	935,142	1,056,541	1,991,683
Still under repayment assistance[2]	5,302,472	29,164	32,430	62,341	5,426,407	2,900,739	8,327,146
Missed payments	983,882	65,811	22,172	258,137	1,330,002	1,038,543	2,368,545
As a percentage of total:							
Resumed repayments	81%	55%	76%	85%	81%	59%	76%
Extended and repaying as per revised schedules[1]	1%	0%	0%	9%	3%	9%	4%
Still under repayment assistance[2]	15%	14%	14%	1%	13%	24%	16%
Missed payments	3%	31%	10%	5%	3%	8%	4%

[1]The Bank has approved and facilitated the customers who have requested an extension of relief and support measures.

[2]As at 31 December 2020, nine point five per cent of the Group's loans, advances and financing were still under repayment assistance.

^Credit card customers were offered the option to convert their outstanding balances into a three-year term loan programme at their discretion. Meanwhile, customers who were unable to meet their minimum monthly repayments on their outstanding balances for the past three consecutive months were automatically converted into the programme. The outstanding balances under term loan conversion programme stood at eight per cent of total credit card balances as at 31 December 2020.

* This refers to non-retail SME customers only.

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2020

Financial Report

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 2020.

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 14 and 15 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	1,346,962	1,340,492
Income tax expense	(328,959)	(326,865)
Profit for the year	1,018,003	1,013,627

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 RM456,000,000 and RM293,000 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 2019 was as follows:

	RM'000
In respect of the financial year ended 31 December 2019 as reported in the directors' report for that year, a final single-tier dividend of 129.2 sen, on 470,000,000 ordinary shares was paid on 27 May 2020	607,240

At the forthcoming Annual General Meeting, a final single-tier dividend of 107.9 sen in respect of the financial year ended 31 December 2020 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM507,130,000 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 2021.

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
Ching Yew Chye
Datuk Phang Ah Tong
Wong Kim Choong

Subsidiaries of the Bank
Chang Yeong Gung
Kan Wing Yin
Lai Tak Ming
Teo Teck Hin
Ronnie Lim Kheng Swee (appointed on 15 September 2020)
Michael Beh Soo Heng (resigned on 15 September 2020)

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 of the ultimate holding company, United Overseas Bank Limited (UOBL).

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 32 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.

Share-based compensation plans

The share-based compensation of the UOBL Group consists of the UOB Restricted Share (RS) Plan.

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 minimum three-year period, subject to local regulatory requirements.

Participating employees who leave the UOBL Group before the RS is 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 UOBL ordinary shares held in treasury by UOBL.

Directors' Interests

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

		Number of ordinary shares				
		1.1.2020	Acquired	Disposed	Forfeited	31.12.2020
Ultimate holding company: UOB						
Wee Ee Cheong	- Direct	3,081,455	-	-	-	3,081,455
	- Indirect	173,701,487	-	-	-	173,701,487
Wong Kim Choong	- Direct	3,631	73	-	-	3,704
	- Indirect	137,047	18,904	-	-	155,951
Ching Yew Chye	- Direct	12,935	10,258	-	-	23,193

		Number of options over ordinary shares under UOB Restricted Share Plan				
		1.1.2020	Granted	Vested	Forfeited	31.12.2020
Ultimate holding company: UOB						
Wong Kim Choong	- Direct	44,860	24,400	(15,850)	-	53,410

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 2020

2020 was marred by events and circumstances that will leave a lasting impact on how lives are led and businesses are run. A global health crisis brought on by the COVID-19 pandemic morphed into a global economic crisis as lockdowns, closed borders and travel restrictions stalled local and global economic growth. Geopolitical and trade tensions between the world's two largest economies gave rise to increased market uncertainty and volatility, while opposing strategies such as Brexit and the Regional Comprehensive Economic Partnership are already reshaping global trade relations in the years to come.

Within the financial industry, banks managed the effect on a year of unprecedented challenges that reduced liquidity, lowered loan and profit growth, and led to higher provisions as some customers struggled to fulfil their loan repayments with COVID-19 taking its toll on livelihoods and businesses.

Nevertheless, the banking sector played a critical role in helping to minimise the impact of the pandemic on the economy, industry and community. In providing liquidity relief assistance as part of a series of government-led initiatives, banks have provided a much-needed financial lifeline to help see companies and consumers through to better days.

At UOB Malaysia, our effective resource management and strong balance sheet enabled us to remain steadfast in supporting our customers and the wider community throughout the year. In addition to our COVID-19 relief measures, including loan moratoria for our business and individual customers, we are actively assisting them in managing their financial well-being so that they can emerge stronger from the crisis.

Even as we directed our efforts to helping our customers navigate through the crisis, we remained focused on our strategic priorities of capitalising on regional growth drivers and strengthening our technology infrastructure to drive innovation and performance. We also continued to invest in our people while enhancing our service capabilities to make banking simpler, smarter and safer.

Above all, strong corporate governance, robust risk management and sound business practices remained the bedrock of our business, enabling us to maintain commendable financial performance as we prepare to seize opportunities that lie ahead.

Staying right by our customers amid trying times

For six months from 20 March 2020 until 30 September 2020, the Malaysian government offered liquidity relief assistance to individuals and businesses financially affected by COVID-19. During this period, UOB Malaysia also rolled out several support initiatives in line with the government's efforts, including:

- offering a six-month moratorium on loans and financing to all our individual and business customers;
- not compounding interest on loans and mortgages for all eligible individual and small and medium-sized enterprise (SME) customers; and
- not compounding profit on Islamic financing facilities, in accordance with Shariah principles.

By the end of the loan moratorium period on 30 September 2020, our relief assistance measures had benefitted more than 140,000 customers across all of the Bank's segments.

Recognising that many customers would still need support after the end of the blanket loan moratorium, we continue to assist customers on a case-by-case basis, including allowing changes in payment plans and other arrangements appropriate to their specific circumstances. Such assistance includes:

- enabling them to pay only the interest portion of the loan/financing for a fixed time;
- lengthening the overall period of the loan/financing to reduce monthly instalments; or
- providing other forms of flexibility until customers are in a more stable position to resume repayment in full.

In addition, we supported our customers by:

- expanding our targeted repayment assistance to include customers categorised in the B40 and M40 group who are registered under *Bantuan Sara Hidup*, *Bantuan Prihatin Rakyat* or *Bantuan Prihatin Nasional* programmes. Eligible micro-enterprises with loans or financing facilities of up to RM150,000 are also eligible for repayment assistance;
- simplifying the application and documentation process;
- ensuring that customers who apply for repayment assistance before June 2021 will not have their loans/financing tagged as restructured and rescheduled in the Central Credit Reference Information System (CCRIS) system. Without this tagging, customers' ability to obtain future loans/financing will not be affected by the provision of this assistance.

Strategy and Performance for the Financial Year Ended 31 December 2020 (Continued)

For our small business customers, we also reviewed their financial health and provided, on a case-by-case basis, additional working capital financing facilities and access to the government-guaranteed schemes such as the Working Capital Guaranteed Scheme 2, Government Guarantee Scheme – Prihatin, Bank Negara Malaysia's Special Relief Facility and funds for SMEs across all economic sectors. For the year ended 31 December 2020, more than 1,000 of these customers have benefitted from our financial assistance.

During the Movement Control Order period, we ensured that our digital banking services and self-service banking facilities remained available and accessible even as we closed some branches temporarily or reduced opening hours of certain branches in line with government directives. In doing so, we encouraged our customers to stay at home or to move only within areas close to their homes. We have also absorbed the fees charged to our customers when they used another bank's automated teller machines (ATMs) to withdraw cash from their UOB bank account.

Providing customers with seamless connectivity across our network

Forging strategic alliances to facilitate companies' regional expansion

Despite the headwinds that threatened the growth prospects of many industries and businesses, we remained committed to supporting Malaysian companies with regional or international expansion aspirations through our regional network and sectoral expertise. We also continued to promote Malaysia as an attractive investment destination to foreign investors.

In early 2020, the Bank signed a Memorandum of Understanding (MOU) with the Malaysian Investment Development Authority (MIDA) to attract foreign direct investment into Malaysia's high value-added sectors such as electrical and electronics, machinery and equipment, medical devices, aerospace, renewable energy and consumer technology.

Together with MIDA, we will also help global companies that could contribute positively to the local economy through investments to set up operations in Malaysia. These investments, in turn, will help facilitate technology and knowledge transfer to local companies and create opportunities to develop a highly-skilled domestic workforce.

UOB Malaysia and MIDA also partnered the East Coast Economic Region Development Corporation to promote new business opportunities and government incentives in Peninsular Malaysia's east coast region to both foreign and domestic investors.

Supporting companies with Shariah-compliant solutions

Throughout the year, we supported Malaysian businesses with Islamic financing facilities including the issuance of Malaysia's first Islamic Medium-Term Note Programme secured against the future earnings of a commercial real estate development.

In addition, the Bank participated as a distributing bank for Malaysia's first digital *Sukuk*, the RM500 million *Sukuk* Prihatin under the National Economic Recovery Plan (or PENJANA). The *Sukuk* provides an avenue for retail and corporate investors to contribute to the country's economic recovery efforts through their investments.

Powering renewable energy adoption among businesses and consumers

In forging a sustainable future with our customers, we added another leading solar energy provider as our U-Solar programme partner to help Malaysian companies adopt renewable energy. The collaboration marked our fourth tie-up under our U-Solar programme launched in Malaysia in 2019.

In keeping with our efforts to promote renewable energy, the Bank together with our U-Solar partners, also participated in a roadshow organised by the Malaysia Photovoltaic Industry Association to promote green technology.

The Ministry of Energy and Natural Resources Malaysia recognised our efforts in promoting renewable energy by presenting the Bank with the inaugural Special Award for Sustainable Energy Financing (Conventional Financing) at the National Energy Awards 2020.

Providing innovative financial solutions customised to businesses' needs

We continued to support our business customers by offering innovative solutions to meet their needs in liquidity, cash management, trade finance and financial supply chain management. For example, we helped them tap the low interest rate environment and facilitated their issuances in the local debt capital market that saw encouraging investor demand.

In recognition of our capabilities in providing customised financial solutions to help our customers optimise their businesses, in 2020 we received several industry awards, including Best Transaction Bank in Malaysia from *The Asset*, Asia's Best Treasury and Finance Strategies from *Corporate Treasurer*, Malaysia's International Trade Finance Bank of the Year from *Asian Banking and Finance*, and Best Dual-Structure Islamic Finance Deal of the Year from *Alpha Southeast Asia*.

Strategy and Performance for the Financial Year Ended 31 December 2020 (Continued)

Supporting the growth of local enterprises

Helping businesses to transform digitally

In addition to meeting the financial needs of small and medium-sized enterprises (SMEs), we also support their digital transformation efforts so that they are more resilient and better equipped to achieve business growth. For example, we help SMEs in identifying and implementing digital solutions that will enable them to manage their operations effectively.

Through our collaboration with retail business technology company Storehub, we help our small business customers in the food and beverage industry to digitalise their food ordering operations and save costs when they use StoreHub's tablet-based retail operating system and online food delivery service, Beep Delivery. As they enhance their business models through digitalisation, our customers are able to respond more nimbly to trends such as the growing demand for online food delivery services.

In 2020 we also launched The FinLab Online in Malaysia, together with The FinLab, our innovation accelerator. The FinLab Online is a digital platform where SMEs across Malaysia, Singapore and Thailand can access innovation and business transformation programmes, including the *Jom* Transform Programme, Malaysia's first business transformation programme for SMEs. Almost 300 SMEs went through the programme's one-month curriculum in 2020, tapping the expertise of industry mentors from UOB and our regional ecosystem partners through online workshops, video tutorials and webinars. The Malaysia Digital Economy Corporation continued as the programme's strategic partner and provided SMEs with advice on digitalisation.

Offering businesses greater financial access

In 2020, we were chosen as one of the panel banks by Malaysia's national connectivity and digital infrastructure provider, Telekom Malaysia Berhad (TM), for their Vendor Financing Programme, PERINTIS. TM's programme aims to accelerate the business transformation of its vendors through upskilling and development programmes focused on Industry 4.0. Under PERINTIS, we also offer financing facilities and financial consultation to TM's local SME vendors.

We also collaborated with online business-to-business marketplace, Dropee, to provide its more than 60,000 members in Malaysia with access to our range of financial solutions, including cash management, trade finance and online banking services at preferential rates.

During the year, we organised more than 50 business clinics in collaboration with our ecosystem partners, including tax advisers, insurance firms and digital solution providers. These clinics helped our small business customers to improve their financial management knowledge and to stay up-to-date with the latest digital solutions to improve market reach and cash flow.

Our customers also learnt how they could use various tax reliefs and current low interest rates to their advantage by strengthening their working capital through bank financing and government schemes. These financing options, in turn, will enable them to achieve higher liquidity for their businesses.

Creating solutions essential to customers' life stages

Engaging and serving customers through our omni-channel approach

We create distinctive banking solutions offered through our omni-channel touchpoints and in a manner that best suits each customer. Guided by our values, we manage our customers' assets as if they were our own, providing financial advisory services and products so that the wealth they generate and the successes they achieve are carried into the future.

Helping consumers save and spend wisely with UOB Mighty

In 2020, we launched Mighty Insights, Malaysia's first artificial intelligence-based digital banking service, which empowers our customers to manage their finances better via the Bank's all-in-one mobile banking app, UOB Mighty. With this latest enhancement to the UOB Mighty app, customers receive personalised insights based on their banking and spending patterns, enabling them to track and to manage their savings and expenses effortlessly.

To meet our customers' preference for making quick and easy payments, we also incorporated the DuitNow Quick Response (QR) code payment function into UOB Mighty. Customers can transfer funds and make payments conveniently and safely by simply scanning the QR code provided by the recipient, without having to remember or to key in the recipient's bank account details.

In keeping with the lifestyle choices of the Malaysian urbanite, we also launched Mighty Coupons within our UOB Mighty app. The new rewards category under the Mighty Lifestyle section offers our customers dining, shopping and travel deals and cash rebates from various merchants.

Strategy and Performance for the Financial Year Ended 31 December 2020 (Continued)

Beyond our digital products and services, in 2020, we strengthened our suite of deposit and card products to help our customers gain more value from their savings and spending. Guided by our insights and research into our customers' lifestyle and preferences, we launched the UOB Lady's Savings Account, the only financial solution for women in Malaysia that combines a savings account with complimentary Takaful coverage for six female-related cancers. To support women as they seek to maintain their wealth and health, we also partnered Prudential BSN Takaful Berhad (PruBSN) to offer complimentary protection coverage to help women grow their wealth while protecting their savings in the event of an illness.

In addition to PruBSN, we also partnered leading insurance companies such as Prudential Malaysia and Liberty Insurance to provide our customers with both life and general bancassurance products for greater financial protection.

Providing travellers with connectivity and convenience

At the start of 2020, we launched The Travel Insider, the first online travel marketplace designed by a Bank that inspires customers and makes it easier for them to search, to plan and to book their holidays. Drawing on UOB's regional connectivity and ecosystem of local and international partners which includes Agoda, Booking.com and Expedia, The Travel Insider connects our customers to travel and hotel stay deals. Although there was very little travelling last year because of COVID-19, Malaysians still ranked travel highly among their favourite activities and international travel is expected to rebound after the pandemic.

In recognition of our commitment to keeping customers at the heart of everything we do, the Bank received the Best Retail Bank Malaysia and the Banking Customer Satisfaction and Happiness Malaysia awards at the Global Banking and Finance Awards 2020.

Helping our colleagues make a meaningful difference

Our people are critical to the success of our business strategy. To that end, we adopt an integrated approach to attracting, engaging and retaining the best talent, with our values of Honour, Enterprise, Unity and Commitment forming the foundation for our distinctive employee value proposition. We have in place an holistic and wide-ranging list of programmes that cover flexible work arrangements, health and wellness incentives, employee welfare benefits, training and development courses and recognition awards.

Caring for our colleagues

While physical presence and proximity were the norm in most office settings, the pandemic has challenged conventional thinking altogether. It has required us to reconsider how we can remain safe, united and productive, even when apart.

At the onset of the pandemic, we implemented precautionary measures across all our office premises nationwide, including carrying out temperature screenings, implementing physical distancing measures and increasing the frequency of cleaning and disinfection to help curb the spread of COVID-19. We also provided hand sanitisers and face masks for our colleagues, especially those in customer-facing roles to safeguard their well-being as well as our customers.

Subsequently, we stepped up our COVID-19 safe precautionary measures by reducing office density, ensuring more than 50 per cent of our people were working from home. For colleagues who continued to work in the office, we implemented staggered working hours and split site arrangements to reduce the risk of virus transmission. We also encouraged online meetings instead of face-to-face sessions.

To meet the needs of our colleagues who were working remotely, we strengthened our digital capabilities, providing laptops and Virtual Private Network access to our colleagues to make it easier for them to work and to connect with one another virtually. We also introduced a UOB care hotline to provide greater help and support to our colleagues while they work remotely from home. In addition, we implemented a gradual and measured return to work approach to protect them and to minimise the risk of exposure within the Bank.

To support our colleagues' physical and mental well-being, we expanded our flexCARE programme to provide COVID-19-related assistance and to supplement the cost of COVID-19 testing. We offered colleagues who tested positive for COVID-19 further support and assistance until they recovered. We also worked closely with the health authority on any additional follow-up measures that were required.

Building a prudent, progressive and high-performing organisation

As an organisation with a multi-generational workforce, it was vital for us to establish a programme that could help colleagues connect, engage and collaborate better. Since the launch of our 'Managing Across Generations' initiative in 2019, we have conducted six workshops for more than 100 of our colleagues from different age groups. The sessions aimed to help our colleagues understand and manage their differences, so they may resolve potential conflicts and work together more cohesively.

Strategy and Performance for the Financial Year Ended 31 December 2020 (Continued)

In 2020, we also launched our UOB Compliance Commitment Award to recognise and to reward colleagues who demonstrate exemplary personal leadership or conduct in advancing UOB's values and adherence to legal and regulatory requirements.

Encouraging the professional growth of our colleagues

To encourage the development of our people and to equip them with future-ready skills, we provided training and development programmes to more than 5,000 colleagues during the year. Encouraging enterprising thinking and acquiring digital skills are among our top priorities as we strive to anticipate and to meet the needs of a new generation of increasingly tech-savvy customers.

In 2020, we rolled out an holistic learning and development programme, 'Better U', to help our colleagues build successful careers in the digital age. The 'Better U' programme identifies five core competencies, which form the foundation for future learning and employability. These will help employees build a growth mindset, develop complex problem solving skills and acquire skills in the fields of digital innovation, human-centred design and data storytelling. Upon completion of the foundation course, employees can pursue specialised learning tracks or educational opportunities that are aligned with their capabilities and interests. More than 600 colleagues participated in 2020. As the financial services sector undergoes a digital transformation, the 'Better U' programme reaffirms our long-term commitment to providing our people with meaningful careers and to supporting them in their development journey.

To encourage our colleagues to deepen their capabilities, we continued to make learning and self-improvement more accessible. We selected more than 40 LinkedIn Learning programmes to promote mental well-being and to help our colleagues build resilience during the pandemic. As part of our talent management efforts, more than 90 colleagues completed the 'Leadership Right by You – Leading Teams' programme, the second part of a three-part programme aimed at nurturing their management and leadership skills.

Building our talent pipeline

Due to the pandemic, in 2020 we extended our recruitment drive to include online career fairs to attract graduates to our 18-month Management Associate Programme. We also participated in the Graduan Live and Graduan Aspire career fairs to connect with and to recruit young talent. We also employed more than 30 interns under the UOB Corporate Internship Programme, a three-month practical training programme designed to prepare undergraduate students for a career in banking.

Supporting the community through the pandemic

Just as we serve the financial needs of our customers, we are committed to supporting the local communities in which we operate. During this difficult period, we helped to alleviate the financial burden or distress many have faced through various community initiatives, including contributing more than RM1 million in 2020 through corporate sponsorships and donations.

Given the extraordinary circumstances of the past year, we focused our efforts on the most vulnerable segments of the community affected by the pandemic. Under the UOB Heartbeat COVID-19 Relief Fund, an initiative under UOB Group's #UnitedForYou COVID-19 Relief Programme to see communities through to better times, we raised RM300,000 for local charities in 2020. The funds raised went towards supporting children through HOPE Worldwide Malaysia, Dignity for Children Foundation and World Vision Malaysia.

In addition, we contributed RM500,000 through The Association of Banks in Malaysia (ABM) to MERCY Malaysia's COVID-19 Pandemic Fund. The Bank's contribution to ABM's collective pool supported the critical preparedness, readiness and response actions by the Ministry of Health Malaysia and the National Crisis Preparedness and Response Centre.

We also raised RM65,000 for Food Aid Foundation through our annual UOB Heartbeat Run/Walk, during which the Bank pledged RM1 for every kilometre our colleagues ran or walked. It was the first time that the event was held virtually across UOB Group's 17 markets. The funds raised went towards helping vulnerable children whose lives have been disrupted by the pandemic.

To help support children as they shifted to remote learning since the start of the pandemic, our Commercial Banking team and the Bank's business partners contributed RM350,000 to Persatuan Kebajikan Sri Saradha Devi Illam, Yayasan Sunbeams Home, Shelter Home for Children and Special Children Society of Ampang. The donation went towards purchasing digital devices and education software to help meet the educational needs of more than 200 children. The contribution is part of the UOB My Digital Space Programme, a multi-year education programme to bridge the digital gap for children from disadvantaged backgrounds across the region and to connect them to a world of digital learning opportunities.

Throughout the year, our people volunteered more than 2,200 hours of their time through a wide range of outreach initiatives across Malaysia as we continued to express our commitment to community development in the areas of art, children and education.

Strategy and Performance for the Financial Year Ended 31 December 2020 (Continued)

In particular, we reinforced our unwavering commitment to art and the creative community through our annual UOB Painting of the Year competition. 2020 was the competition's tenth year in Malaysia. We awarded cash prizes totalling more than RM230,000 to established and emerging Malaysian artists, thereby providing the much needed boost to artists who were challenged financially due to the pandemic.

Outlook

Even as COVID-19 infection cases continue to rise in many parts of the world, the global economy is expected to enter a recovery, albeit uneven, path in 2021. Monetary and fiscal measures as well as more relaxed containment measures, depending on the stage of the pandemic within each country, will support the recovery. Globally, central banks including those in Asia have responded with aggressive policy rate cuts, as well as conventional and unconventional monetary policy measures, to restore financial market stability and to safeguard their respective economies.

While potential waves of infection from new strains of the virus will continue to pose risks to the recovery, many governments across the world have also deployed extraordinary fiscal stimulus to prevent more severe economic outcomes brought on by the COVID-19 pandemic. A catalyst for a pick-up in growth would be the effectiveness of COVID-19 vaccines as production is scaled up, adequate doses are distributed worldwide and national inoculation programmes gain ground.

Despite a cautious global outlook, prospects for Asia, particularly China, are much stronger than for most other markets. Following its effective pandemic containment, China was able to reopen its economy and to normalise economic activity in April 2020. A sharp cyclical rebound in China's economic growth alongside moderate recoveries across the rest of Asia and developed countries in 2021 will hopefully see more green shoots in global demand and trade.

We expect Malaysia's gross domestic product to expand at an above-average rate in 2021 given it is coming off a low-base, while the recovery in global demand and spillover benefits into domestic sectors will help lift private consumption and investments. Ongoing policy support from the various fiscal packages, additional reliefs under the *PERMAI* and *PEMERKASA* programmes and Budget 2021 measures, as well as the cumulative interest rate cuts to date, will provide additional impetus to sustain the recovery.

However, we expect the pace of recovery to be uneven across sectors with some industries expected to remain below pre-pandemic levels and a slower improvement in the labour market. Although downside risks linger given the uncertainty surrounding the pandemic, the economy could benefit from Malaysia's various policy measures, effective vaccine roll-out, diversified economic structure, implementation of 5G network and accelerated digital transformation, as well as the global economy's better-than-expected recovery.

Looking ahead, UOB Malaysia expects the economic recovery to support overall interest margins and loan growth, while we continue to manage credit risks in a proactive, prudent and disciplined manner.

In 2021, we will continue to place our customers at the heart of everything that we do. We will continue to leverage our expertise and regional network to offer relevant and distinctive solutions through conventional and Islamic Banking. We will remain prudent and disciplined as we forge a sustainable future with our customers.

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 responsibility 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.

United Overseas Bank (Malaysia) Bhd's issue ratings

No.	Debt instruments issued by the Bank	Ratings
1	RM8 billion Medium Term Notes Programme: Senior Notes (2018/2028)	AA1/Stable
2	RM8 billion Medium Term Notes Programme: Senior Notes (2020/2030)	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 31 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
Date: 9 April 2021

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 111 to 238 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 2020 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

Kuala Lumpur, Malaysia
Date: 9 April 2021

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 111 to 238 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 (Date: 9 April 2021)

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 United Overseas Bank (Malaysia) Bhd (the Bank)'s Shariah Committee, 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 12 meetings to review various Shariah product structures and documentations, transactions, services, and operations of the Bank during the financial year ended 31 December 2020. In the course of our meetings, we reviewed the Bank's existing range of Shariah products and approved three new products, namely Trust Receipts-i (based on Tawarruq), Invoice Financing-i (based on Tawarruq) and Overdraft-i (based on Tawarruq). We have also provided Shariah opinions on various matters relating to the Bank 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 Management and Shariah Audit team, which were conducted by way of examining the relevant documentation 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 Bank's Islamic Banking products, legal documents and processes that we approved during the financial year ended 31 December 2020 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 2020 are in compliance with the Shariah rules and principles;

(iii) The Bank's sources of Shariah income during the financial year ended 31 December 2020 are in compliance with the Shariah rules and principles;

(iv) No Shariah non-compliant event was reported during the financial year ended 31 December 2020;

(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 2020 are in conformity with the Shariah rules and principles.

Dr Samsuri Sharif	Assoc. Prof. Dr. Sharifah Faigah Binti Syed Alwi
Chairman, Shariah Committee	Member, Shariah Committee

Kuala Lumpur, Malaysia
Date: 9 April 2021

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 2020 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 111 to 238.

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 2020, 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.

Independent Auditors' Report (Continued)

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

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
Date: 9 April 2021

Statements of Financial Position

As at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Assets					
Cash and short-term funds	4	6,069,508	1,330,265	6,069,508	1,330,265
Deposits and placements with financial institutions	5	1,149,710	499,864	1,149,710	499,864
Securities purchased under resale agreements	6	1,170,004	3,568,380	1,170,004	3,568,380
Financial assets at fair value through profit or loss (FVTPL)	7	4,346,399	4,206,956	4,346,399	4,206,956
Debt instruments at fair value through other comprehensive income (FVOCI)	8	25,638,935	20,026,345	25,638,935	20,026,345
Equity instruments at fair value through other comprehensive income (FVOCI)	9	158,385	133,885	158,385	133,885
Debt instruments at amortised cost	10	519,844	803,460	519,844	803,460
Other assets	11	1,060,930	675,453	1,101,564	680,513
Derivative financial assets	25	814,118	435,026	814,118	435,026
Loans, advances and financing	12	85,506,564	84,718,431	85,608,272	84,830,743
Statutory deposits with Bank Negara Malaysia	13	196,451	1,722,676	196,451	1,722,676
Investment in subsidiaries	14	-	-	400,020	235,020
Investment in an associate	15	9,637	10,317	13,522	13,522
Property, plant and equipment	16	919,556	746,200	319,484	275,351
Right-of-use assets	17	76,974	20,771	148,751	60,834
Deferred tax assets	18	74,577	74,542	74,577	74,542
Total assets		127,711,592	118,972,571	127,729,544	118,897,382
Liabilities					
Deposits from customers	19	93,590,472	89,106,710	93,680,388	89,135,199
Deposits and placements of banks and other financial institutions	20	16,948,757	14,177,990	16,948,777	14,178,010
Obligations on securities sold under repurchase agreements	6	924,777	313,861	924,777	313,861
Bills and acceptances payable		205,025	239,535	205,025	239,535
Other liabilities	21	1,905,524	1,971,122	1,907,109	1,973,265
Derivative financial liabilities	25	1,082,914	516,085	1,082,914	516,085
Tax payable		118,789	85,864	118,107	85,425
Lease liabilities	17	79,200	19,523	153,808	58,006
Subordinated bonds	22	1,377,166	1,612,220	1,377,166	1,612,220
Deferred tax liabilities	18	18,843	19,609	-	-
Total liabilities		116,251,467	108,062,519	116,398,071	108,111,606
Equity attributable to equity holders of the Bank					
Share capital	23	792,555	792,555	792,555	792,555
Reserves	24	10,667,570	10,117,497	10,538,918	9,993,221
Total equity		11,460,125	10,910,052	11,331,473	10,785,776
Total liabilities and equity		127,711,592	118,972,571	127,729,544	118,897,382
Commitments and contingencies	38	121,487,155	103,186,530	121,228,697	102,834,131

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

Income Statements

For the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Operating revenue	27	5,680,529	6,416,941	5,685,218	6,422,413
Interest income	28	4,447,637	5,122,155	4,451,270	5,127,370
Interest expense	29	(2,247,589)	(3,040,954)	(2,251,427)	(3,043,491)
Net interest income		2,200,048	2,081,201	2,199,843	2,083,879
Net income from Islamic Banking operations	47	70,272	41,969	70,272	41,969
Other operating income	30	938,846	972,410	939,897	972,667
Operating income		3,209,166	3,095,580	3,210,012	3,098,515
Other operating expenses	31	(1,280,072)	(1,265,831)	(1,285,612)	(1,271,815)
Operating profit before allowances for expected credit losses		1,929,094	1,829,749	1,924,400	1,826,700
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	33	(537,223)	(253,363)	(537,144)	(253,418)
Other financial assets	33	(25,140)	(12,284)	(25,140)	(12,284)
Commitments and contingencies	21(c)	(21,624)	37,788	(21,624)	37,788
Write-back on property, plant and equipment	16	1,751	222	-	-
		1,346,858	1,602,112	1,340,492	1,598,786
Share of net profit of an associate	15	104	230	-	-
Profit before taxation		1,346,962	1,602,342	1,340,492	1,598,786
Income tax expense	34	(328,959)	(378,972)	(326,865)	(384,543)
Profit for the year attributable to equity holders of the Bank		1,018,003	1,223,370	1,013,627	1,214,243
Basic/diluted earnings per share (sen)	35	216.6	260.3		
Dividend per share (sen)	36	107.9	129.2		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the year	1,018,003	1,223,370	1,013,627	1,214,243
Other comprehensive income:				
Items that will be reclassified subsequently to income statements:				
Net fair value changes in debt instruments at FVOCI	158,798	81,908	158,798	81,908
Income tax effect (Note 18)	(38,111)	(19,658)	(38,111)	(19,658)
	120,687	62,250	120,687	62,250
Items that will not be reclassified subsequently to income statements:				
Net fair value changes in equity instruments at FVOCI	24,503	19,440	24,503	19,440
Income tax effect (Note 18)	(5,880)	(10,555)	(5,880)	(4,666)
	18,623	8,885	18,623	14,774
Total other comprehensive income for the year, net of tax	139,310	71,135	139,310	77,024
Total comprehensive income for the year attributable to equity holders	1,157,313	1,294,505	1,152,937	1,291,267

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

Statements of Changes in Equity

For the financial year ended 31 December 2020

Group	Share capital RM'000	Non-distributable Revaluation reserve RM'000	Non-distributable FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2020					
Balance as at 1 January 2020	792,555	184,130	169,736	9,763,631	10,910,052
Profit for the year	-	-	-	1,018,003	1,018,003
Other comprehensive income	-	-	139,310	-	139,310
Total comprehensive income	-	-	139,310	1,018,003	1,157,313
Transaction with owners:					
Dividend paid					
- Final dividend for the financial year ended 31 December 2019 (Note 36)	-	-	-	(607,240)	(607,240)
Balance as at 31 December 2020	**792,555**	**184,130**	**309,046**	**10,174,394**	**11,460,125**

Group	Share capital RM'000	Non-distributable Revaluation reserve 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	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 36)	-	-	-	(494,910)	(494,910)
Balance as at 31 December 2019	**792,555**	**184,130**	**169,736**	**9,763,631**	**10,910,052**

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

Statements of Changes in Equity (Continued)

For the financial year ended 31 December 2020

Bank	Share capital RM'000	Non-distributable FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2020				
Balance as at 1 January 2020	792,555	162,834	9,830,387	10,785,776
Profit for the year	-	-	1,013,627	1,013,627
Other comprehensive income	-	139,310	-	139,310
Total comprehensive income	-	139,310	1,013,627	1,152,937
Transaction with owners:				
Dividend paid				
- Final dividend for the financial year ended 31 December 2019 (Note 36)	-	-	(607,240)	(607,240)
Balance as at 31 December 2020	**792,555**	**302,144**	**10,236,774**	**11,331,473**

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 36)	-	-	(494,910)	(494,910)
Balance as at 31 December 2019	**792,555**	**162,834**	**9,830,387**	**10,785,776**

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

Statements of Cash Flows

For the financial year ended 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities					
Profit before taxation		1,346,962	1,602,342	1,340,492	1,598,786
Adjustments for:					
Share of net profit of an associate	15	(104)	(230)	-	-
Loss on disposal and write-off of property, plant and equipment		385	19	385	19
Depreciation of property, plant and equipment	31	75,632	69,321	63,557	57,838
Depreciation of right-of-use assets	31	16,062	15,288	35,565	35,320
Allowances for expected credit losses on loans, advances and financing	33	537,223	253,363	537,144	253,418
Allowances for expected credit losses on other financial assets	33	25,140	12,284	25,140	12,284
Allowances for/(write-back of) expected credit losses on commitments and contingencies	21(c)	21,624	(37,788)	21,624	(37,788)
Net unrealised loss/(gain) on financial assets at FVTPL	30	4,228	(3,001)	4,228	(3,001)
Dividend income from equity instruments at FVOCI	30	(959)	(3,342)	(959)	(3,342)
Dividend income from an associate	30	-	-	(784)	-
Interest/profit income from debt instruments at FVOCI	28	(670,916)	(633,896)	(670,916)	(633,896)
Interest income from debt instruments at amortised cost	28	(30,871)	(16,424)	(30,871)	(16,424)
Gain from sale of debt instruments at FVOCI	30	(148,071)	(99,960)	(148,071)	(99,960)
Unrealised foreign exchange loss/(gain)		258,411	(60,628)	258,411	(60,628)
Gain from sale of financial assets at FVTPL	30	(44,899)	(16,601)	(44,899)	(16,601)
Loss/(gain) from trading derivatives	30	998	(26,489)	998	(26,489)
Unrealised gain from trading derivatives	30	(70,644)	(6,866)	(70,644)	(6,866)
Unrealised loss on fair value hedge	30	14,946	10,138	14,946	10,138
(Gain)/loss from sale of precious metals	30	(6,872)	2,188	(6,872)	2,188
Unrealised loss from revaluation of precious metals	30	3,566	1,373	3,566	1,373
Write-back on property, plant and equipment, net	16	(1,751)	(222)	-	-
Interest expense from lease liabilities	29	2,136	843	5,319	2,444
Amortisation of premium less accretion of discount from					
- Financial assets at FVTPL	28	(11,120)	622	(11,120)	622
- Debt instruments at FVOCI	28	70,512	21,466	70,512	21,466
Operating profit before working capital changes		1,391,618	1,083,800	1,396,751	1,090,901
(Increase)/decrease in operating assets:					
Loans, advances and financing		(1,325,356)	(3,058,516)	(1,314,673)	(3,049,486)
Financial assets at FVTPL		(87,652)	(2,376,343)	(87,652)	(2,376,343)
Securities purchased under resale agreements		2,398,376	1,034,679	2,398,376	1,034,679
Statutory deposits with Bank Negara Malaysia		1,526,225	294,193	1,526,225	294,193
Derivative financial assets		(309,446)	(25,175)	(309,446)	(25,175)
Other assets		(384,267)	(26,631)	(419,841)	(31,480)
		1,817,880	(4,157,793)	1,792,989	(4,153,612)

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

Statements of Cash Flows (Continued)

For the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Cash flows from operating activities (Continued)					
Increase/(decrease) in operating liabilities:					
Deposits from customers		4,483,762	373,612	4,545,189	380,172
Deposits and placements of banks and other financial institutions		2,770,767	4,963,552	2,770,767	4,963,552
Obligation on securities sold under repurchase agreements		610,916	313,861	610,916	313,861
Bills and acceptances payable		(34,510)	(174,720)	(34,510)	(174,720)
Derivative financial liabilities		566,829	116,138	566,829	116,138
Other liabilities		(330,690)	(482,068)	(342,952)	(481,683)
		8,067,074	5,110,375	8,116,239	5,117,320
Cash generated from operations		11,276,572	2,036,382	11,305,979	2,054,609
Tax paid		(340,826)	(358,115)	(338,209)	(356,054)
Net cash generated from operating activities		10,935,746	1,678,267	10,967,770	1,698,555
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		7	96	7	96
Purchase of property, plant and equipment	16	(247,627)	(115,955)	(108,082)	(66,577)
Interest/profit income from debt instruments at FVOCI	28	670,916	633,896	670,916	633,896
Interest income from debt instruments at amortised cost	28	30,871	16,424	30,871	16,424
Net purchase of debt instruments at FVOCI		(5,381,435)	(4,017,971)	(5,381,435)	(4,017,971)
Net disposal/(purchase) of debt instruments at amortised cost		286,146	(574,125)	286,146	(574,125)
Dividend income from equity instruments at FVOCI	30	959	3,342	959	3,342
Dividend income from an associate	15, 30	784	-	784	-
Subscription of redeemable preference shares	14(a)	-	-	(165,000)	(50,000)
Net cash used in investing activities		(4,639,379)	(4,054,293)	(4,664,834)	(4,054,915)
Cash flows from financing activities					
Net proceeds from issuance of subordinated bonds	22(c)	750,000	-	750,000	-
Repayment of subordinated bonds	22(a)	(1,000,000)	-	(1,000,000)	-
Lease payments	17	(29,669)	(14,180)	(36,238)	(33,846)
Dividend paid	36	(607,240)	(494,910)	(607,240)	(494,910)
Net cash used in financing activity		(886,909)	(509,090)	(893,478)	(528,756)
Net increase/(decrease) in cash and cash equivalents		5,409,458	(2,885,116)	5,409,458	(2,885,116)
Cash and cash equivalents at beginning of the year		1,866,720	4,751,836	1,866,720	4,751,836
Cash and cash equivalents at end of the year		7,276,178	1,866,720	7,276,178	1,866,720
Analysis of cash and cash equivalents					
Cash and short-term funds	4	6,126,178	1,366,720	6,126,178	1,366,720
Deposits and placements with financial institutions	5	1,150,000	500,000	1,150,000	500,000
		7,276,178	1,866,720	7,276,178	1,866,720
Less: Allowances for Expected Credit Loss (ECL)	4, 5	(56,960)	(36,591)	(56,960)	(36,591)
		7,219,218	1,830,129	7,219,218	1,830,129

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 14 and 15 respectively. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 April 2021.

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 2020

Amendments to MFRS 3 Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform (Phase 1)
Amendments to MFRS 101 and MFRS 108 Definition of Material
Amendments to References to the Conceptual Framework for Financial Reporting

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.

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 June 2020

Amendment to MFRS 16 Covid-19 - Related Rent Concessions

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform Phase 2

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3 Reference to the Conceptual Framework
Amendments to MFRS 116 Property, Plant and Equipment Proceeds before Intended Use
Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020 Cycle

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current

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. Significant Accounting Policies (Continued)

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.

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(b) Associate (Continued)

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

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

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

The most recently available audited financial statements of the 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

<u>Financial assets</u>

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:

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Financial instruments (Continued)

(i) Classification (Continued)

Financial assets (Continued)

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.

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:

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Financial instruments (Continued)

(iii) Classification of credit-impaired loans, advances and financing (Continued)

- 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.

(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 allowances are 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(h) Impairment of non-financial assets (Continued)

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

(i) Financial derivatives

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

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

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(k) Leases (Continued)

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.

(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 subject 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.

(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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(s) Provisions

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

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

(t) Subordinated bonds

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

(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 22(d).

2. Significant Accounting Policies (Continued)

2.5 Significant accounting estimates and judgements

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

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

(a) 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, including macro-economic factors as disclosed in Note 40.1(b), changes in which can result in different levels of allowance.

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 12.

(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 26(d).

3. Changes in Regulatory Requirements

3.1 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by Bank Negara Malaysia (BNM)

The COVID-19 pandemic and movement restrictions beginning in mid-March 2020 has significant impact on economic conditions and the environment which the Bank operates the business.

On 25 March 2020, BNM has announced various initiatives and supports that banking instituitions will implement to assist the individuals, SMEs and corporations to manage the impact of COVID-19 pandemic.

Banking instituitions will grant automatic moratorium for a period of 6-months with effect from 1 April 2020 applicable to individual and SMEs for performing loans or financing in Ringgit denominated which have not been in arrears for more than 90 days as at 1 April 2020. For credit card balance outstanding, the banking institutions shall offer the option of term loan conversion for period not more than three years.

Banks will also facilitate requests by corporations to defer or restructure their loans/financing repayments to support viable corporations to preserve jobs and resume economic activities when conditions improve.

3. Changes in Regulatory Requirements (Continued)

3.1 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by BNM (Continued)

Banking institutions are allowed to draw down on the capital conservation buffer of 2.5%, operate below the minimum liquidity coverage ratio of 100% and reduce the regulatory reserves held against expected losses to 0% in order to further assist the lending/financing activities. As at reporting date, the Bank have not drawn down the prudential buffer.

The Net Stable Funding Ratio (NSFR) implementation will continue to be effective on 1 July 2020 but with a lower ratio of 80%. Banking instituitions will be required to restore the buffers with the requirement of 100% by 30 September 2021.

The moratorium should not automatically result in MFRS 9 stage transfer in the absence of other factors relevant to the assessment.

3.2 Expected credit losses under relief assistance

The measurement of ECL under MFRS 9 across all categories of financial assets requires various inputs into the ECL models which can result in different levels of allowance. Elements of the ECL models would require various inputs which included the Bank's assessment of significant increase in credit risk (SICR) as well as the selection of forward-looking macroeconomic scenarios and their probability weightings. Amidst the challenging COVID-19 pandemic crisis, management overlays for ECL to profit or loss during the financial year of RM143.5 million was provided in anticipation of potential deterioration of credit risk where relief assistance is provided. As the Bank directs it efforts to help our customers through the crisis, we shall continue to assess and monitor closely the challenging economic environment and to take appropriate and timely actions to address the situations.

4. Cash and Short-Term Funds

	Group and Bank	
	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	1,096,170	812,456
Money at call and deposit placements maturing within one month	5,030,008	554,264
	6,126,178	1,366,720
Less: Allowances for ECL	(56,670)	(36,455)
	6,069,508	1,330,265

4. Cash and Short-Term Funds (Continued)

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

Group and Bank 2020	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	36,455	-	-	36,455
Allowances made	44,368	-	-	44,368
Maturity/settlement/repayment	(24,153)	-	-	(24,153)
	20,215	-	-	20,215
At 31 December	56,670	-	-	56,670
2019				
At 1 January	26,904	-	-	26,904
Allowances made	44,551	-	-	44,551
Maturity/settlement/repayment	(35,000)	-	-	(35,000)
	9,551	-	-	9,551
At 31 December	36,455	-	-	36,455

5. Deposits and Placements with Financial Institutions

	Group and Bank	
	2020 RM'000	2019 RM'000
Licensed banks	1,150,000	500,000
Less: Allowances for ECL	(290)	(136)
	1,149,710	499,864

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

Group and Bank 2020	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	136	-	-	136
Allowances made	290	-	-	290
Maturity/settlement/repayment	(136)	-	-	(136)
	154	-	-	154
At 31 December	290	-	-	290

5. 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 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	136	-	-	136
Maturity/settlement/repayment	(217)	-	-	(217)
	(81)	-	-	(81)
At 31 December	136	-	-	136

6. 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	
	2020 RM'000	2019 RM'000
Assets received for Reverse Repos transactions, at amortised cost	1,170,004	3,568,380

Repos

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

	Group and Bank	
	2020 RM'000	2019 RM'000
Assets sold for Repos transactions, at amortised cost	924,777	313,861

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

	Group and Bank	
	2020 RM'000	2019 RM'000
Money market instruments		
Bank Negara Malaysia bills	-	1,094,279
Malaysian Government treasury bills	662,524	99,162
Malaysian Government securities	677,488	803,263
Negotiable instruments of deposits	900,116	1,349,708
	2,240,128	3,346,412
Unquoted securities in Malaysia		
Cagamas bonds	265,363	235,551
Private debt securities	1,840,908	624,993
	2,106,271	860,544
Total debt instruments at FVTPL	**4,346,399**	**4,206,956**

8. Debt Instruments at Fair Value through Other Comprehensive Income (FVOCI)

	Group and Bank	
	2020 RM'000	2019 RM'000
Money market instruments		
Bank Negara Malaysia bills	1,149,308	298,485
Malaysian Government securities	16,664,179	10,795,149
Negotiable instruments of deposits	2,640,101	6,109,376
	20,453,588	17,203,010
Unquoted securities in Malaysia		
Cagamas bonds	1,537,218	1,662,888
Private debt securities	3,648,129	1,160,447
	5,185,347	2,823,335
Total debt instruments at FVOCI	**25,638,935**	**20,026,345**

8. 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 2020	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	8,623	-	39,960	48,583
Allowances made	77,163	-	-	77,163
Maturity/settlement/repayment	(71,958)	-	-	(71,958)
	5,205	-	-	5,205
At 31 December	13,828	-	39,960	53,788
2019				
At 1 January	4,294	-	39,960	44,254
Allowances made	188,325	-	-	188,325
Maturity/settlement/repayment	(183,996)	-	-	(183,996)
	4,329	-	-	4,329
At 31 December	8,623	-	39,960	48,583

9. Equity Instruments at Fair Value through Other Comprehensive Income (FVOCI)

	Group and Bank 2020 RM'000	 2019 RM'000
Quoted securities		
Shares of corporations in Malaysia	2,456	2,076
Unquoted securities		
Shares of corporations in Malaysia (Note (a))	155,929	131,809
	158,385	133,885

(a) The Group and the Bank have equity interests in several unquoted securities, which the fair value determined are disclosed in Note 26(d).

10. Debt Instruments at Amortised Cost

	Group and Bank	
	2020 RM'000	2019 RM'000
Unquoted securities in Malaysia		
Private debt securities	524,854	811,000
Less: Allowances for ECL	(5,010)	(7,540)
	519,844	803,460

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

Group and Bank	Stage 1	Stage 2	Stage 3	
2020	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	7,540	-	-	7,540
Allowances write-back	(2,530)	-	-	(2,530)
At 31 December	5,010	-	-	5,010
2019				
At 1 January	8,560	-	-	8,560
Allowances write-back	(1,020)	-	-	(1,020)
At 31 December	7,540	-	-	7,540

11. Other Assets

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables, deposits and prepayments	435,856	251,250	471,336	251,217
Accrued interest/income receivables	237,647	216,811	237,647	216,811
Amount due from subsidiaries (Note (a))	-	-	5,154	5,093
Amount due from fellow subsidiary (Note (b))	1,235	-	1,235	-
Amount due from holding company (Note (b))	167	143	167	143
Amount due from the ultimate holding company (Note (b))	1,178	-	1,178	-
Precious metal accounts (Note (c))	389,136	209,442	389,136	209,442
Less: Allowances for ECL (Note (d))	(4,289)	(2,193)	(4,289)	(2,193)
	1,060,930	675,453	1,101,564	680,513

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

(b) Amounts due from the holding company, ultimate holding company and fellow subsidiaries are unsecured, interest free and repayable on demand.

(c) As at 31 December 2020, precious metal accounts comprise the following:

Precious metals on loan to customers of the Bank are directly sought from the gold market amounting to RM358,565,000 (2019: RM186,311,000). The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM85,055,000 (2019: RM83,098,000) net of cash collateral received from the customers of RM54,483,000 (2019: RM59,967,000).

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.

11. Other Assets (Continued)

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

Group and Bank 2020	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	1,643	550	-	2,193
Allowances made	1,048	1,104	-	2,152
Maturity/settlement/repayment	(34)	(22)	-	(56)
	1,014	1,082	-	2,096
At 31 December	2,657	1,632	-	4,289
2019				
At 1 January	2,105	574	-	2,679
Allowances made	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

12. Loans, Advances and Financing

	Group		Bank	
At amortised cost	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Overdrafts	2,712,538	3,128,424	2,712,538	3,128,424
Term loans/financing and revolving credits				
- Housing loans/financing	33,277,257	32,387,282	33,277,257	32,387,282
- Syndicated term loans/financing	921,066	933,736	921,066	933,736
- Other term loans/financing*	38,757,375	36,821,852	38,860,332	36,935,492
Credit card receivables	2,617,464	2,930,443	2,617,464	2,930,443
Bills receivables	1,115,519	1,337,074	1,115,519	1,337,074
Trust receipts	3,056,688	2,982,465	3,056,688	2,982,465
Claims on customers under acceptance credits	5,145,177	5,877,468	5,145,177	5,877,468
Staff loans	38,575	37,750	38,575	37,750
Others	240	18,640	240	18,640
	87,641,899	86,455,134	87,744,856	86,568,774
Unearned interest/income	(182,752)	(213,946)	(182,752)	(213,946)
Gross loans, advances and financing	87,459,147	86,241,188	87,562,104	86,354,828
Allowances for ECL on loans, advances and financing				
- Stage 1 - 12-month ECL	(711,051)	(869,349)	(712,300)	(870,677)
- Stage 2 - Lifetime ECL non credit-impaired	(785,956)	(367,276)	(785,956)	(367,276)
- Stage 3 - Lifetime ECL credit-impaired	(455,576)	(286,132)	(455,576)	(286,132)
Net loans, advances and financing	85,506,564	84,718,431	85,608,272	84,830,743

* Other term loans/financing include the following:

	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Loans/financing to subsidiaries				
- UOB Properties Bhd	-	-	89,486	100,133
- UOB Properties (KL) Bhd	-	-	13,471	13,507
	-	-	102,957	113,640

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

	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Maturing within one year	22,416,133	23,418,871	22,519,090	23,418,871
One year to three years	6,423,980	5,914,824	6,423,980	6,028,464
Three years to five years	6,604,606	6,436,478	6,604,606	6,436,478
Over five years	52,014,428	50,471,015	52,014,428	50,471,015
	87,459,147	86,241,188	87,562,104	86,354,828

12. Loans, Advances and Financing (Continued)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(ii) Gross loans, advances and financing by type of customers:				
Domestic non-banking financial institutions				
- Stockbroking companies	10,135	31,643	10,135	31,643
- Others	2,166,855	1,334,225	2,166,855	1,334,225
Domestic business enterprises				
- Small and medium enterprises	20,491,025	18,194,120	20,491,025	18,194,120
- Others	15,088,909	17,159,632	15,191,866	17,273,272
Individuals	42,953,031	42,513,659	42,953,031	42,513,659
Foreign entities	6,749,192	7,007,909	6,749,192	7,007,909
	87,459,147	86,241,188	87,562,104	86,354,828

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(iii) Gross loans, advances and financing by interest/profit rate sensitivity:				
Fixed rate				
- Housing loans/financing	13,414	36,953	13,414	36,953
- Other fixed rate loans/financing	11,146,092	10,668,457	11,146,092	10,668,457
Variable rate				
- Base rate/base lending/financing rate-plus	54,799,091	54,240,190	54,799,091	54,240,190
- Cost-plus	20,775,520	20,905,641	20,878,477	21,019,281
- Other variable rates	725,030	389,947	725,030	389,947
	87,459,147	86,241,188	87,562,104	86,354,828

12. Loans, Advances and Financing (Continued)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(iv) Gross loans, advances and financing by economic sectors:				
Agriculture, hunting, forestry and fishing	1,829,451	1,489,590	1,829,451	1,489,590
Mining and quarrying	1,072,933	1,220,610	1,072,933	1,220,610
Manufacturing	7,313,797	7,124,817	7,313,797	7,124,817
Electricity, gas and water	249,564	239,591	249,564	239,591
Construction	7,239,448	7,047,184	7,239,448	7,047,184
Wholesale, retail trade, restaurants and hotels	11,295,941	11,340,909	11,295,941	11,340,909
Transport, storage and communication	2,019,115	2,001,989	2,019,115	2,001,989
Finance, insurance and business services	4,153,056	3,964,590	4,153,056	3,964,590
Real estate	4,074,470	3,902,845	4,177,427	4,016,485
Community, social and personal services	154,290	182,197	154,290	182,197
Households				
- Purchase of residential properties	34,001,017	33,136,223	34,001,017	33,136,223
- Purchase of non-residential properties	8,657,987	8,799,090	8,657,987	8,799,090
- Others	5,398,078	5,791,553	5,398,078	5,791,553
	87,459,147	86,241,188	87,562,104	86,354,828

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

	Group and Bank	
	2020 RM'000	2019 RM'000
At beginning of the financial year	1,560,810	1,433,152
Classified as credit-impaired during the financial year	693,199	805,831
Amounts recovered	(245,989)	(278,122)
Reclassified as non credit-impaired	(180,113)	(240,558)
Amounts written-off	(149,536)	(159,493)
Gross credit-impaired loans, advances and financing	1,678,371	1,560,810
Less: Stage 3 - Lifetime ECL credit-impaired	(455,576)	(286,132)
Net credit-impaired loans, advances and financing	1,222,795	1,274,678
Ratio of net credit-impaired loans, advances and financing to gross loans, advances and financing less allowances for ECL on credit-impaired provisions	1.4%	1.5%

12. Loans, Advances and Financing (Continued)

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

Group 2020	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	869,349	367,276	286,132	1,522,757
Transferred to Stage 1	66,937	(167,488)	(4,439)	(104,990)
Transferred to Stage 2	(75,955)	281,661	(11,214)	194,492
Transferred to Stage 3	(566)	(48,500)	169,358	120,292
Allowances made	370,327	478,059	236,775	1,085,161
Maturity/settlement/repayment	(520,228)	(124,189)	(74,951)	(719,368)
Exchange differences	1,187	(863)	-	324
Net total (Note 33)	(158,298)	418,680	315,529	575,911
Amounts written-off	-	-	(133,998)	(133,998)
Other movements	-	-	(12,087)	(12,087)
At 31 December	711,051	785,956	455,576	1,952,583

Group 2019				
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	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 33)	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

12. Loans, Advances and Financing (Continued)

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

Bank 2020	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	870,677	367,276	286,132	1,524,085
Transferred to Stage 1	66,937	(167,488)	(4,439)	(104,990)
Transferred to Stage 2	(75,955)	281,661	(11,214)	194,492
Transferred to Stage 3	(566)	(48,500)	169,358	120,292
Allowances made	371,575	478,059	236,775	1,086,409
Maturity/settlement/repayment	(521,555)	(124,189)	(74,951)	(720,695)
Exchange differences	1,187	(863)	-	324
Net total (Note 33)	(158,377)	418,680	315,529	575,832
Amounts written-off	-	-	(133,998)	(133,998)
Other movements	-	-	(12,087)	(12,087)
At 31 December	712,300	785,956	455,576	1,953,832

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	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 33)	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

12. Loans, Advances and Financing (Continued)

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

	Group and Bank	
	2020 RM'000	2019 RM'000
Agriculture, hunting, forestry and fishing	559	1,109
Mining and quarrying	776	978
Manufacturing	213,580	177,841
Construction	314,203	201,291
Wholesale, retail trade, restaurants and hotels	212,724	176,440
Transport, storage and communication	92,750	101,214
Finance, insurance and business services	23,895	19,803
Real estate	181,370	203,346
Community, social and personal services	-	213
Households		
- Purchase of residential properties	466,125	497,044
- Purchase of non-residential properties	96,145	82,771
- Others	76,244	98,760
	1,678,371	1,560,810

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

	Group and Bank	
	2020 RM'000	2019 RM'000
In Malaysia	1,678,371	1,560,810

13. 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.

With effective from 16 May 2020, banks in Malaysia are allowed to use Malaysian Government Securities and Malaysian Government Investment Issues to fully meet the Statutory Reserve Requirement (SRR) compliance. Such flexibility is available until 31 May 2021 and the Bank has utilised such flexibility.

14. Investment in Subsidiaries

	Bank 2020 RM'000	Bank 2019 RM'000
Unquoted shares in Malaysia, at cost		
At 1 January	20	20
At 31 December	20	20
Redeemable preference shares in Malaysia, at cost		
At 1 January	235,000	185,000
Subscription of preference shares (Note (a))	165,000	50,000
At 31 December	400,000	235,000
Total investment in subsidiaries	400,020	235,020

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 RM	Group's effective interest 2020 %	Group's effective interest 2019 %	Principal activities
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 2020, the Bank has subscribed to 400,000,000 units of redeemable preference shares amounting to RM400,000,000, of which RM165,000,000 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.

15. Investment in an Associate

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	33,277	33,277	33,277	33,277
Balance brought forward	(3,205)	(3,435)	-	-
Dividend received (Note 30)	(784)	-	-	-
Share of net profit for the year	104	230	-	-
Share of post-acquisition deficit	(3,885)	(3,205)	-	-
	29,392	30,072	33,277	33,277
Accumulated impairment loss	(19,755)	(19,755)	(19,755)	(19,755)
	9,637	10,317	13,522	13,522

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

	Group's effective interest 2020 %	Group's effective interest 2019 %	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 2020 to conform with its holding company's financial year end.

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

	2020 RM'000	2019 RM'000
Assets and liabilities		
Current assets	21,498	21,170
Total assets	21,498	21,170
Current liabilities	1,749	33
Total liabilities	1,749	33
Results		
Revenue	474	675
Profit before taxation	324	629
Profit for the year	213	470

At 31 December 2020, the amount of goodwill included within the Group is RM19,755,000 (2019: RM19,755,000), all of which are allocated to the investment in associate as a cash generating unit and it has been fully impaired.

16. 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
2020								
Cost or valuation								
At 1 January:								
At cost	-	-	-	263,065	580,638	7,074	217,444	1,068,221
At valuation	89,777	96,846	204,963	-	-	-	-	391,586
	89,777	96,846	204,963	263,065	580,638	7,074	217,444	1,459,807
Additions	-	-	-	11,889	40,443	-	195,295	247,627
Reclassifications	-	-	-	4,903	7,029	-	(11,932)	-
Disposals/write-off	-	-	-	(45,608)	(84,959)	-	-	(130,567)
At 31 December	89,777	96,846	204,963	234,249	543,151	7,074	400,807	1,576,867
Representing:								
At cost	-	-	-	234,249	543,151	7,074	400,807	1,185,281
At valuation	89,777	96,846	204,963	-	-	-	-	391,586
At 31 December	89,777	96,846	204,963	234,249	543,151	7,074	400,807	1,576,867
Accumulated depreciation								
At 1 January	-	18,595	107,040	180,893	395,574	4,976	-	707,078
Depreciation charge (Note 31)	-	1,436	8,382	16,250	48,693	871	-	75,632
Disposals/write-off	-	-	-	(45,560)	(84,617)	-	-	(130,177)
At 31 December	-	20,031	115,422	151,583	359,650	5,847	-	652,533
Impairment loss								
At 1 January	1,810	79	4,640	-	-	-	-	6,529
Additional	90	407	21	-	-	-	-	518
Write-back	-	(28)	(2,241)	-	-	-	-	(2,269)
At 31 December	1,900	458	2,420	-	-	-	-	4,778
Net carrying amount								
At cost	-	-	-	82,666	183,501	1,227	400,807	668,201
At valuation	87,877	76,357	87,121	-	-	-	-	251,355
At 31 December	87,877	76,357	87,121	82,666	183,501	1,227	400,807	919,556

16. 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
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 31)	-	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

16. 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
2020								
Cost								
At 1 January	-	-	-	246,131	580,512	7,072	18,580	852,295
Additions	-	-	-	11,368	40,443	-	56,271	108,082
Reclassifications	-	-	-	465	7,047	-	(7,512)	-
Disposals/write-off	-	-	-	(45,609)	(84,959)	-	-	(130,568)
At 31 December	-	-	-	212,355	543,043	7,072	67,339	829,809
Accumulated depreciation								
At 1 January	-	-	-	176,469	395,500	4,975	-	576,944
Depreciation charge (Note 31)	-	-	-	14,019	48,668	870	-	63,557
Disposals/write-off	-	-	-	(45,560)	(84,616)	-	-	(130,176)
At 31 December	-	-	-	144,928	359,552	5,845	-	510,325
Net carrying amount								
At 31 December	-	-	-	67,427	183,491	1,227	67,339	319,484
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 31)	-	-	-	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

16. 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	
	2020 RM'000	2019 RM'000
Freehold land	18,508	18,508
Freehold buildings	11,167	11,612
Leasehold land and buildings	34,383	35,635
	64,058	65,755

17. 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			
	Group		Bank	
Right-of-use assets	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	20,771	28,470	60,834	88,670
Non-cash additions	72,265	7,589	123,482	7,484
Depreciation charge (Note 31)	(16,062)	(15,288)	(35,565)	(35,320)
At 31 December	76,974	20,771	148,751	60,834
Lease liabilities				
At 1 January	19,523	25,835	58,006	82,488
Non-cash additions	87,210	7,025	126,721	6,920
Accretion of interest (Note 29)	2,136	843	5,319	2,444
Lease payments	(29,669)	(14,180)	(36,238)	(33,846)
At 31 December	79,200	19,523	153,808	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.

17. 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:

2020	Within 1 year RM'000	More than 1 year RM'000	Total RM'000
Group			
Extension options expected not to be exercised	1,359	2,717	4,076
Bank			
Extension options expected not to be exercised	12,048	56,162	68,210
2019			
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

18. Deferred Tax Assets/(Liabilities)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	54,933	82,279	74,542	102,838
Charged to the income statements (Note 34)	44,792	2,867	44,026	(3,972)
Recognised in OCI	(43,991)	(30,213)	(43,991)	(24,324)
At 31 December	55,734	54,933	74,577	74,542

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	74,577	74,542	74,577	74,542
Deferred tax liabilities, net	(18,843)	(19,609)	-	-
	55,734	54,933	74,577	74,542

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

Deferred tax assets	206,001	149,881	223,092	159,318
Deferred tax liabilities	(150,267)	(94,948)	(148,515)	(84,776)
	55,734	54,933	74,577	74,542

18. 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
2020						
At 1 January	56,479	-	4,686	30,018	58,698	149,881
Charged to income statements	(4,881)	-	14,322	(8,876)	55,555	56,120
At 31 December	51,598	-	19,008	21,142	114,253	206,001
2019						
At 1 January 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	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
2020				
At 1 January	38,541	4,985	51,422	94,948
Charged to income statements	(2,161)	13,489	-	11,328
Recognised in OCI	-	-	43,991	43,991
At 31 December	36,380	18,474	95,413	150,267
2019				
At 1 January 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	38,541	4,985	51,422	94,948

18. 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 (Continued):

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
2020						
At 1 January	56,680	-	13,921	30,018	58,699	159,318
Charged to income statements	(5,898)	-	22,993	(8,876)	55,555	63,774
At 31 December	50,782	-	36,914	21,142	114,254	223,092
2019						
At 1 January 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	56,680	-	13,921	30,018	58,699	159,318

Deferred tax liabilities

Bank	Property, plant and equipment RM'000	Right-of-use assets RM'000	FVOCI reserve RM'000	Total RM'000
2020				
At 1 January	18,754	14,600	51,422	84,776
Charged to income statements	(1,352)	21,100	-	19,748
Recognised in OCI	-	-	43,991	43,991
At 31 December	17,402	35,700	95,413	148,515
2019				
At 1 January 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	18,754	14,600	51,422	84,776

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

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	
	2020 RM'000	2019 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 carried forward 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.

19. Deposits from Customers

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Demand deposits #	27,338,425	22,242,524	27,428,341	22,271,013
Savings deposits	5,401,159	4,237,973	5,401,159	4,237,973
Fixed deposits #	58,037,500	61,564,118	58,037,500	61,564,118
Others	2,813,388	1,062,095	2,813,388	1,062,095
	93,590,472	89,106,710	93,680,388	89,135,199

Demand deposits and fixed deposits include the following:

	Group 2020	Group 2019	Bank 2020	Bank 2019
Demand deposits from subsidiaries				
- UOB Properties Bhd	-	-	1,228	462
- UOB Properties (KL) Bhd	-	-	88,688	28,027
	-	-	89,916	28,489
Demand deposits from related companies				
- UOB Centre of Excellence (M) Sdn Bhd	500	500	500	500
- Chung Khiaw Realty Limited	88	3,567	88	3,567
	588	4,067	588	4,067
Fixed deposit from a related company				
- Chung Khiaw Realty Limited	239	366	239	366

19. Deposits from Customers (Continued)

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Due within six months	40,752,152	39,164,050	40,752,152	39,164,050
Six months to one year	17,012,237	22,069,344	17,012,237	22,069,344
One year to three years	262,971	137,679	262,971	137,679
Three years to five years	10,140	193,045	10,140	193,045
	58,037,500	61,564,118	58,037,500	61,564,118

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Business enterprises				
- Subsidiaries	-	-	89,916	28,489
- Related companies	827	4,433	827	4,433
- Others	40,754,371	36,320,318	40,754,371	36,320,318
Individuals	50,459,732	50,828,519	50,459,732	50,828,519
Others	2,375,542	1,953,440	2,375,542	1,953,440
	93,590,472	89,106,710	93,680,388	89,135,199

20. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks in Malaysia	396,613	2,179,238	396,613	2,179,238
Bank Negara Malaysia*	1,153,243	986,627	1,153,243	986,627
Other financial institutions**	15,398,901	11,012,125	15,398,921	11,012,145
	16,948,757	14,177,990	16,948,777	14,178,010

* Included in the deposits from BNM is an amount of RM543,031,000 (2019: RM659,133,000) 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.

Also included herewith is an amount of RM610,212,000 relating to funds received under a government financing scheme for the purpose of SME lending at a below market and concession rate with a six-year maturity to be repaid in June 2026.

** Included in the deposits from other financial institutions are the deposit placement from the ultimate holding company amounting to RM15,397,920,000 (2019: RM11,008,315,000), deposit placement from subsidiaries amounting to RM20,000 (2019: RM20,000) and deposit placement from fellow subsidiaries amounting to RM930,400 (2019: RM1,399,000).

21. Other Liabilities

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Allowances for ECL on commitments and contingencies (Note (c))	132,356	110,732	132,356	110,732
Accrued interest payables	262,411	485,550	262,411	485,550
Accruals and provisions for operational expenses	155,095	176,298	153,615	174,621
Other payables and accruals (Note (a))	1,267,567	1,073,466	1,270,632	1,077,286
Deferred income (Note (b))	88,095	125,076	88,095	125,076
	1,905,524	1,971,122	1,907,109	1,973,265

(a) Included in other payables and accruals are 'Customer Gold Accounts' amounting to RM303,648,000 (2019: RM228,272,000).

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

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

Group and Bank	Stage 1	Stage 2	Stage 3	
2020	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	78,450	18,299	13,983	110,732
Transferred to Stage 1	22,855	(41,888)	-	(19,033)
Transferred to Stage 2	(23,830)	64,993	-	41,163
Transferred to Stage 3	(9)	(22)	9,018	8,987
Allowances made	98,615	30,568	-	129,183
Maturity/settlement/repayment	(100,201)	(32,993)	(5,408)	(138,602)
Foreign translation gain/(loss)	37	(111)	-	(74)
	(2,533)	20,547	3,610	21,624
At 31 December	75,917	38,846	17,593	132,356
2019				
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	158,929	16,766	144	175,839
Maturity/settlement/repayment	(187,393)	(30,273)	(2,640)	(220,306)
Foreign translation loss	(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

22. Subordinated Bonds

	Group and Bank	
	2020	2019
At amortised cost	RM'000	RM'000
RM1 billion subordinated bond 2015/2025, at par (Note (a))	-	1,001,694
RM600 million subordinated bond 2018/2028, at par (Note (b))	627,166	610,526
RM750 million subordinated bond 2020/2030, at par (Note (c))	750,000	-
	1,377,166	1,612,220
Accumulated fair value hedge loss (Note (d))	(27,166)	(12,220)

(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.

On 8 May 2020, the Bond 1 has been fully redeemed.

(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.

22. Subordinated Bonds (Continued)

(c) On 3 August 2020, the Bank issued RM750 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) (the Bond 3).

The Bond 3 bears interest at the rate of 3.00% per annum. The coupon rate here in is applicable throughout the tenure of the subordinated bonds.

The Bond 3 may be redeemed at par at the option of the Bank, in part or in whole, on 1 August 2025 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 3 February and 3 August each year commencing 3 February 2021.

The Bond 3 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.

(d) 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 2020, the Bank had an interest rate swap agreement in place with notional amount of RM600 million (2019: RM600 million) for Bond 2.

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 RM14,946,000 (31 December 2019: unrealised loss of RM10,138,000) are recognised in trading and investment income during the period (Note 30). There is no ineffectiveness recognised for this hedge.

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

	Group and Bank	
	2020 RM'000	2019 RM'000
Gain on hedging instrument	14,946	10,138
Loss on the hedged item attributable to the hedged risk (Note 30)	(14,946)	(10,138)
	-	-

23. Share Capital

	Group and Bank 2020		Group and Bank 2019	
	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

24. Reserves

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Non-distributable					
Revaluation reserve	(a)	184,130	184,130	-	-
FVOCI reserve	2.4(g)(ii) (b) and (c)	309,046	169,736	302,144	162,834
		493,176	353,866	302,144	162,834
Distributable					
Retained profits	(b)	10,174,394	9,763,631	10,236,774	9,830,387
Total reserves		10,667,570	10,117,497	10,538,918	9,993,221

(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 2020 under the single-tier system.

25. 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.

25. Financial Derivatives (Continued)

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
2020			
Foreign exchange contracts			
- Forwards	9,713,638	55,637	184,919
- Swaps	24,958,066	200,756	485,544
- Options	791,805	2,244	1,789
Interest rate related contracts			
- Swaps	33,593,528	496,446	367,052
- Futures	12,851	20	-
- Options	180,000	2,584	242
Equity related contracts			
- Options	118,736	4,263	4,391
Commodity related contracts			
- Swaps	247,483	41,350	8,785
- Futures	224,233	72	29,095
- Options	66,321	10,746	1,097
		814,118	1,082,914
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

25. Financial Derivatives (Continued)

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.

26. Fair Value of Assets and Liabilities

(a) Determination of fair value and fair value hierarchy

Where available, quoted and observable market prices are used as the measure of fair 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.

(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.

26. Fair Value of Assets and Liabilities (Continued)

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

The following tables show the Group's 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
2020				
Assets				
Financial assets at FVTPL	-	4,346,399	-	4,346,399
Debt instruments at FVOCI	-	25,638,935	-	25,638,935
Equity instruments at FVOCI	2,456	-	155,929	158,385
Derivative financial assets	-	814,118	-	814,118
Precious metal accounts	389,136	-	-	389,136
Land and buildings	-	-	251,355	251,355
Total	391,592	30,799,452	407,284	31,598,328
Liabilities				
Derivative financial liabilities	-	1,082,914	-	1,082,914
Total	-	1,082,914	-	1,082,914
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

26. 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
2020				
Assets				
Financial assets at FVTPL	-	4,346,399	-	4,346,399
Debt instruments at FVOCI	-	25,638,935	-	25,638,935
Equity instruments at FVOCI	2,456	-	155,929	158,385
Derivative financial assets	-	814,118	-	814,118
Precious metal accounts	389,136	-	-	389,136
Total	391,592	30,799,452	155,929	31,346,973
Liabilities				
Derivative financial liabilities	-	1,082,914	-	1,082,914
Total	-	1,082,914	-	1,082,914
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

26. 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 2 and Bond 3, 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.

	2020		2019	
Group	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Assets				
Gross loans, advances and financing	87,459,147	84,607,099	86,241,188	85,440,535
Gross debt instruments at amortised cost	524,854	524,854	811,000	811,000
	87,984,001	85,131,953	87,052,188	86,251,535
Liabilities				
Subordinated bonds	1,377,166	1,377,507	1,612,220	1,620,708
Bank				
Assets				
Gross loans, advances and financing	87,562,104	84,710,056	86,354,828	85,554,175
Gross debt instruments at amortised cost	524,854	524,854	811,000	811,000
	88,086,958	85,234,910	87,165,828	86,365,175
Liabilities				
Subordinated bonds	1,377,166	1,377,507	1,612,220	1,620,708

26. 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
2020				
Assets				
Gross loans, advances and financing	-	84,607,099	-	84,607,099
Gross debt instruments at amortised cost	-	524,854	-	524,854
	-	85,131,953	-	85,131,953
Liabilities				
Subordinated bonds	-	1,377,507	-	1,377,507
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

26. Fair Value of Assets and Liabilities (Continued)

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

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Assets				
Gross loans, advances and financing	-	84,710,056	-	84,710,056
Gross debt instruments at amortised cost	-	524,854	-	524,854
	-	85,234,910	-	85,234,910
Liabilities				
Subordinated bonds	-	1,377,507	-	1,377,507
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

26. 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 2019	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
Recognised in OCI	-	24,120	-
Depreciation (recognised in other operating expenses)	-	-	(9,818)
Write-back, net	-	-	1,751
At 31 December 2020	-	155,929	251,355

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 2019 and 2018 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 15 November 2019 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).

26. 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 16 November 2020 revealed that there have been no significant changes in the value reported as per previous revaluation report on 15 November 2019. The preliminary assessment was conducted based on limited available information.

Area	Significant unobservable valuation input:	Range
Central	Price per square metre	RM3,121 - RM11,620
North	Price per square metre	RM2,439 - RM5,789
South	Price per square metre	RM1,560 - RM11,561
East Coast	Price per square metre	RM2,330 - 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 value 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.

27. 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.

28. Interest Income

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans, advances and financing	3,483,615	4,110,589	3,487,248	4,115,804
Credit-impaired loans, advances and financing	64,487	76,949	64,487	76,949
Money at call and deposit placements with financial institutions	161,318	169,451	161,318	169,451
Financial assets at FVTPL	95,822	136,934	95,822	136,934
Debt instruments at FVOCI	670,916	633,896	670,916	633,896
Debt instrument at amortised cost	30,871	16,424	30,871	16,424
	4,507,029	5,144,243	4,510,662	5,149,458
Amortisation of premium less accretion of discount on				
- Financial assets at FVTPL	11,120	(622)	11,120	(622)
- Debt instruments at FVOCI	(70,512)	(21,466)	(70,512)	(21,466)
	4,447,637	5,122,155	4,451,270	5,127,370

29. Interest Expense

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits from customers	2,053,156	2,710,389	2,053,811	2,711,325
Deposits and placements of banks and other financial institutions	135,352	236,878	135,352	236,878
Subordinated bonds	46,071	72,033	46,071	72,033
Lease liabilities (Note 17)	2,136	843	5,319	2,444
Others	10,874	20,811	10,874	20,811
	2,247,589	3,040,954	2,251,427	3,043,491

30. Other Operating Income

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fee income				
- Commission	276,268	305,025	276,268	305,025
- Guarantee fees	65,526	78,892	65,525	78,892
- Service charges and fees	172,556	228,651	172,893	228,988
Less: Fee expenses	(57,527)	(66,980)	(57,527)	(66,980)
	115,029	161,671	115,366	162,008
- Commitment fees	33,578	37,864	33,578	37,864
- Arrangement and participation fees	4,524	16,406	4,524	16,406
	494,925	599,858	495,261	600,195
Trading and investment income				
- Gain from sale of financial assets at FVTPL	44,899	16,601	44,899	16,601
- Unrealised (loss)/gain on financial assets at FVTPL	(4,228)	3,001	(4,228)	3,001
- (Loss)/gain from trading derivatives	(998)	26,489	(998)	26,489
- Unrealised gain from trading derivatives	70,644	6,866	70,644	6,866
- Unrealised loss on fair value hedge (Note 22(d))	(14,946)	(10,138)	(14,946)	(10,138)
- Gain/(loss) from sale of precious metals	6,872	(2,188)	6,872	(2,188)
- Unrealised loss from revaluation of precious metals	(3,566)	(1,373)	(3,566)	(1,373)
- Gain from sale of debt instruments at FVOCI	148,071	99,960	148,071	99,960
- Gross dividends from equity instruments at FVOCI	959	3,342	959	3,342
- Gross dividends from an associate (Note 15)	-	-	784	-
	247,707	142,560	248,491	142,560
Other income				
- Foreign exchange gain, net	177,709	214,688	177,709	214,688
- Rental income from operating leases	64	80	-	-
- Others	18,441	15,224	18,436	15,224
	196,214	229,992	196,145	229,912
	938,846	972,410	939,897	972,667

31. Other Operating Expenses

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personnel expenses	800,389	822,372	796,269	817,743
Establishment related expenses	335,972	295,729	345,990	306,658
Promotion and marketing related expenses	29,161	40,474	29,134	40,388
General administrative expenses	114,550	107,256	114,219	107,026
	1,280,072	1,265,831	1,285,612	1,271,815
Personnel expenses				
- Wages, salaries and bonus	624,318	635,113	620,935	631,364
- Defined contribution plan	96,602	100,217	96,098	99,667
- Other employee benefits	79,469	87,042	79,236	86,712
	800,389	822,372	796,269	817,743
Establishment related expenses				
- Depreciation of property, plant and equipment (Note 16)	75,632	69,321	63,557	57,838
- Depreciation of right-of-use assets (Note 17)	16,062	15,288	35,565	35,320
- Information technology costs	155,412	105,888	155,412	105,888
- Repair and maintenance	41,811	49,519	40,788	48,515
- Short-term lease expenses	509	1,560	509	1,560
- Others	46,546	54,153	50,159	57,537
	335,972	295,729	345,990	306,658
Promotion and marketing related expenses				
- Advertising and publicity	29,161	40,474	29,134	40,388
General administrative expenses				
- Fees and commissions paid	28,302	31,098	28,054	30,937
- Auditors' remuneration				
- Statutory audit	1,169	1,239	1,143	1,213
- Assurance related services	105	105	105	105
- Others	93	118	93	118
	1,367	1,462	1,341	1,436
Others	84,881	74,696	84,824	74,653
	114,550	107,256	114,219	107,026

32. 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	
	2020 RM'000	2019 RM'000
Chief Executive Officer		
- Salary and other remuneration	1,617	1,602
- Bonus	2,122	2,101
- Benefits-in-kind	1,337	1,775
Non-executive directors		
- Fees	805	817
Shariah Committee members (Note 47(r))	325	333
	6,206	6,628

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	
	2020	2019
Chief Executive Officer		
RM1 to RM6,000,000	1	1
Non-executive directors		
RM1 to RM100,000	1	1
RM100,001 to RM300,000	4	4

32. Chief Executive Officer, Non-Executive Directors and Shariah Committee Members' Remuneration (Continued)

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
2020					
Chief Executive Officer					
Wong Kim Choong	1,617	-	2,122	1,337	5,076
Non-executive directors					
Dr Wee Cho Yaw (retired on 12 April 2019)	-	41	-	-	41
Dato' Jeffrey Ng Tiong Lip	-	253	-	-	253
Fatimah Binti Merican	-	172	-	-	172
Ching Yew Chye	-	172	-	-	172
Datuk Phang Ah Tong (appointed on 2 January 2019)	-	167	-	-	167
	1,617	805	2,122	1,337	5,881
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

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Allowances for ECL on loans, advances and financing (Note 12(vi))				
- Stage 1 ECL	(158,298)	71,954	(158,377)	72,009
- Stage 2 ECL	418,680	5,107	418,680	5,107
- Stage 3 ECL	315,529	224,363	315,529	224,363
Credit-impaired loans, advances and financing				
- Written-off	32,569	40,662	32,569	40,662
- Recovered	(71,257)	(88,723)	(71,257)	(88,723)
	537,223	253,363	537,144	253,418

	Group and Bank	
	2020 RM'000	2019 RM'000
Allowances for/(write-back of) ECL on other financial assets		
- Stage 1 ECL	24,058	12,308
- Stage 2 ECL	1,082	(24)
	25,140	12,284

34. Income Tax Expense

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax				
- Malaysian income tax in respect of current financial year	371,906	401,012	368,929	398,156
- Under/(over) provision in prior financial years	1,845	(19,173)	1,962	(17,585)
	373,751	381,839	370,891	380,571
Deferred tax (Note 18)				
- Relating to origination and reversal of temporary differences	(44,069)	(7,795)	(43,579)	(6,827)
- (Over)/under provision in prior financial years	(723)	4,928	(447)	10,799
	(44,792)	(2,867)	(44,026)	3,972
	328,959	378,972	326,865	384,543

34. Income Tax Expense (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation	1,346,962	1,602,342	1,340,492	1,598,786
Taxation at Malaysian statutory tax rate of 24%	323,271	384,562	321,718	383,709
Effects of income not subject to tax	(230)	(804)	(230)	(804)
Effects of expenses not deductible for tax purposes	4,821	9,514	3,862	8,424
Effects of share of an associate's post-tax profit included in Group's profit before taxation	(25)	(55)	-	-
Under/(over) provision of tax expense in prior financial years	1,845	(19,173)	1,962	(17,585)
(Over)/under provision of deferred tax in prior financial years	(723)	4,928	(447)	10,799
Tax expense for the financial year	328,959	378,972	326,865	384,543

35. 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 RM1,018,003,000 (2019: RM1,223,370,000) and on the number of issued and fully paid ordinary shares during the year of 470,000,000 (2019: 470,000,000).

36. Dividends

	Group and Bank 2020		Group and Bank 2019	
	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	129.2	607,240	105.3	494,910
Proposed final dividend for the current financial year	107.9	507,130	129.2	607,240

36. Dividends (Continued)

At the forthcoming Annual General Meeting, a final single-tier dividend of 107.9 sen in respect of the financial year ended 31 December 2020 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM507,130,000, 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 2021.

37. 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 14 and 15) 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.

37. Significant Related Party Transactions and Balances (Continued)

(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.

2020	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	61	-	3,633	-	98	-
- Commission income	-	-	-	-	-	21,747
- Dividend income	-	-	-	784	-	-
- Service charge income	34	24	337	-	-	8
- Other income	6,619	-	-	-	-	1,235
	6,714	24	3,970	784	98	22,990
Expenditure						
- Interest on deposits	85,720	-	655	490	563	6
- Interest expense from lease liabilities	-	-	3,183	-	-	-
- Other expenses	151,071	-	5,056	-	-	-
	236,791	-	8,894	490	563	6
Assets						
- Cash and short-term funds	88,712	-	-	-	-	5,160
- Loans, advances and financing	-	-	102,957	-	3,542	-
- Other assets	1,178	167	5,154	-	-	1,235
- Right-of-use assets	-	-	71,777	-	-	-
	89,890	167	179,888	-	3,542	6,395
Liabilities						
- Deposits from customers	-	-	89,916	22,403	27,723	827
- Deposits and placements of banks and other financial institutions	15,397,920	-	20	-	-	930
- Other liabilities	22,069	-	1,372	-	-	-
- Lease liabilities	-	-	74,608	-	-	-
	15,419,989	-	165,916	22,403	27,723	1,757

37. Significant Related Party Transactions and Balances (Continued)

(b) Related parties transactions (Continued)

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	-
- Commission income	-	-	-	-	-	7,377
- Service charge income	34	24	336	-	-	8
- Other income	15,144	-	-	-	-	-
	15,689	24	5,551	-	145	7,385
Expenditure						
- Interest on deposits	145,968	-	936	620	690	10
- Interest expense from lease liabilities	-	-	1,601	-	-	-
- Rental expense	-	-	-	-	-	169
- Other expenses	103,708	-	4,971	-	-	327
	249,676	-	7,508	620	690	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	5,093	-	-	-
- Right-of-use assets	-	-	40,063	-	-	-
	379,930	143	158,796	-	3,688	3,339
Liabilities						
- Deposits from customers	-	-	28,489	21,213	23,377	4,432
- Deposits and placements of banks and other financial institutions	11,008,315	-	20	-	-	1,399
- Other liabilities	51,081	-	-	-	-	-
- Lease liabilities	-	-	38,483	-	-	-
	11,059,396	-	66,992	21,213	23,377	5,831

37. 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	
	2020 RM'000	2019 RM'000
Short-term employee benefits	28,554	28,897
Post employment benefits: defined contribution plan	3,617	3,455
Share-based payment*	6,158	6,413
	38,329	38,765

* 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 2020, the number of options held by key management personnel were 233,185 (2019: 242,990).

38. Commitments and Contingencies

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2020			
Direct credit substitutes	2,627,192	2,549,849	1,727,545
Transaction-related contingent items	5,866,993	2,910,012	1,801,497
Short-term self-liquidating trade-related contingencies	436,465	99,150	61,223
Foreign exchange related contracts			
- Not more than one year	35,267,102	670,627	182,943
- More than one year to less than five years	196,407	17,149	11,954
Interest rate related contracts			
- Not more than one year	6,219,513	94,004	44,549
- More than one year to less than five years	25,759,642	1,196,853	516,581
- Five years and above	1,807,224	242,603	126,779
Equity related contracts			
- Not more than one year	118,736	-	-
Commodity related contracts			
- Not more than one year	518,729	78,012	56,693
- More than one year to less than five years	19,308	653	65
Undrawn credit facilities			
- Not more than one year	19,886,620	986,423	179,466
- More than one year	6,483,994	4,456,619	2,852,274
- Unconditionally cancellable	15,729,993	5,944,293	768,911
Other commitments	549,237	312,958	312,957
	121,487,155	19,559,205	8,643,437

38. Commitments and Contingencies (Continued)

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

38. Commitments and Contingencies (Continued)

Bank	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2020			
Direct credit substitutes	2,627,192	2,549,849	1,727,545
Transaction-related contingent items	5,866,993	2,910,012	1,801,497
Short-term self-liquidating trade-related contingencies	436,465	99,150	61,223
Foreign exchange related contracts			
- Not more than one year	35,267,102	670,627	182,943
- More than one year to less than five years	196,407	17,149	11,954
Interest rate related contracts			
- Not more than one year	6,219,513	94,004	44,549
- More than one year to less than five years	25,759,642	1,196,853	516,581
- Five years and above	1,807,224	242,603	126,779
Equity related contracts			
- Not more than one year	118,736	-	-
Commodity related contracts			
- Not more than one year	518,729	78,012	56,693
- More than one year to less than five years	19,308	653	65
Undrawn credit facilities			
- Not more than one year	19,886,620	986,423	179,466
- More than one year	6,483,994	4,456,619	2,852,274
- Unconditionally cancellable	15,729,993	5,944,293	768,911
Other commitments	290,779	54,501	54,499
	121,228,697	19,300,748	8,384,979

38. 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

39. Capital Commitments

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure for property, plant and equipment				
- Authorised and contracted for	312,958	404,192	54,501	51,792

40. 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 Markets 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:

40.1 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.

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(a) Credit risk management (Continued)

Maximum exposure to credit risk

Group	2020 RM'000	2019 RM'000
Cash and short-term funds	6,069,508	1,330,265
Deposits and placements with financial institutions	1,149,710	499,864
Securities purchased under resale agreements	1,170,004	3,568,380
Financial assets at FVTPL	4,346,399	4,206,956
Debt instruments at FVOCI	25,638,935	20,026,345
Debt instruments at amortised cost	519,844	803,460
Other assets	498,404	327,938
Derivative financial assets	814,118	435,026
Loans, advances and financing	85,506,564	84,718,431
Statutory deposits with BNM	196,451	1,722,676
Total gross financial assets	125,909,937	117,639,341
Financial assets not subject to credit risk	1,801,655	1,333,230
	127,711,592	118,972,571
Commitments and contingencies	121,487,155	103,186,530

Bank	2020 RM'000	2019 RM'000
Cash and short-term funds	6,069,508	1,330,265
Deposits and placements with financial institutions	1,149,710	499,864
Securities purchased under resale agreements	1,170,004	3,568,380
Financial assets at FVTPL	4,346,399	4,206,956
Debt instruments at FVOCI	25,638,935	20,026,345
Debt instruments at amortised cost	519,844	803,460
Other assets	498,404	327,938
Derivative financial assets	814,118	435,026
Loans, advances and financing	85,608,272	84,830,743
Statutory deposits with BNM	196,451	1,722,676
Total gross financial assets	126,011,645	117,751,653
Financial assets not subject to credit risk	1,717,899	1,145,729
	127,729,544	118,897,382
Commitments and contingencies	121,228,697	102,834,131

40. Financial Risk Management (Continued)

40.1 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.

40. Financial Risk Management (Continued)

40.1 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)

The MEV data is obtained from Bank Negara Malaysia and in-house economist, which GDP forecast range from -3.5% to 5.2% (2019: -3.5% to 5.2%); CPI forecast range from -0.5% to 3.0% (2019: 2.5% to 4.0%); BLR range from 5.7% to 6.7% (2019: 5.1% to 7.3%); PPI forecast range from -20.0% to 4.0% (2019: -10.0% to 4.5%); and unemployment rates range from 3.2% to 5.0% (2019: 3.3% to 4.4%).

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.

(v) Management overlays

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and ongoing COVID-19 pandemic, proactive provisioning through management overlay, forward looking assumptions for weakening macroeconomic variables have been applied to determine a sufficient overall level of ECLs for the year ended as at 31 December 2020.

As the COVID-19 pandemic continued to pose significant uncertainties to the economic landscape and all business environments, the overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECLs. The Group and the Bank applied their best credit judgement based on information available on-hand to determine the Group's and the Bank's ECL including proactive provisioning through management overlays.

The effect of COVID-19 specific overlays for ECL to profit or loss during the financial year is RM143,542,000.

40. Financial Risk Management (Continued)

40.1 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 2020	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	-	-	-	-	1,807,003	-	1,807,003	1,245,594
Mining and quarrying	-	-	-	-	1,059,651	-	1,059,651	440,603
Manufacturing	-	-	-	-	7,061,469	-	7,061,469	13,550,392
Electricity, gas and water	-	-	69,093	-	246,156	-	315,249	482,280
Construction	-	-	9,405	-	7,037,746	-	7,047,151	15,120,912
Wholesale, retail trade, restaurants and hotels	-	-	-	-	10,936,978	-	10,936,978	12,239,652
Transport, storage and communication	-	-	447,680	210,296	1,935,400	-	2,593,376	1,428,603
Finance, insurance and business services	8,389,222	4,346,399	24,789,521	309,548	4,052,598	1,508,973	43,396,261	62,474,004
Real estate	-	-	50,782	-	3,956,939	-	4,007,721	1,314,814
Community, social and personal services	-	-	272,454	-	151,182	-	423,636	40,196
Households								
- Purchase of residential properties	-	-	-	-	33,457,776	-	33,457,776	-
- Purchase of non-residential properties	-	-	-	-	8,533,590	-	8,533,590	-
- Others	-	-	-	-	5,270,076	-	5,270,076	12,040,325
Others	-	-	-	-	-	-	-	1,109,780
Other assets not subject to credit risk	-	-	-	-	-	1,801,655	1,801,655	-
	8,389,222	4,346,399	25,638,935	519,844	85,506,564	3,310,628	127,711,592	121,487,155

40. Financial Risk Management (Continued)

40.1 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 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

40. Financial Risk Management (Continued)

40.1 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 2020	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	-	-	-	-	1,807,003	-	1,807,003	1,245,594
Mining and quarrying	-	-	-	-	1,059,651	-	1,059,651	440,603
Manufacturing	-	-	-	-	7,061,469	-	7,061,469	13,550,392
Electricity, gas and water	-	-	69,093	-	246,156	-	315,249	482,280
Construction	-	-	9,405	-	7,037,746	-	7,047,151	15,120,912
Wholesale, retail trade, restaurants and hotels	-	-	-	-	10,936,978	-	10,936,978	12,239,652
Transport, storage and communication	-	-	447,680	210,296	1,935,400	-	2,593,376	1,428,603
Finance, insurance and business services	8,389,222	4,346,399	24,789,521	309,548	4,052,598	1,508,973	43,396,261	62,474,004
Real estate	-	-	50,782	-	4,058,647	-	4,109,429	1,056,356
Community, social and personal services	-	-	272,454	-	151,182	-	423,636	40,196
Households								
- Purchase of residential properties	-	-	-	-	33,457,776	-	33,457,776	-
- Purchase of non-residential properties	-	-	-	-	8,533,590	-	8,533,590	-
- Others	-	-	-	-	5,270,076	-	5,270,076	12,040,325
Others	-	-	-	-	-	-	-	1,109,780
Other assets not subject to credit risk	-	-	-	-	-	1,717,899	1,717,899	-
	8,389,222	4,346,399	25,638,935	519,844	85,608,272	3,226,872	127,729,544	121,228,697

40. Financial Risk Management (Continued)

40.1 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

40. Financial Risk Management (Continued)

40.1 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 allowances 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
2020			
Credit-impaired loans, advances and financing	1,178,044	1,678,371	500,327
2019			
Credit-impaired loans, advances and financing	1,181,837	1,560,810	378,973

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 RM1,178,044,000 (2019: RM1,181,837,000) 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 2020 and 31 December 2019, there were no repossessed collaterals.

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(e) Credit exposure analysed by geography

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2020			
Cash and short-term funds	4,780,793	1,288,715	6,069,508
Deposits and placements with financial institutions	1,149,710	-	1,149,710
Securities purchased under resale agreements	1,170,004	-	1,170,004
Financial assets at FVTPL	4,346,399	-	4,346,399
Debt instruments at FVOCI	25,638,935	-	25,638,935
Debt instruments at amortised cost	519,844	-	519,844
Other assets	451,255	47,149	498,404
Derivative financial assets	765,829	48,289	814,118
Loans, advances and financing	78,757,372	6,749,192	85,506,564
Statutory deposits with BNM	196,451	-	196,451
Financial assets not subject to credit risk	1,726,458	75,197	1,801,655
	119,503,050	8,208,542	127,711,592
Commitments and contingencies	109,449,506	12,037,649	121,487,155
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

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(e) Credit exposure analysed by geography (Continued)

Bank	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2020			
Cash and short-term funds	4,780,793	1,288,715	6,069,508
Deposits and placements with financial institutions	1,149,710	-	1,149,710
Securities purchased under resale agreements	1,170,004	-	1,170,004
Financial assets at FVTPL	4,346,399	-	4,346,399
Debt instruments at FVOCI	25,638,935	-	25,638,935
Debt instruments at amortised cost	519,844	-	519,844
Other assets	451,255	47,149	498,404
Derivative financial assets	765,829	48,289	814,118
Loans, advances and financing	78,859,080	6,749,192	85,608,272
Statutory deposits with BNM	196,451	-	196,451
Financial assets not subject to credit risk	1,642,702	75,197	1,717,899
	119,521,002	8,208,542	127,729,544
Commitments and contingencies	109,191,048	12,037,649	121,228,697
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

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(f) Credit quality of financial assets and financial liabilities

The 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.

40. Financial Risk Management (Continued)

40.1 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
2020				
Pass	77,442,843	6,472,916	-	83,915,759
Special mention	-	1,865,017	-	1,865,017
Substandard	-	-	1,200,556	1,200,556
Doubtful	-	-	154,041	154,041
Loss	-	-	323,774	323,774
	77,442,843	8,337,933	1,678,371	87,459,147
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

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Pass	77,545,800	6,472,916	-	84,018,716
Special mention	-	1,865,017	-	1,865,017
Substandard	-	-	1,200,556	1,200,556
Doubtful	-	-	154,041	154,041
Loss	-	-	323,774	323,774
	77,545,800	8,337,933	1,678,371	87,562,104
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

40. Financial Risk Management (Continued)

40.1 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
2020				
Pass	42,681,062	2,784,524	-	45,465,586
Special mention	-	218,229	-	218,229
Substandard	-	-	12,780	12,780
Doubtful	-	-	562	562
Loss	-	-	16,343	16,343
	42,681,062	3,002,753	29,685	45,713,500
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

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Pass	42,422,605	2,784,524	-	45,207,129
Special mention	-	218,229	-	218,229
Substandard	-	-	12,780	12,780
Doubtful			562	562
Loss	-	-	16,343	16,343
	42,422,605	3,002,753	29,685	45,455,043
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

40. Financial Risk Management (Continued)

40.1 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
2020				
Investment grade	25,589,570	-	-	25,589,570
Non-investment grade	-	-	49,365	49,365
	25,589,570	-	49,365	25,638,935
2019				
Investment grade	19,976,980	-	-	19,976,980
Non-investment grade	-	-	49,365	49,365
	19,976,980	-	49,365	20,026,345

Debt instruments at amortised cost

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Unrated	524,854	-	-	524,854
2019				
Unrated	811,000	-	-	811,000

Cash and short-term funds

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Pass	6,126,178	-	-	6,126,178
2019				
Pass	1,366,720	-	-	1,366,720

40. Financial Risk Management (Continued)

40.1 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
2020				
Pass	1,150,000	-	-	1,150,000
2019				
Pass	500,000	-	-	500,000

Other assets

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Pass	905,604	159,615	-	1,065,219
2019				
Pass	625,290	52,356	-	677,646
Bank				
2020				
Pass	940,149	165,704	-	1,105,853
2019				
Pass	629,959	52,747	-	682,706

40. Financial Risk Management (Continued)

40.1 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
2020				
Gross carrying amount as at 1 January	79,688,890	4,991,488	1,560,810	86,241,188
Transferred to Stage 1	5,778,135	(5,758,294)	(19,841)	-
Transferred to Stage 2	(9,828,150)	9,988,422	(160,272)	-
Transferred to Stage 3	(43,757)	(608,149)	651,906	-
Net increase/(decrease)	1,847,725	(275,534)	(204,696)	1,367,495
Write-off	-	-	(149,536)	(149,536)
Balance as at 31 December	77,442,843	8,337,933	1,678,371	87,459,147
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
Bank				
2020				
Gross carrying amount as at 1 January	79,802,530	4,991,488	1,560,810	86,354,828
Transferred to Stage 1	5,778,135	(5,758,294)	(19,841)	-
Transferred to Stage 2	(9,828,150)	9,988,422	(160,272)	-
Transferred to Stage 3	(43,757)	(608,149)	651,906	-
Net increase/(decrease)	1,837,042	(275,534)	(204,696)	1,356,812
Write-off	-	-	(149,536)	(149,536)
Balance as at 31 December	77,545,800	8,337,933	1,678,371	87,562,104

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(g) Expected credit loss allowances (Continued)

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

Bank (Continued)	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

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
2020				
Gross carrying amount as at 1 January	41,853,055	1,589,279	24,750	43,467,084
Transferred to Stage 1	4,431,707	(4,431,707)	-	-
Transferred to Stage 2	(6,212,319)	6,212,319	-	-
Transferred to Stage 3	(4,478)	(5,476)	9,954	-
Net increase/(decrease)	2,613,097	(361,662)	(5,019)	2,246,416
Balance as at 31 December	42,681,062	3,002,753	29,685	45,713,500
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

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(g) Expected credit loss allowances (Continued)

Movements in gross carrying amount between stages for irrevocable commitments and contingencies are as follows (Continued):

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Gross carrying amount as at 1 January	41,502,083	1,589,279	24,750	43,116,112
Transferred to Stage 1	4,431,707	(4,431,707)	-	-
Transferred to Stage 2	(6,212,319)	6,212,319	-	-
Transferred to Stage 3	(4,478)	(5,476)	9,954	-
Net increase/(decrease)	2,705,612	(361,662)	(5,019)	2,338,931
Balance as at 31 December	42,422,605	3,002,753	29,685	45,455,043
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

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 2020 was RM6,126,178,000 (2019: RM1,366,720,000).

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 2020 was RM1,150,000,000 (2019: RM500,000,000).

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 2020 was RM25,589,570,000 (2019: RM19,976,980,000). Gross balance in Stage 3 as at 31 December 2020 was RM49,365,000 (2019: 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 2020 was RM524,854,000 (2019: RM811,000,000).

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 2020 was RM905,604,000 (2019: RM625,290,000) and RM159,615,000 (2019: RM52,356,000) respectively. The Bank's gross balances in Stage 1 and Stage 2 as at 31 December 2020 was RM940,149,000 (2019: RM629,959,000) and RM165,704,000 (2019: RM52,747,000) respectively.

40. Financial Risk Management (Continued)

40.2 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 40.2(iii).

(ii) Interest rate/rate of return risk in the banking book

Interest rate/rate of return risk 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 policies as approved by the Board.

The Economic Value of Equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate/rate of return shocks were negative RM281 million and RM545 million (2019: negative RM156 million and RM297 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.

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(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. Market risk stress tests are conducted to complement the daily ES. The table below shows the ES profile by risk classes.

2020	Year end RM'000	High RM'000	Low RM'000	Average RM'000
Interest/profit rate	3,375	10,615	883	4,466
Foreign exchange	1,737	3,191	75	868
Commodities	145	560	5	155
Option volatility	135	426	3	113
Total diversified ES	7,843	15,455	2,555	7,794
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

41. Liquidity Risk

Liquidity risk is the risk that the Group and the Bank is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Group and the Bank manage liquidity risk in accordance with the liquidity framework approved by the Board and by Board delegated commitees. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group and the Bank are also required by the 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.

41. Liquidity Risk (Continued)

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
2020						
Assets						
Cash and short-term funds	6,069,511	-	-	-	-	6,069,511
Deposits and placements with financial institutions	1,154,260	-	-	-	-	1,154,260
Securities purchased under resale agreements	1,176,219	-	-	-	-	1,176,219
Financial assets at FVTPL	1,632,497	1,442,807	480,072	695,510	116,554	4,367,440
Debt instruments at FVOCI	4,966,889	2,230,131	2,063,348	14,304,348	3,441,442	27,006,158
Equity instruments at FVOCI	-	-	-	-	158,385	158,385
Debt instruments at amortised cost	201,916	-	42,366	287,005	118,030	649,317
Other assets	650,045	-	-	-	-	650,045
Derivative financial assets	174,209	59,491	124,301	386,936	69,181	814,118
Loans, advances and financing	19,606,704	4,261,969	4,782,066	24,663,541	59,227,940	112,542,220
Statutory deposits with BNM	-	-	-	-	196,451	196,451
	35,632,250	7,994,398	7,492,153	40,337,340	63,327,983	154,784,124
Liabilities						
Deposits from customers	60,598,681	15,910,852	17,254,897	299,145	-	94,063,575
Deposits and placements of banks and other financial institutions	12,987,278	2,813,061	1,887	15,096	1,134,374	16,951,696
Obligations on securities sold under repurchase agreements	925,913	-	-	-	-	925,913
Bills and acceptances payable	205,025	-	-	-	-	205,025
Other liabilities	575,279	22,576	3,515	-	-	601,370
Derivative financial liabilities	548,015	134,861	38,670	291,307	70,061	1,082,914
Lease liabilities	-	-	10,998	22,806	45,396	79,200
Subordinated bonds	-	-	-	-	1,805,462	1,805,462
	75,840,191	18,881,350	17,309,967	628,354	3,055,293	115,715,155
Net maturity mismatches	(40,207,941)	(10,886,952)	(9,817,814)	39,708,986	60,272,690	
Off-balance sheet liabilities						
Credit and commitments	28,444,762	8,813,102	13,909,899	31,655,608	4,877,405	87,700,776
Derivatives	6,209	8,896	27,303	188,051	(3,559)	226,900
Net maturity mismatches	28,450,971	8,821,998	13,937,202	31,843,659	4,873,846	87,927,676

41. Liquidity Risk (Continued)

Group 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	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
	31,806,387	8,056,120	11,277,915	38,341,685	64,062,602	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	(34,139,922)	(8,009,772)	(11,590,172)	36,501,961	62,486,999	
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

41. Liquidity Risk (Continued)

Bank 2020	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	6,069,511	-	-	-	-	6,069,511
Deposits and placements with financial institutions	1,154,260	-	-	-	-	1,154,260
Securities purchased under resale agreements	1,176,219	-	-	-	-	1,176,219
Financial assets at FVTPL	1,632,497	1,442,807	480,072	695,510	116,554	4,367,440
Debt instruments at FVOCI	4,966,889	2,230,131	2,063,348	14,304,348	3,441,442	27,006,158
Equity instruments at FVOCI	-	-	-	-	158,385	158,385
Debt instruments at amortised cost	201,916	-	42,366	287,005	118,030	649,317
Other assets	650,045	-	-	-	-	650,045
Derivative financial assets	174,209	59,491	124,301	386,936	69,181	814,118
Loans, advances and financing	19,606,704	4,261,969	4,782,066	24,663,541	59,329,648	112,643,928
Statutory deposits with BNM	-	-	-	-	196,451	196,451
	35,632,250	7,994,398	7,492,153	40,337,340	63,429,691	154,885,832
Liabilities						
Deposits from customers	60,688,597	15,910,852	17,254,897	299,145	-	94,153,491
Deposits and placements of banks and other financial institutions	12,987,298	2,813,061	1,887	15,096	1,134,374	16,951,716
Obligations on securities sold under repurchase agreements	925,913	-	-	-	-	925,913
Bills and acceptances payable	205,025	-	-	-	-	205,025
Other liabilities	575,279	22,576	3,515	-	-	601,370
Derivative financial liabilities	548,015	134,861	38,670	291,307	70,061	1,082,914
Lease liabilities	-	-	10,998	22,806	120,004	153,808
Subordinated bonds	-	-	-	-	1,805,462	1,805,462
	75,930,127	18,881,350	17,309,967	628,354	3,129,901	115,879,699
Net maturity mismatches	(40,297,877)	(10,886,952)	(9,817,814)	39,708,986	60,299,790	
Off-balance sheet liabilities						
Credit and commitments	28,444,762	8,813,102	13,909,899	31,655,608	4,618,947	87,442,318
Derivatives	6,209	8,896	27,303	188,051	(3,559)	226,900
Net maturity mismatches	28,450,971	8,821,998	13,937,202	31,843,659	4,615,388	87,669,218

41. Liquidity Risk (Continued)

Bank 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	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
	31,806,387	8,056,120	11,277,915	38,341,685	64,174,914	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	(34,168,431)	(8,009,772)	(11,590,172)	36,463,478	62,599,311	
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

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 38. These have been incorporated in the net off-balance sheet positions for the financial years ended 31 December 2020 and 31 December 2019. 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.

42. 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	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2020			
Assets			
Cash and short-term funds	6,069,508	-	6,069,508
Deposits and placements with financial institutions	1,149,710	-	1,149,710
Securities purchased under resale agreements	1,170,004	-	1,170,004
Financial assets at FVTPL	3,541,712	804,687	4,346,399
Debt instruments at FVOCI	9,371,472	16,267,463	25,638,935
Equity instruments at FVOCI	-	158,385	158,385
Debt instruments at amortised cost	54,738	465,106	519,844
Other assets	1,050,156	10,774	1,060,930
Derivative financial assets	358,001	456,117	814,118
Loans, advances and financing	26,357,498	59,149,066	85,506,564
Statutory deposits with BNM	-	196,451	196,451
Investment in an associate	-	9,637	9,637
Property, plant and equipment	-	919,556	919,556
Right-of-use assets	10,138	66,836	76,974
Deferred tax assets	-	74,577	74,577
Total assets	49,132,937	78,578,655	127,711,592
Liabilities			
Deposits from customers	93,317,361	273,111	93,590,472
Deposits and placements of banks and other financial institutions	15,799,288	1,149,469	16,948,757
Obligations on securities sold under repurchase agreements	924,777	-	924,777
Bills and acceptances payable	205,025	-	205,025
Other liabilities	1,685,112	220,412	1,905,524
Derivative financial liabilities	721,546	361,368	1,082,914
Tax payable	118,789	-	118,789
Lease liabilities	10,998	68,202	79,200
Subordinated bonds	-	1,377,166	1,377,166
Deferred tax liabilities	-	18,843	18,843
Total liabilities	112,782,896	3,468,571	116,251,467
Net mismatch	(63,649,959)	75,110,084	11,460,125

42. Maturity Analysis of Assets and Liabilities (Continued)

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	48,449,924	70,522,647	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	(56,648,859)	67,558,911	10,910,052

42. Maturity Analysis of Assets and Liabilities (Continued)

Bank 2020	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	6,069,508	-	6,069,508
Deposits and placements with financial institutions	1,149,710	-	1,149,710
Securities purchased under resale agreements	1,170,004	-	1,170,004
Financial assets at FVTPL	3,541,712	804,687	4,346,399
Debt instruments at FVOCI	9,371,472	16,267,463	25,638,935
Equity instruments at FVOCI	-	158,385	158,385
Debt instruments at amortised cost	54,738	465,106	519,844
Other assets	1,090,790	10,774	1,101,564
Derivative financial assets	358,001	456,117	814,118
Loans, advances and financing	26,357,498	59,250,774	85,608,272
Statutory deposits with BNM	-	196,451	196,451
Investment in subsidiaries	-	400,020	400,020
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	319,484	319,484
Right-of-use assets	10,137	138,614	148,751
Deferred tax assets	-	74,577	74,577
Total assets	49,173,570	78,555,974	127,729,544
Liabilities			
Deposits from customers	93,407,277	273,111	93,680,388
Deposits and placements of banks and other financial institutions	15,799,308	1,149,469	16,948,777
Obligations on securities sold under repurchase agreements	924,777	-	924,777
Bills and acceptances payable	205,025	-	205,025
Other liabilities	1,686,697	220,412	1,907,109
Derivative financial liabilities	721,546	361,368	1,082,914
Tax payable	118,107	-	118,107
Lease liabilities	10,998	142,810	153,808
Subordinated bonds	-	1,377,166	1,377,166
Total liabilities	112,873,735	3,524,336	116,398,071
Net mismatch	(63,700,165)	75,031,638	11,331,473

42. Maturity Analysis of Assets and Liabilities (Continued)

Bank 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	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	48,454,984	70,442,398	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	(56,674,012)	67,459,788	10,785,776

43. 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
2020					
Financial assets					
Derivative financial assets	814,118	-	814,118	(129,043)	685,075
Financial liabilities					
Derivative financial liabilities	1,082,914	-	1,082,914	(266,299)	816,615
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

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.

44. 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:

Retail

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.

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group (FIG), Multinational Corporates (MNC), Investment Banking and Transaction Banking. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies. FIG serves financial institutions as well as non-bank financial institutions. Commercial Banking, Corporate Banking, MNC and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, ship finance, trade finance, structured finance, cash management and cross-border payments. Investment Banking provides services that include principal advisor, lead manager and facility agent for the arrangement of both syndicated loans and Private Debt Securities. Transaction Banking provides trade finance and cash management services.

Global Markets (GM)

The GM segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, commodities, gold products, as well as an array of structured products. It is a player in Malaysian Ringgit treasury instruments in the region. It also engages in proprietary investment activities and management of excess liquidity and capital funds.

Others

Other segments include corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.

44. 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
2020							
Operating income	1,602,110	1,159,713	444,111	26,859	3,232,793	(23,627)	3,209,166
Other operating expenses	(771,480)	(278,293)	(81,120)	(174,020)	(1,304,913)	24,841	(1,280,072)
Allowances for ECL	(375,609)	(208,102)	-	(228)	(583,939)	(48)	(583,987)
Write-back of property, plant and equipment	-	-	-	1,751	1,751	-	1,751
Share of net profit of an associate	-	-	-	104	104	-	104
Profit before taxation	455,021	673,318	362,991	(145,534)	1,345,796	1,166	1,346,962
Income tax expense							(328,959)
							1,018,003
Other information							
Gross loans, advances and financing	54,792,150	32,484,471	-	285,483	87,562,104	(102,957)	87,459,147
Deposits from customers	65,032,675	28,636,988	-	10,725	93,680,388	(89,916)	93,590,472
Inter-segment operating income/(expense)	505,409	(50,464)	(468,371)	37,053	23,627	(23,627)	-
Depreciation of property, plant and equipment and right-of-use assets	25,451	8,202	4,518	72,943	111,114	(19,420)	91,694
2019							
Operating income	1,522,675	1,162,950	267,332	166,823	3,119,780	(24,200)	3,095,580
Other operating expenses	(753,341)	(269,502)	(86,751)	(181,516)	(1,291,110)	25,279	(1,265,831)
Allowances for ECL	(68,447)	(159,424)	-	(47)	(227,918)	59	(227,859)
Write-back of property, plant and equipment	-	-	-	222	222	-	222
Share of net profit of an associate	-	-	-	230	230	-	230
Profit before taxation	700,887	734,024	180,581	(14,288)	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	31,690,124	-	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	22,848	7,903	4,772	69,034	104,557	(19,948)	84,609

44. Segment Information (Continued)

Operating segments (Continued)

	Group	
	2020 RM'000	2019 RM'000
Reconciliation of profit before taxation		
Segment profit	1,345,796	1,601,204
Eliminations		
Interest income		
- Interest income from loans, advances and financing	(4,288)	(6,151)
Interest expense		
- Deposits from customers	7,471	7,748
Fee income		
- Service charges and fees	(2,458)	(2,148)
Dividend income	(784)	-
Other income		
- Rental income from operating leases	(23,568)	(23,649)
	(23,627)	(24,200)
(Write-back of)/allowances for ECL	(48)	59
Establishment related expenses		
- Depreciation of property, plant and equipment	(83)	(83)
- Depreciation of right-of-use assets	19,503	20,032
- Others	5,421	5,325
Promotion and marketing related expenses		
- Advertising and publicity	-	2
General administrative expenses		
- Others	-	3
	24,841	25,279
Profit before taxation	1,346,962	1,602,342

45. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	10,174,394	9,763,631	10,236,774	9,830,387
Other reserves	493,176	353,866	302,144	162,834
Regulatory adjustments applied in the calculation of CET1 Capital	(469,918)	(374,785)	(704,740)	(438,805)
Total CET1/Tier 1 Capital	10,990,207	10,535,267	10,626,733	10,346,971
Tier 2 Capital				
Tier 2 Capital instruments	1,350,000	1,600,000	1,350,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	298,644	309,252	299,172	309,953
- General provisions	30,000	25,764	19,249	15,472
Regulatory adjustments applied in the calculation of Tier 2 Capital	82,858	85,508	-	-
Total Tier 2 Capital	1,761,502	2,020,524	1,668,421	1,925,425
Total Capital	12,751,709	12,555,791	12,295,154	12,272,396

45. Capital Management and Capital Adequacy (Continued)

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	2020	2019	2020	2019
CET1/Tier 1 Capital	18.407%	17.073%	18.030%	16.959%
Total Capital	21.358%	20.347%	20.861%	20.115%
CET1/Tier 1 Capital (net of proposed dividends)	17.558%	16.089%	17.170%	15.964%
Total Capital (net of proposed dividends)	20.508%	19.363%	20.001%	19.120%

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 9 December 2020 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total RWA for credit risk	52,985,316	54,113,926	52,213,236	53,407,386
Total RWA for market risk	1,066,648	2,011,892	1,066,648	2,011,892
Total RWA for operational risk	5,653,531	5,581,210	5,658,697	5,590,647
	59,705,495	61,707,028	58,938,581	61,009,925

46. Credit Exposure Arising from Credit Transactions with Connected Parties

	Group and Bank	
	2020	2019
Outstanding credit exposures with connected parties (RM'000)	2,444,468	1,103,846
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.792%	1.278%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.081%	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.

47. Islamic Banking Operations

Statement of financial position
As at 31 December 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Cash and short-term funds	a	1,126,268	48,626
Debt instruments at FVOCI	b	599,582	1,652,244
Debt Instruments at amortised cost	c	99,721	-
Other assets	e	2,565	12,044
Derivative financial assets	f	8,729	2,637
Financing, advances and others	d	6,619,287	4,353,177
Statutory deposits with BNM		-	90,000
Plant and equipment		5,190	6,030
Deferred tax assets		9,975	5,026
Total assets		8,471,317	6,169,784
Liabilities and Islamic Banking funds			
Deposits from customers	g	4,432,076	4,277,118
Investment accounts due to a designated financial institution	h	1,397,425	373,047
Deposits and placements of banks and other financial institutions	i	2,089,319	973,886
Bills and acceptances payable		1,277	802
Other liabilities	j	79,771	79,696
Derivative financial liabilities	f	10,296	3,057
Tax payable		4,580	4,406
Total liabilities		8,014,744	5,712,012
Capital fund		450,000	450,000
Reserves		6,573	7,772
Islamic Banking funds	k	456,573	457,772
Total liabilities and Islamic Banking funds		8,471,317	6,169,784
Commitments and contingencies	s	1,739,540	1,597,453

The notes on pages 219 to 238 are integral part of the financial statements.

47. Islamic Banking Operations (Continued)

Statement of comprehensive income
For the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Income derived from depositors' funds	l	199,688	236,638
Income derived from investment of Islamic Banking funds	m	21,013	20,852
Income derived from investment of investment account funds	n	34,270	13,173
(Allowances for)/write-back of ECL on:			
Financing, advances and others	o	(37,573)	4,635
Other financial assets	o	(182)	(117)
Commitment and contingencies	o	(2,312)	(1,410)
Total attributable income		214,904	273,771
Income attributable to depositors	p	(157,283)	(218,155)
Income attributable to an investment account holder	q	(27,416)	(10,539)
Total net income	r	30,205	45,077
Other operating expenses		(30,579)	(30,848)
(Loss)/profit for the year before taxation		(374)	14,229
Income tax expense		83	(3,149)
(Loss)/profit for the year after taxation		(291)	11,080
Other comprehensive (loss)/income:			
Items that will be reclassified subsequently to income statements:			
Net fair value changes in debt instruments at FVOCI		(1,195)	1,547
Income tax effect		287	(371)
Total other comprehensive (loss)/income for the year, net of tax		(908)	1,176
Total comprehensive (loss)/income for the year		(1,199)	12,256

Net income from Islamic Banking operations as reported in the income statements of the Group and Bank is derived as follows:

	2020 RM'000	2019 RM'000
Income derived from depositors' funds	199,688	236,638
Income derived from investment of Islamic Banking funds	21,013	20,852
Income derived from investment of investment account funds	34,270	13,173
Income attributable to depositors	(157,283)	(218,155)
Income attributable to an investment account holder	(27,416)	(10,539)
Net income from Islamic Banking operations reported in the income statements of the Group and Bank	70,272	41,969

47. Islamic Banking Operations (Continued)

Statement of changes in Islamic Banking funds
For the financial year ended 31 December 2020

	Capital fund RM'000	FVOCI reserve RM'000	Retained profit/ (accumulated losses) RM'000	Total RM'000
2020				
Balance as at 1 January 2020	450,000	1,170	6,602	457,772
Loss for the year	-	-	(291)	(291)
Other comprehensive loss	-	(908)	-	(908)
Total comprehensive loss	-	(908)	(291)	(1,199)
Balance as at 31 December 2020	450,000	262	6,311	456,573
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

47. Islamic Banking Operations (Continued)

Statement of cash flows
For the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
(Loss)/profit before taxation		(374)	14,229
Adjustments for:			
Profit income from financial instruments at FVOCI	l, m, n	(22,857)	(20,137)
Allowances for/(write-back of) ECL on:			
Financing, advances and others	o	37,573	(4,635)
Other financial assets	o	182	117
Commitment and contingencies	o	2,312	1,410
Depreciation of plant and equipment	r	861	726
Trading income	l, m	(2,281)	(973)
Operating income/(loss) before working capital changes		15,416	(9,263)
(Increase)/decrease in operating assets:			
Financing, advances and others		(2,303,683)	(1,646,324)
Derivative financial assets		(3,811)	(1,614)
Statutory deposits with BNM		90,000	(31,500)
Other assets		9,476	(9,387)
		(2,208,018)	(1,688,825)
Increase/(decrease) in operating liabilities:			
Deposits from customers		154,958	(358,730)
Investment accounts due to designated financial institution		1,024,378	273,101
Deposits and placements of banks and other financial institutions		1,115,433	553,983
Derivative financial liabilities		7,239	2,590
Other liabilities		(2,236)	25,795
Bills and acceptances payable		475	484
		2,300,247	497,223
Cash generated from/(used in) operations		107,645	(1,200,865)
Tax paid		(4,406)	(2,748)
Net cash generated from/(used in) operating activities		103,239	(1,203,613)

47. Islamic Banking Operations (Continued)

Statement of cash flows (Continued)
For the financial year ended 31 December 2020 (Continued)

	Note	2020 RM'000	2019 RM'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(21)	(6,702)
Profit income from financial instruments at FVOCI		22,857	20,137
Net disposal/(purchase) of debt instruments at FVOCI		1,051,741	(1,471,152)
Net purchase of debt instruments on AC		(100,000)	-
Net cash generated from/(used in) investing activities		974,577	(1,457,717)
Net increase/(decrease) in cash and cash equivalents		1,077,816	(2,661,330)
Cash and cash equivalents at beginning of the year		49,723	2,711,053
Cash and cash equivalents at end of the year		1,127,539	49,723
Analysis of cash and cash equivalents			
Cash and short-term funds	a	1,127,539	49,723
Less: Allowances for ECL	a	(1,271)	(1,097)
		1,126,268	48,626

(a) Cash and short-term funds

	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	390,539	49,723
Money at call and deposit placements maturing within one month	737,000	-
	1,127,539	49,723
Less: Allowances for ECL	(1,271)	(1,097)
	1,126,268	48,626

47. Islamic Banking Operations (Continued)

(a) Cash and short-term funds (Continued)

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

2020	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	1,097	-	-	1,097
Allowances made	542	-	-	542
Maturity/settlement/repayment	(368)	-	-	(368)
	174	-	-	174
At 31 December	1,271	-	-	1,271
2019				
At 1 January	1,096	-	-	1,096
Allowances made	6,408	-	-	6,408
Maturity/settlement/repayment	(6,407)	-	-	(6,407)
	1	-	-	1
At 31 December	1,097	-	-	1,097

(b) Debt instruments at FVOCI

	2020 RM'000	2019 RM'000
Money market instruments		
Government Islamic investments	599,582	1,353,781
Malaysian Government treasury bills	-	298,463
	599,582	1,652,244

47. Islamic Banking Operations (Continued)

(b) Debt instruments at FVOCI (Continued)

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

2020	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	336	-	-	336
Allowances made	63	-	-	63
Maturity/settlement/repayment	(337)	-	-	(337)
	(274)	-	-	(274)
At 31 December	62	-	-	62
2019				
At 1 January	219	-	-	219
Allowances made	513	-	-	513
Maturity/settlement/repayment	(396)	-	-	(396)
	117			117
At 31 December	336			336

(c) Debt instruments at amortised cost

	2020 RM'000	2019 RM'000
Private debt securities of companies incorporated in Malaysia		
Unquoted corporate bonds	100,000	-
Less: Allowances for ECL	(279)	-
	99,721	-

47. Islamic Banking Operations (Continued)

(c) Debt instruments at amortised cost (Continued)

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

2020	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	291	-	-	291
Maturity/settlement/repayment	(12)	-	-	(12)
	279	-	-	279
At 31 December	279	-	-	279

(d) Financing, advances and others

(i) Financing by type of Shariah contract:

	Sale based contracts			
2020	Tawarruq RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Total RM'000
Term financing and revolving credits				
- Housing financing	2,546,577	-	-	2,546,577
- Others term financing	4,051,966	-	-	4,051,967
Trust receipt	-	15,541	-	15,541
Claim on customers under acceptance credit	-	80,351	1,242	81,593
Gross financing, advances and others	6,598,543	95,892	1,242	6,695,678
Allowances for ECL on financing, advances and others				
- Stage 1 - 12-month ECL				(20,975)
- Stage 2 - Lifetime ECL non-credit impaired				(34,732)
- Stage 3 - Lifetime ECL credit-impaired				(20,684)
Net financing, advances and others				6,619,287

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

(i) Financing by type of Shariah contract: (Continued)

	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

Included in financing and advances are specific business ventures funded by the Restricted Specific Investment Account (RSIA) arrangement between Islamic Banking and Conventional Banking. The Conventional Banking, 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 2020, the gross exposure and ECL relating to RSIA financing amounting to RM1,371,993,842 (2019: RM312,736,235) and RM18,574,864 (2019: RM21,952,739) respectively.

(ii) Gross financing, advances and others by maturity structure:

	2020 RM'000	2019 RM'000
Maturing within one year	764,442	435,011
One year to three years	60,529	93,178
Three years to five years	1,259,523	85,695
Over five years	4,611,184	3,784,501
	6,695,678	4,398,385

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

(iii) Gross financing, advances and others by type of customers:

	2020 RM'000	2019 RM'000
Domestic non-banking financial institutions		
- Others	1,014,590	5,613
Domestic business enterprises		
- Small and medium enterprises	1,717,267	1,086,860
- Others	1,188,433	1,024,355
Individuals	2,640,821	2,164,280
Foreign entities	134,567	117,277
	6,695,678	4,398,385

(iv) Gross financing, advances and others by profit rate sensitivity:

	2020 RM'000	2019 RM'000
Fixed rate		
- Other fixed rate financing	1,355,749	249,104
Variable rate		
- Base rate/base financing rate-plus	3,788,362	3,055,449
- Cost-plus	1,551,567	1,093,832
	6,695,678	4,398,385

(v) Gross financing, advances and others by economic sectors:

	2020 RM'000	2019 RM'000
Agriculture, hunting, forestry and fishing	509,375	358,038
Mining and quarrying	96,819	-
Manufacturing	464,879	373,749
Electricity, gas and water	56,921	60,891
Construction	442,653	279,199
Wholesale, retail trade, restaurants and hotels	719,588	589,499
Transport, storage and communication	120,339	92,738
Finance, insurance and business services	1,180,935	132,355
Real estate	302,114	207,671
Community, social and personal services	26,666	22,052
Households		
- purchase of residential properties	2,553,839	2,083,372
- purchase of non-residential properties	160,022	139,166
- others	61,528	59,655
	6,695,678	4,398,385

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

2020	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	10,763	27,330	7,115	45,208
Transferred to Stage 1	1,217	(7,722)	-	(6,505)
Transferred to Stage 2	(2,884)	17,670	(105)	14,681
Transferred to Stage 3	(282)	(1,605)	3,263	1,376
Allowances made	75,965	7,591	16,337	99,893
Maturity/settlement/repayment	(63,804)	(8,532)	(2,917)	(75,253)
Net total (Note (o))	10,212	7,402	16,578	34,192
Amounts written-off	-	-	(1,956)	(1,956)
Other movements	-	-	(1,053)	(1,053)
At 31 December	20,975	34,732	20,684	76,391
2019				
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	45,739	489	3,462	49,690
Maturity/settlement/repayment	(48,206)	(10,397)	(2,496)	(61,099)
Net total (Note (o))	(2,943)	11,881	6,237	15,175
Other movements	-	-	(755)	(755)
At 31 December	10,763	27,330	7,115	45,208

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

(vii) Movements in credit-impaired financing, advances and others:

	2020 RM'000	2019 RM'000
At 1 January	38,486	12,704
Classified as credit-impaired during the financial year	42,179	36,469
Amount recovered	(2,072)	(1,637)
Reclassified as non credit-impaired	(1,082)	(9,050)
Amount written-off	(1,608)	-
Gross credit-impaired financing, advances and others	75,903	38,486
Allowances for ECL	(20,684)	(7,115)
Net credit-impaired financing, advances and others	55,219	31,371
Ratio of net credit-impaired financing, advances and others to gross financing, advances and others less allowances for ECL on credit-impaired provision	0.8%	0.7%

(viii) Credit-impaired financing, advances and others analysed by economic sectors:

	2020 RM'000	2019 RM'000
Manufacturing	15,485	642
Construction	4,386	654
Wholesale, retail trade, restaurants and hotels	10,006	5,028
Households		
- purchase of residential properties	45,488	31,563
- purchase of non-residential properties	538	499
- others	-	100
	75,903	38,486

(ix) Credit-impaired financing, advances and others analysed by geographical distribution:

	2020 RM'000	2019 RM'000
In Malaysia	75,903	38,486

47. Islamic Banking Operations (Continued)

(e) Other assets

	2020 RM'000	2019 RM'000
Other receivables, deposits and prepayments	1,187	558
Profit receivable	1,383	11,488
Less: Allowances for ECL	(5)	(2)
	2,565	12,044

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

2020	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	1	-	2
Allowances made for the financial year	1	2	-	3
At 31 December	2	3	-	5
2019				
At 1 January	2	1	-	3
Maturity/settlement/repayment	(1)	-	-	(1)
At 31 December	1	1	-	2

47. Islamic Banking Operations (Continued)

(f) 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 customise 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
2020			
Foreign exchange contracts			
- Forwards	435,412	8,729	10,296
2019			
Foreign exchange contracts			
- Forwards	153,257	2,637	3,057

(g) Deposits from customers

(i) By type of deposits:

	2020 RM'000	2019 RM'000
Non-mudharabah fund		
Demand deposits		
- Qard	378,200	232,527
Savings deposits		
- Qard	37,970	25,256
Fixed deposits		
- Tawarruq	3,930,154	4,003,585
Other deposits		
- Tawarruq	85,752	15,750
	4,432,076	4,277,118

47. Islamic Banking Operations (Continued)

(g) Deposits from customers (Continued)

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

	2020 RM'000	2019 RM'000
Due within six months	1,708,761	1,863,323
Six months to one year	1,958,959	1,878,402
One year to three years	252,408	90,001
Three years to five years	10,026	171,859
	3,930,154	4,003,585

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

	2020 RM'000	2019 RM'000
Business enterprises	1,331,387	1,187,459
Individuals	2,704,069	2,207,545
Others	396,620	882,114
	4,432,076	4,277,118

(h) Investment accounts due to a designated financial institution

	2020 RM'000	2019 RM'000
Mudharabah RSIA		
Licensed bank	1,416,000	395,000
Amount receivable from Conventional Banking	(18,575)	(21,953)
	1,397,425	373,047

(i) Deposits and placements of banks and other financial institutions

	2020 RM'000	2019 RM'000
Non-mudharabah fund		
Other financial institutions	2,089,319	973,886

47. Islamic Banking Operations (Continued)

(j) Other liabilities

	2020 RM'000	2019 RM'000
Allowances for ECL for commitment and contingencies	8,013	5,701
Accrued profit payable	55,282	73,954
Accruals and provisions for operational expenses	16,476	41
	79,771	79,696

Movements in the allowances for ECL on commitments and contingencies:

2020	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	3,133	2,568	-	5,701
Transferred to Stage 1	370	(419)	-	(49)
Transferred to Stage 2	(541)	1,760	-	1,219
Allowances made	9,146	584	-	9,730
Maturity/settlement/repayment	(6,960)	(1,623)	-	(8,583)
Foreign translation gain	-	(5)		(5)
	2,015	297	-	2,312
At 31 December	5,148	2,865	-	8,013
2019				
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	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

47. Islamic Banking Operations (Continued)

(k) Islamic Banking funds

	2020 RM'000	2019 RM'000
Capital fund	450,000	450,000
FVOCI reserve	262	1,170
Retained profits/(accumulated losses)	6,311	6,602
	456,573	457,772

(l) Income derived from depositors' funds

	2020 RM'000	2019 RM'000
Finance income and hibah		
Financing, advances and others	161,076	151,568
Money at call and deposit placements with financial institutions	5,873	58,311
FVOCI securities	20,520	18,596
	187,469	228,475
Other operating income		
Trading income	2,063	892
Commission income	5,553	5,052
Fee income	4,505	2,179
Others	98	40
	199,688	236,638

(m) Income derived from investment of Islamic Banking funds

	2020 RM'000	2019 RM'000
Finance income and hibah		
Financing, advances and others	16,988	13,364
Money at call and deposit placements with financial institutions	621	5,219
Debt instruments at FVOCI	2,129	1,541
	19,738	20,124
Other operating income		
Trading income	218	81
Commission income	584	446
Fee income	462	198
Others	11	3
	21,013	20,852

47. Islamic Banking Operations (Continued)

(n) Income derived from investment of investment account funds

	2020 RM'000	2019 RM'000
Financing, advances and others	32,782	11,091
Money at call and deposit placements with financial institutions	1,280	2,082
FVOCI securities	208	-
	34,270	13,173

(o) Allowances/(write-back of) ECL

	2020 RM'000	2019 RM'000
Financing, advances and others: (Note d(vi))		
Stage 1 ECL	10,212	(2,943)
Stage 2 ECL	7,402	11,881
Stage 3 ECL	16,578	6,237
Recovery from RSIA holder*	3,378	(19,810)
	37,570	(4,635)
Credit-impaired financing, advances and others written-off	3	-
	37,573	(4,635)
Other financial assets:		
Stage 1 ECL	180	117
Stage 2 ECL	2	-
	182	117
Commitment and contingencies:		
Stage 1 ECL	2,015	1,136
Stage 2 ECL	297	2,363
Recovery from RSIA holder*	-	(2,089)
	2,312	1,410
	40,067	(3,108)

*The RSIA holder is the Conventional Banking (Note d(i))

47. Islamic Banking Operations (Continued)

(p) Income attributable to depositors

	2020 RM'000	2019 RM'000
Income attributable to depositors from non-mudharabah fund	157,283	218,155

(q) Income attributable to investment account holders

	2020 RM'000	2019 RM'000
Income attributable to depositors from mudharabah fund	27,416	10,539

(r) Other operating expenses

	2020 RM'000	2019 RM'000
Personnel expenses	3,005	2,092
Establishment related expenses	2,614	2,467
Promotion and marketing related expenses	260	332
General administrative expenses	24,700	25,957
	30,579	30,848
Personnel expenses		
- Wages, salaries and bonus	2,419	1,526
- Defined contribution plan	390	244
- Other employee benefits	196	322
	3,005	2,092
Establishment related expenses		
- Depreciation of plant and equipment	861	726
- Repair and maintenance	2	18
- Information technology costs	879	847
- Others	872	876
	2,614	2,467
Promotion and marketing related expense		
- Advertisement and publicity	260	332
General administrative expenses		
- Fees and commissions paid	2,843	424
- Management fee	21,500	25,172
- Others	357	361
	24,700	25,957

47. Islamic Banking Operations (Continued)

(r) Other operating expenses (Continued)

Included in other operating expenses is the Shariah Committee's remuneration. The total remuneration of the Shariah Committee members are as follows:

	2020 RM'000	2019 RM'000
Dr. Samsuri bin Sharif	77	77
Prof. Dr. Norhashimah binti Mohd Yasin	59	64
Dr. Marhanum binti Che Mohd Salleh	59	64
Assoc. Prof. Dr. Sharifah Faigah binti Syed Alwi	65	64
Dr. Ahmad Zakirullah bin Mohamed Shaarani	65	64
	325	333

(s) Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk are as follows:

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2020			
Direct credit substitutes	35,164	35,164	36,981
Transaction-related contingent items	56,499	28,449	32,415
Short-term self-liquidating trade-related contigencies	4,362	872	1,436
Foreign exchange related contracts			
- not more than one year	435,412	6,265	2,817
Undrawn credit facility			
- Not more than one year	260,048	6,594	2,651
- More than one year	720,560	518,124	160,519
- Unconditionally cancellable	227,495	-	-
	1,739,540	595,468	236,819
2019			
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

47. Islamic Banking Operations (Continued)

(t) 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.

	2020 RM'000	2019 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital		
Capital fund	450,000	450,000
Retained profit	6,311	6,602
Other reserves	262	1,170
Regulatory adjustments applied in the calculation of CET1 Capital	(10,130)	(5,698)
Total CET1/Tier 1 Capital	446,443	452,074
Tier 2 Capital		
Financing loss provision		
- Surplus eligible provisions over expected losses	18,173	12,873
- General provisions	107	94
Total Tier 2 Capital	18,280	12,967
Total Capital	464,723	465,041

(a) The capital adequacy ratios are as follows:

	2020	2019
Before the effects of RSIA		
CET1/Tier 1 Capital	11.187%	16.543%
Total Capital	11.645%	17.018%
After the effects of RSIA		
CET1/Tier 1 Capital	14.042%	20.346%
Total Capital	14.617%	20.930%

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 2020, credit risks related to RSIA assets excluded from the total capital ratio calculation amounting to RM811,295,000 (2019: RM510,781,000).

47. Islamic Banking Operations (Continued)

(t) Capital management and capital adequacy (Continued)

(b) Analysis of gross RWA in the various categories of risk-weights is as follows:

	2020 RM'000	2019 RM'000
Total RWA for credit risk	3,080,111	2,153,038
Total RWA for market risk	5,560	2,366
Total RWA for operational risk	93,714	66,532
	3,179,385	2,221,936

(u) Mudharabah RSIA

(i) Movement in the Mudharabah RSIA:

	2020 RM'000	2019 RM'000
As at 1 January	373,047	99,946
Funding inflows/(outflows)		
New placement during the year	1,021,000	295,000
Profit to fund provider	(27,416)	(10,539)
Income from investment	34,270	13,174
Share of profit		
Profit distributed to mudarib	(6,854)	(2,635)
Amount receivable from Conventional Banking	3,378	(21,899)
As at 31 December	1,397,425	373,047
Investment assets		
Financing and advances	1,353,419	290,783
Interbank placement	44,006	82,264
	1,397,425	373,047

(ii) Profit sharing ratio and rate of return:

	Average profit sharing ratio (Depositor: Islamic Banking operations)		Average rate of return (%)	
	2020	2019	2020	2019
Up to 1 year	80:20	80:20	3.49	4.35
Over 5 year	80:20	80:20	3.44	4.15

47. Islamic Banking Operations (Continued)

(v) 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.

	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
2020						
Assets						
Cash and short-term funds	1,126,268	-	-	-	-	1,126,268
Debt instruments at FVOCI	479,581	120,706	-	-	-	600,287
Debt instruments at amortised cost	-	-	-	-	100,276	100,276
Derivative financial assets	8,729	-	-	-	-	8,729
Financing, advances and others	759,170	437,468	938,180	1,537,526	5,105,429	8,777,773
	2,373,748	558,174	938,180	1,537,526	5,205,705	10,613,333
Liabilities						
Deposits from customers	1,448,661	770,413	1,988,726	288,150	-	4,495,950
Investment accounts due to a designated financial institution	3,989	-	101,186	1,156,079	376,492	1,637,746
Deposits and placements of banks and other financial institutions	2,093,085	-	-	-	-	2,093,085
Bills and acceptances payable	1,277	-	-	-	-	1,277
Derivative financial liabilities	10,296	-	-	-	-	10,296
	3,557,308	770,413	2,089,912	1,444,229	376,492	8,238,354
Net maturity mismatches	(1,183,560)	(212,239)	(1,151,732)	93,297	4,829,213	
Off-balance sheet liabilities						
Credit and commitments	300,342	150,281	91,317	424,737	772,863	1,739,540
Net maturity mismatches	300,342	150,281	91,317	424,737	772,863	1,739,540

47. Islamic Banking Operations (Continued)

(v) Liquidity risk (Continued)

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)	1,179,527	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

RIGHT BY YOU

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