United Overseas Bank (Malaysia) Bhd
Annual Report 2022

Building the Future of ASEAN

Tree
Karina Delicia Simon

Tree

Karina Delicia Simon
Coloured pencil on paper
90 x 80 cm

Tree, a Highly Commended artwork of the 2022 UOB Painting of the Year (Singapore) competition, Established Artist Category, is the design inspiration for this year's Annual Report. The artwork is inspired by the spontaneity and playfulness of a child where the future is filled with possibilities.

Using a specialised photorealistic coloured pencil technique, the artist achieved a realistic impression of a healthy tree growing tall and wide. As a bank with a strong Asian heritage and deep Southeast Asian roots, UOB is committed to our Purpose of 'Building the Future of ASEAN', and in doing Right By You as we continue to support the success of our customers. Embodying strength and resilience, the blossomed tree also reflects the sustainability impact we hope to make for the long term.

As the leading patron of the arts in Asia, UOB believes in the vital role of art in connecting communities. The UOB Painting of the Year competition, the Bank's flagship art programme now in its 41st year, is currently held across four Southeast Asian markets where UOB has a deep presence.

Content

United Overseas Bank (Malaysia) Bhd and its subsidiaries

31 December 2022

Overview

About UOB (Malaysia)

UOB (Malaysia) is rated among the top banks in Malaysia with a long-term AAA rating from Ratings Agency of Malaysia.

It has over seven decades of presence in the country, and operates 55 branches nationwide, offering both conventional and Islamic banking services to its customers.

500
OFFICES

19
COUNTRIES

UOB (Malaysia) is a subsidiary of UOB, a leading bank in Asia with a global network of around 500 offices in 19 countries and territories in Asia Pacific, Europe, and North America. UOB has adopted a customer-centric approach to creating long-term value by staying relevant through its enterprising spirit and doing right by its customers. UOB is focused on building the future of ASEAN – for the people and businesses within, and connecting with ASEAN.

The Bank connects businesses to opportunities in the region with its unparalleled regional footprint and leverages data and insights to innovate and create personalised banking experiences and solutions catering to each customer's unique needs and evolving preferences. UOB is also committed to helping businesses forge a sustainable future, by fostering social inclusiveness, creating positive environmental impact and pursuing economic progress. UOB believes in being a responsible financial services provider and is steadfast in its support of art, social development of children and education, doing right by its communities and stakeholders.

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

Our Awards and Accolades in 2022

Alpha Southeast Asia

Best Deal & Solution Awards 2022
- Best Islamic Finance Deal & Most Innovative Islamic Finance Deal of the Year
- Best Project Finance Deal of the Year
- Most Improved Bond House

Transaction Banking Awards 2022
- Best Cash Management Solution in Malaysia
- Best Structured Trade Finance Solution in Malaysia

Asiamoney

Asiamoney Trade Finance Survey 2022
- Best Services for Trade Finance in – Malaysia
- Best Services for Trade Finance in – Malaysia (Asian banks)

Asia Private Banking Awards 2022
- Best International Private Bank in Malaysia

Asian Banking and Finance

ABF Wholesale Banking Awards 2022
- International Trade Finance Bank of the Year (Malaysia)

ABF Retail Banking Awards 2022
- International Retail Bank of the Year (Malaysia)

Cambridge Institute of Islamic Finance (Cambridge-IFA)

Islamic Retail Banking Awards 2022
- Best Islamic Banking Window

Contact Centre Association of Malaysia

Contact Centre Industry Excellence Award 2022

- Best Inbound Contact Centre
- Best Use of Automation in Contact Centre

Corporate Treasurer

Corporate Treasurer Awards 2022

- Best Transaction Bank in Southeast Asia
- Best Cash Management Bank in Malaysia
- Best Trade Finance Bank in Malaysia

Euromoney

2022 Euromoney Trade Finance Survey

- Best Service Providers for Trade Finance in Malaysia

Human Resources Online.net

Human Resources Excellence Awards 2022

- Excellence in Graduate Recruitment and Development – Bronze

Retail Banker International Asia

Retail Banker Asia Trailblazer 2022 Awards

- The Best Retail Bank in Malaysia

Singapore Business Review

Malaysia Technology Excellence Awards 2022

- Fintech – Banking for UOB Intelligent Mortgage Calculator

The Asian Banker

Banker's Choice Awards 2022

- Best Corporate Trade Finance Deal in Malaysia

The Asian Banker Malaysia Awards 2022

- Best Foreign Retail Bank in Malaysia

The Asian Business Review

Asian Experience Awards 2022

- Malaysia Customer Experience of the Year - Banking

The Asset

Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2022

- Best Service Provider (Cash Management) – Malaysia
- Best Payments and Collection Solutions Award (New Economy) – Malaysia
- Best Payment and Collection Solutions Award (Asset Owners) – Malaysia
- Best Supply Chain Solution Award (Large Local Corporate) – Malaysia
- Best Supply Chain Solution Award (SME Enterprises) – Malaysia

Triple A Islamic Banking Awards 2022

- Best Project Finance - Sukuk
- Best Structured Financing

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. As at 1 March 2023, he also chairs the board of United Overseas Insurance, UOL Group, Singapore Land Group, Haw Par Corporation, Pan Pacific Hotels Group 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

2022 Financial Performance

Restrictions on economic and social activities were lifted after Malaysia transitioned into endemicity in 2022, amid ongoing external headwinds and rising inflation that led to the gradual rising of interest rates. Against this backdrop, UOB (Malaysia) recorded a total operating income of RM3,857.0 million, 15.2 per cent higher than the previous year (2021: RM3,347.8 million). However, the higher operating income was offset by the increase in operating expenses, partly due to the one-off cost relating to the acquisition of Citigroup's consumer banking business in the country. This resulted in a net profit before tax of RM1,316.9 million for the year, which was 12.9 per cent lower than the year before (2021: RM1,511.1 million).

Net interest income increased by 11.3 per cent to RM2,659.3 million (2021: RM2,388.6 million). This was attributed to proactive balance sheet management and the effects of Bank Negara Malaysia gradually raising the Overnight Policy Rate four times by 25 basis points each throughout 2022. Additionally, the contribution of net income from our Islamic Banking business also rose 4.6 per cent to RM147.7 million (2021: RM141.2 million). Non-interest income increased by 28.3 per cent to RM1,050.0 million (2021: RM818.1 million), mainly driven by higher net foreign exchange gains.

While we remained prudent in managing our discretionary expenses, operating expenses increased by 69.7 per cent to RM2,296.2 million (2021: RM1,352.9 million) mainly due to the one-off consumer banking business acquisition cost from Citigroup, as well as continued investment in our technology infrastructure to support business growth.

Total allowance for expected credit losses declined by 70.9 per cent or RM340.7 million. This was largely attributable to the write-back of expected credit losses of non-impaired assets, as well as commitments and contingencies, coupled with lower expected credit loss for impaired assets. However, the decline was partially offset by an increase in impairment loss on property, plant, and equipment.

Both gross loans, advances, and financing, as well as non-bank deposits increased significantly to RM105.7 billion (2021: RM90.0 billion) and RM110.9 billion (2021: RM97.1 billion) respectively. This was due to the acquisition of Citigroup's consumer banking business, which has enlarged UOB (Malaysia)'s retail banking business.

2023 Outlook

Global economic growth is set to be slower in 2023 amid key risk factors including financial stability risks due to the tightening of financial conditions and potential global funding markets dysfunction and geopolitical tensions including the escalating Russia-Ukraine war. Following the fallout in the United States and European banking sectors, the authorities' swift, targeted and decisive response to restore public confidence in the global banking system has defused potential contagion and systemic risks significantly. It is noted that many economies no longer consider COVID-19 as a downside growth risk. China's reopening would have a positive effect on growth and paves the way for a faster recovery thanks to higher pent-up demand, particularly for services including travel and leisure. This delivers a balance of risks whereby China's reopening and recovery can bring benefits that help to offset some of the downside drivers this year, particularly for Asian economies.

In Malaysia, the economic recovery has gained traction amid the ongoing transition to endemicity, while government subsidies have helped to mitigate the impact of inflation. Higher commodity prices and strong global demand for Malaysia's electronics exports helped lift overall export earnings to record highs and accelerate the recovery. Going forward, external demand is expected to moderate in tandem with softer global growth. Thus domestic demand will remain the prime driver of Malaysia's economy with household spending being underpinned by improving labour market conditions and the prospects of higher tourism activity. Investments will be supported by the realisation of infrastructure projects and improved domestic conditions to attract foreign direct investments.

Chairman's Statement (Continued)

2023 Outlook (Continued)

Further efforts to expand digitalisation, sustainability, and decarbonisation activities will drive new growth areas. Despite heightened volatility in global financial markets and the local currency, these developments have not derailed Malaysia's economy as domestic liquidity and the functioning of domestic markets have remained stable. Such factors, supported by robust fundamentals, will further support Malaysia's economy amid the uncertainties of 2023. Potential downside risks to Malaysia's growth outlook could stem from weaker-than-expected global growth, higher risk aversion in global financial markets, further escalation of geopolitical tensions, volatile commodity prices, worsening supply chain disruptions, and climate-related risks.

Overall, there are grounds for optimism as Malaysia's diversified economic structure provides underlying strength and resilience. Ongoing policy support with a record budget allocation for 2023 and an accommodative monetary policy, will serve to support sustainable economic growth. Guided by the time-tested values of Honourable, Enterprising, United, and Committed, we remain confident that UOB (Malaysia)'s transformation will position the Bank to be future-ready for its customers and its people in the new era of banking.

Acknowledgement

I would like to thank our management team and our people for their unwavering commitment and dedication to the Bank, our customers, and community, while remaining resolute in building a sustainable future.

On behalf of the Board, I want to take this opportunity to express my sincere appreciation to Mr Wong Kim Choong who retired on 31 December 2022 after 16 years of dedicated service to UOB (Malaysia). Mr Wong served as the Bank's Chief Executive Officer and Board member from 2012 to 2022, and subsequently as Senior Advisor overseeing Citigroup consumer banking acquisition in the country. UOB (Malaysia) has greatly benefitted from his extensive experience, business acumen and leadership. The Board members and I wish him a well-deserved retirement and the very best in all his future undertakings.

Additionally, I would like to announce the resignation of Dato' Phang Ah Thong as UOB (Malaysia)'s Independent Director. Dato' Phang was instrumental in promoting the best interests of UOB (Malaysia) since helming the position in 2019 and we thank him for his leadership and guidance over the years.

I would also like to record a special note of appreciation to our Chairman Emeritus and Honorary Adviser, Dr Wee Cho Yaw, for his stewardship and guidance. The Board continues to benefit greatly from his vision, wisdom, and knowledge.

Finally, I would like to thank our valued customers for their confidence and trust in UOB (Malaysia). Our commitment to you is for the long term, and we will continue to do right by you.

Dato' Jeffrey Ng Tiong Lip
Chairman

Board of Directors and its Committees

As at 1 March 2023

Board

- Dato' Jeffrey Ng Tiong Lip (Chairman)
  Independent
- Wee Ee Cheong (Deputy Chairman)
  Executive
- Fatimah Binti Merican
  Independent
- Ching Yew Chye
  Independent
- Ng Wei Wei
  Executive and Chief Executive Officer

Nominating Committee

- Fatimah Binti Merican (Chairperson)
- Wee Ee Cheong
- Ching Yew Chye

Remuneration Committee

- Fatimah Binti Merican (Chairperson)
- Ching Yew Chye
- Dato' Jeffrey Ng Tiong Lip

Risk Management Committee

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

Audit Committee

- Fatimah Binti Merican (Chairperson)
- Dato' Jeffrey Ng Tiong Lip
- Ching Yew Chye

Board of Directors

As at 1 March 2023

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 37 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 Immediate Past Chairman of 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)
- Risk Management Committee (Member)
- Remuneration 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)
- SunREIT Hartanah Sdn Bhd (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)
- Malaysian REIT Managers Association (Chairman)

Education and Achievements
- Bachelor of Economics, Monash University, Melbourne
- 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 Insurance Limited (Director)
- PT Bank UOB Indonesia (President Commissioner)
- United Overseas Bank (China) Limited (Chairman)
- United Overseas Bank (Thai) Public Company Limited (Chairman)
- The Association of Banks in Singapore (Chairman)
- The Institute of Banking & Finance (Vice Chairman)
- ASEAN Bankers Association (Director)
- 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 Limited (Director)
- United International Securities Ltd (Director)
- UOL Group Limited (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)
- Singapore Corporate Awards, Best CEO (large cap listed companies) (2022)
- The Asian Banker CEO Leadership Achievement for Singapore Award (2022)
- *The Business Times* Businessman of the Year (2021/2022)

Board of Directors

As at 1 March 2023

Ng Wei Wei

Executive and Chief Executive Officer

Appointed as a director and Chief Executive Officer: 1 May 2022

Ms Ng is a career banker with over two decades of experience. At the initial phase of her career, she was attached to the Malaysian International Merchant Bankers Berhad, Standard Chartered Bank Malaysia Berhad and UOB Malaysia. She also held various senior country and regional leadership positions at HSBC Bank Malaysia and Hong Kong, spanning across the Commercial, Corporate and Transaction Banking businesses. In June 2019, she rejoined UOB Malaysia as Managing Director and Country Head of Wholesale Banking where she was instrumental in growing the wholesale business. Ms Ng was subsequently promoted to be the Deputy CEO of UOB Malaysia on 1 July 2021 to oversee Retail Banking, Channels and Digitalisation as well as the Risk Management functions while continuing to lead the Wholesale Banking business.

Board Committee Position
- Nil

Current Directorship in Other Companies and Principal Commitments
- The Association of Banks in Malaysia (Council Member)
- The Asian Institute of Chartered Bankers (Council Member)

Past Directorships in Other Companies and Principal Commitments
- Nil

Education and Achievements
- Bachelor of Commerce with double majors in Accounting and Management, Monash University of Melbourne, Australia

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 continues to mentor women leaders in various programs such as 30% Club's Board mentoring program and Leadwomen's Global Women on Boards program. She also chaired the Human Capital Council, Malaysian International Chamber of Commerce and Industry from 2012 to 2014.

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

Current Directorship in Other Companies and Principal Commitments
- Paramount Corporation Berhad (Director)

Past Directorships in Other Companies and Principal Commitments
- Esso Malaysia Berhad (Director)
- ExxonMobil group of companies (Director)
- IJM Plantations Berhad (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 Position
- Risk Management Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Current Directorship 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

Corporate Information

Senior Management

Ng Wei Wei (Ms)
Chief Executive Officer

Cheah Shu Kheem, Andy
Managing Director
Country Head, Wholesale Banking

Lee Che Kong
Managing Director
Country Head, Global Markets

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

Fan Lee Boey, Elaine (Ms)
Managing Director
Country Head, Retail and Brand

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

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

Lai Tak Ming
Executive Director
Country Head, Human Resources

Loke Chee Keen, Daniel
Executive Director
Country Head, Compliance

Mohamad Fazli Mohamad Sarujee
Executive Director
Country Head, Technology & Operations

Mohd Fhauzi Muridan
Executive Director
Country Head, Islamic Banking

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 22, UOB Plaza 1 Kuala Lumpur,
No 7 Jalan Raja Laut,
50350 Kuala Lumpur

Head Office

UOB Plaza 1 Kuala Lumpur,
No 7 Jalan Raja Laut,
50350 Kuala Lumpur

Telephone: 03-2692 7722
Facsimile: 03-2694 4552
SWIFT: UOVBMYKL
Email: uobcustomerservice@UOB.com.my
Website: www.UOB.com.my

Branch Network

Federal Territory / Negeri Sembilan
Central Area I
Kuala Lumpur Main Branch
Ground Floor, UOB Plaza 1
7, Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-2692 4511
Fax: 03-2698 8189
Area Manager: Phuah Ah Keng

Federal Territory
Kuala Lumpur Main Branch
Ground Floor, UOB Plaza 1
7, Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-2692 4511
Fax: 03-2698 8189
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: Daniel Foong Wai Choy

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

Sri Petaling Branch
1, Jalan Radin Bagus 6
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Tel: 03-9055 5500
Fax: 03-9055 5700
Manager: Johnsen Phoon Leong Yew

Jalan Ampang Branch
Menara Citibank
No 165, Jalan Ampang
50450 Kuala Lumpur
Manager: Carol Tang Li Kuan

Negeri Sembilan
Seremban Branch
24-26, Jalan Dato Lee Fong Yee
70000 Seremban
Tel: 06-760 4444
Fax: 06-760 4545
Manager: Jeffrey Liewn Chee Kean

Federal Territory / Selangor
Central Area II
2108, Jalan Meru
41050 Klang
Tel: 03-3361 2198
Fax: 03-3342 1135
Area Manager: Tracia Kek Choon Yian

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: Ching Wei Peng

Bandar Bukit Tinggi Branch
32A, Lorong Batu Nilam 4b
Bandar Bukit Tinggi 1
41200 Klang
Tel: 03-3080 3228
Fax: 03-3080 3100
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: Samantha Wong Thien Sen

Centro Klang Branch
G101, Centro Business Centre,
8, Jalan Batu Tiga Lama,
41300 Klang
Manager: Angie Ng Pau Yen

Damansara Perdana Branch
Lot W106 & W107
Metropolitan Square Centre Wing,
Jalan PJU 8/1, Damansara Perdana
47820 Petaling Jaya
Manager: Anneysha Wong Mei Kam

USJ Triangle (Digital Self-Service Branch)
No 9A, Jalan USJ 10/1H, Taipan Triangle,
47610 Subang Jaya

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: 03-9106 2695
Manager: Wendy Yap Nyet Foong

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

Bandar Puteri Puchong Branch
No 26, Jalan Puteri 1/1, Bandar Puteri,
47100 Puchong
Manager: Catherine Phang Yat Mei

Bandar Tun Hussein Onn (Digital Self-Service Branch)
No 54 A, B & C, Jalan Suarasa 8/4,
Bandar Tun Hussein Onn,
43200 Cheras

Pahang / Terengganu / Kelantan

East Coast Area
2, Jalan Besar
25000 Kuantan
Tel: 09-516 1844
Fax: 09-513 8266
Area Manager: Georgina Tia Lee Ping

Pahang
Kuantan Branch
2, Jalan Besar
25000 Kuantan
Tel: 09-514 4155 / 09-516 1844 / 09-516 4755
Fax: 09-513 8266
Manager: Yang Suan Seng

Bentong Branch
61-62, Jalan Loke Yew
28700 Bentong
Tel: 09-222 1600 / 09-222 1778
Fax: 09-222 5882
Manager: Karen Lee Shek Fern

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: An Tay Pei Yian

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

Penang Garden Branch
No 42, Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Manager: Yeoh Mei Chen

Bukit Tengah (Digital Self-Service Branch)
1819-B, Jalan Perusahaan
13600 Seberang Perai
Pulau Pinang

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: Maria Tan Swee Tin

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: Chan Chee Peng

Durian Tunggal (Digital Self-Service Branch)
DT3615, Jalan Angkasa Nuri,
1 Taman Angkasa Nuri,
76100 Durian Tunggal, Melaka

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: Chong Hui See

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

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

Kluang Branch
14-16 Jalan Dato Kapt Ahmad
86000 Kluang
Tel: 07-772 1967 / 07-772 5968
Fax: 07-772 1977
Manager : Livia Wong Li Ngoh

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

Taman Ponderosa Branch
Bangunan UOB
Ground Floor, No 8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Tel: 07-360 6800
Fax: 07-355 3761
Manager: Rachel Chong Siet Foon

Southkey Mozek Branch
#01-01, Block C,
Komersil Southkey Mozek,
Persiaran Southkey1,
Kota Southkey
80150 Johor Bahru
Manager: Lim Fang Chii

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: Cheow Chee Seng

Sandakan Branch
Lot 91 & 92, Block 10
Bandar Prima Square, Jalan Utara
90000 Sandakan
Tel: 089-212 028 / 089-217 833
Fax: 089-225 577
Manager: Kuan Tze Loi

Tuaran Branch
9 & 10, Jalan Datuk Dusing
89208 Tuaran
Tel: 088-788 567
Fax: 088-788 979
Manager: Cheow Chee Seng

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: George Lai Ted Min

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: Wong Pak Yew

United Overseas Bank (Malaysia) Bhd and its subsidiaries

31 December 2022

Governance

Corporate Governance

Board of Directors - Composition, Function and Conduct

The Board of UOB (Malaysia) is committed in upholding good corporate governance. The Board, together with Management, ensures that principles of good corporate governance are observed at all levels of the Bank as these are integral to the Bank's growth and success. The Bank's corporate governance practices are based on 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, as set out in its Charter 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 of 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 would enable the Board to oversee the Bank's performance, operations and governance initiatives with greater depth and understanding.

Board Delegation

Four Board Committees, namely the Nominating Committee (NC), Remuneration Committee (RC), Risk Management Committee (RMC) and Audit Committee (AC) are set up to support and supplement the Board in its roles and responsibilities, through delegation of authority from the Board.

Each of the Board Committee operates within defined terms of reference which set out the committee's composition, roles and responsibilities, operating processes including decision-making by the committee and reporting 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 ahead of the start of a calendar year. Additional meetings are held during the year if required by circumstances. Directors are informed of meeting dates well in advance and received comprehensive information related to the agenda items prior to 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 2022 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 2022				
	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Dato' Jeffrey Ng Tiong Lip	5^	5	N/A	N/A	N/A
Mr Wee Ee Cheong	5	N/A	N/A	N/A	5
Puan Fatimah Binti Merican	5	5	4	2^	5^
Mr Ching Yew Chye	5	5	4^	2	5
Ms Ng Wei Wei*	2	N/A	N/A	N/A	N/A
Datuk Phang Ah Tong#	5	5^	4	2	4
Mr Wong Kim Choong	3	N/A	N/A	N/A	N/A
Number of meetings held in 2022	5	5	4	2	5

^ Chairman/Chairperson of Committee.
* Effective 1 May 2022, Mr Wong Kim Choong resigned as Director and stepped down as Chief Executive Officer ("CEO"), and Ms Ng Wei Wei was appointed as Director and CEO of UOBM.
# Effective 15 February 2023, Datuk Phang Ah Tong resigned as Director of UOBM.

Board Independence, Composition and Diversity

The Board currently comprises five members, the majority of whom are independent directors. Dato' Jeffrey Ng Tiong Lip, Puan Fatimah Binti Merican and Mr Ching Yew Chye 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 independence through their conduct and behavior 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 review, appointment and re-appointment of the directors has ensured that the Board comprises a composition of longer-serving directors and newer ones to provide continuity and stability and to facilitate knowledge transfer.

Chief Executive Officer

Ms Ng Wei Wei, who is also the CEO of UOB (Malaysia), leads the management team and implements the strategies of the Bank as well as 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 conducive and healthy work environment for employees and the values of the Bank are observed in the Bank's activities.

Induction and Continuous Development

Training and development are important to enable the Board to keep abreast of prudential requirements and best practices. For the year under review, the Board had attended various training programmes related to their duties as directors including corporate governance, risk management in technology, Environmental, Social and Governance (ESG) principles, cyber security and anti-money laundering. As part of 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.

A new director receives an induction package upon appointment. The package includes amongst 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 programmes, 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 in order to keep abreast with the latest developments in the industry;
- 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 the 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 on an enterprise-wide basis, policies, processes and procedures to identify, monitor, control and report risks;
- review the adequacy and effectiveness of the risk management framework in managing credit, market, liquidity, interest rate, operational, regulatory compliance, Shariah non-compliance, technology, environmental and reputational risks;
- 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;
- approve the appointment, resignation and dismissal of the Chief Risk Officer and review the performance of the risk management function; and
- review and endorse the environmental risk management framework in managing the environmental risk exposures.

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;
- review of fraud and whistleblowing cases reported to the Bank;
- 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;
- review 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 auditors to review the annual financial statements, nature and scope of the external audit and audit plan, significant changes in accounting standards and audit issues. The AC also meets the external auditors 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.

Audit Committee (Continued)

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.

The AC is also entrusted to review 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 scrutinizing 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 118.

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 2022.

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. In addition to the self-assessment, an external quality assurance review of the IA function is also conducted every five years. The last review was conducted in 2019.

Internal Audit (Continued)

Internal Audit ensures that the audit methodology remains relevant in addressing the ever-changing risk profile of the business in managing risks effectively as the Bank's Third Line. In 2022, IA implemented more data analytics based on technology-enabled audit techniques such as data visualisation, advanced data analytics and automation to improve audit effectiveness and efficiency. In addition, IA broadened and deepened the adoption of Continuous Auditing to key business units, and enhanced its collaboration with business and support units.

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.

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.

Total Compensation			
Fixed Pay		Variable Pay	
Base salary	Fixed allowance	Cash bonus	Deferral (Shares/Cash)

- 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;
- **living the UOB Values**: employee's demonstration of our UOB Values of Honour, Enterprise, Unity and Commitment.

Our Approach to Remuneration (Continued)

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 drivers, and
(3) risk and reputation.

Financial outcomes metrics include Growth, Profitability, Productivity and Asset Quality. Strategic drivers include key initiatives that would help ensure the Bank's sustainability and propel it forward in the changing business environment. This includes Connectivity, Funding, Customer, Employee and Diversification. 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;
- 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. Unvested portions of the deferred shares and deferred cash will be eligible for dividends, subject to declaration by Group and interest respectively.

The vesting of deferred compensation is subject to malus and clawback within seven (7) years from the grant date. 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
- Misconduct, malfeasance or fraud

Summary of 2022 Remuneration Outcomes

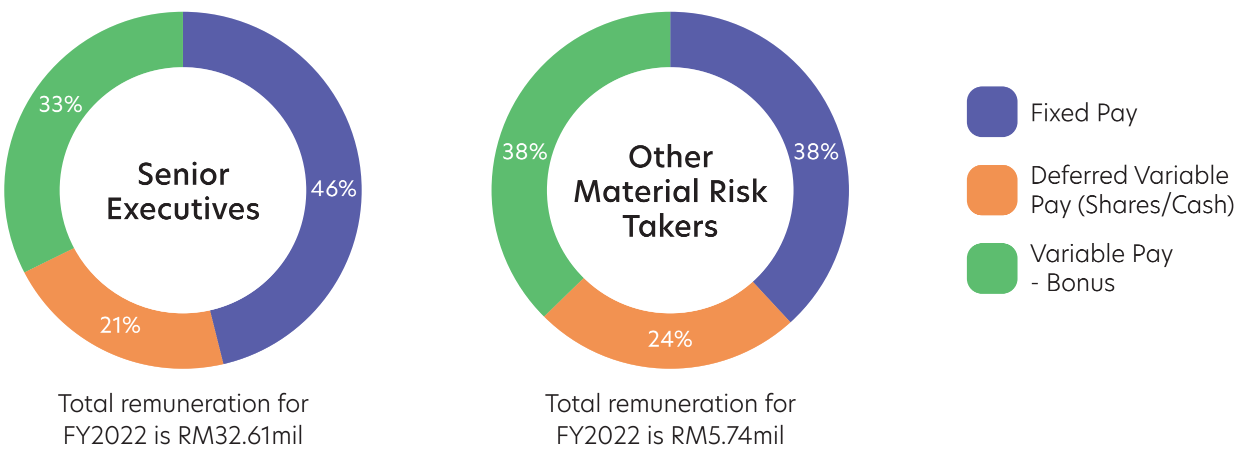
1. Breakdown of total remuneration for CEO for FY2022

Name	Fixed Pay (RM'000)	Variable Pay - Unrestricted (RM'000)	Deferred Variable Pay - EEP (RM'000)
Ng Wei Wei	1,224	1,260	840

2. Breakdown of Remuneration Awarded to SEs and MRTs for FY2022

- 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 21 Senior Executives in 2022.
- In addition to all SEs, there were 4 other MRTs in 2022.

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



3. Guaranteed Bonuses, Sign-on Awards and Severance Payments for FY2022

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	-	1
Number of sign-on awards	-	1
Number of severance payments	-	-
Total amounts of above payments made for the financial year (RM'000)	-	437

Summary of 2022 Remuneration Outcomes (Continued)

4. Breakdown of Deferred Remuneration

Category	SEs	MRTs
Total amount of outstanding deferred remuneration		
Cash (RM'000)	-	113
Shares (RM'000)	16,665	774
Total amount of deferred remuneration paid in FY2022		
Cash (RM'000)	0	48
Shares (RM'000)	6,083	109
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	100%	100%
Reductions in current year due to ex-post adjustments (explicit)	-	-
Reductions in current year due to ex-post adjustments (implicit)	-	-
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 (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 (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 Board of Directors, Shariah Committee, senior management, Shariah control functions and secretariat to the 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, operations 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 is 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. Zaharuddin Bin Abdul Rahman - Chairman (tenure starts on 16 May 2022)
2. Dr. Samsuri Bin Sharif*
3. Datin Dr. Wan Marhaini Binti Wan Ahmad
4. Prof. Dr. Noraini Binti Mohd Ariffin

During the financial year, the SC met 5 times. Attendance by the SC members was recorded as follows:

SC Member	Attendance
Dr. Zaharuddin Bin Abdul Rahman (Chairman)	3/3
Dr. Samsuri Bin Sharif*	4/5
Datin Dr. Wan Marhaini Binti Wan Ahmad	5/5
Prof. Dr. Noraini Binti Mohd Ariffin	4/5

*Dr. Samsuri Bin Sharif was the SC Chairman from 1 February 2016 to 27 January 2021. Effective 26 February 2021, he was the interim chairman until 15 May 2022.

SC is supported on a functional basis by the Shariah Secretariat and the Shariah control functions including Shariah Review, Shariah Risk Management and Shariah Audit. The main duties and responsibilities of the Shariah Secretariat 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 based on the rulings of the BNM Shariah Advisory Council (SAC) and the decisions or advice of the Bank's SC.

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.

Pillar 3 Disclosure

This Pillar 3 Disclosure document is prepared in accordance with the requirements under Bank Negara Malaysia Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3). The disclosures are to facilitate the understanding of United Overseas Bank (Malaysia) Bhd (UOBM)'s risk profile and assessment of the Bank's capital adequacy. This is to be read in conjunction with the Bank's financial statements.

Effective July 2016, UOBM started to offer Islamic financial services under its Islamic Banking Window.

Scope of Application

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

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

Capital Adequacy

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

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

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

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

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2022:

RM'000

Item	Exposure class 2022	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	27,260,129	27,260,129	-	-
	Public sector entities	658,203	658,203	-	-
	Bank, Development Financial Institutions & MDBs	869	869	174	14
	Insurance cos, securities firms and fund managers	154	154	154	12
	Corporates	335,624	334,390	377,124	30,170
	Regulatory retail	6,572,095	6,572,095	4,984,360	398,748
	Residential mortgages	6,512,010	6,512,010	2,372,582	189,807
	Higher risk assets	4,683	4,683	7,024	562
	Other assets	2,111,802	2,111,802	1,309,111	104,729
	Securitisation exposure	120,026	120,026	24,005	1,920
	Equity exposure	152,757	152,757	152,757	12,221
	Defaulted exposures	249,995	249,995	256,371	20,510
	Total on-balance sheet exposures	43,978,347	43,977,113	9,483,662	758,693
	Off-balance sheet exposures				
	OTC derivatives	175,117	175,117	64,801	5,184
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,155,747	4,153,931	2,846,525	227,722
	Defaulted exposures	6,610	6,610	8,260	661
	Total off-balance sheet exposures	4,337,474	4,335,658	2,919,586	233,567
	Total on and off-balance sheet exposures (SA)	**48,315,821**	**48,312,771**	**12,403,248**	**992,260**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	5,377,106	5,377,106	510,725	40,858
	Insurance cos, securities firms and fund managers	1,100,389	1,073,233	168,827	13,506
	Corporates	39,349,076	34,586,216	34,247,480	2,739,798
	Equity (simple risk weight)	924	924	2,773	222
	Defaulted exposures	1,367,408	1,313,216	-	-
	Total on-balance sheet exposures	47,194,903	42,350,695	34,929,805	2,794,384
	Off-balance sheet exposures				
	OTC derivatives	4,077,000	4,074,018	874,897	69,992
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,639,841	8,511,088	7,147,827	571,826
	Defaulted exposures	46,760	43,864	-	-
	Total off-balance sheet exposures	13,763,601	12,628,970	8,022,724	641,818
	Total on and off-balance sheet exposures (FIRB)	**60,958,504**	**54,979,665**	**42,952,529**	**3,436,202**

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2022 (Continued):

RM'000

Item	Exposure class 2022	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	35,963,617	35,963,617	4,140,112	331,210
	Qualifying revolving retail	2,560,579	2,560,579	909,524	72,762
	Other retail	14,761,751	14,761,751	2,487,330	198,986
	Defaulted exposures	1,181,349	1,181,349	564,130	45,130
	Total on-balance sheet exposures	54,467,296	54,467,296	8,101,096	648,088
	Off-balance sheet exposures				
	OTC derivatives	895	895	216	17
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,537,360	9,537,360	1,356,689	108,535
	Defaulted exposures	-	-	-	-
	Total off-balance sheet exposures	**9,538,255**	**9,538,255**	**1,356,905**	**108,552**
	Total on and off-balance sheet exposures (AIRB)	**64,005,551**	**64,005,551**	**9,458,001**	**756,640**
	Total exposures under IRB Approach	**124,964,055**	**118,985,216**	**52,410,530**	**4,192,842**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**67,958,409**	**5,436,673**
2.0	Large exposures risk requirement	-	-	-	-
3.0	Market risk	Long position	Short position		
	Interest rate risk	161,049	154,584	649,643	51,971
	Foreign currency risk	57,767	31,896	57,767	4,621
	Commodity risk	-	-	-	-
	Options risk	-	-	194,509	15,560
4.0	Operational risk (Basic Indicator Approach)			6,356,550	508,524
5.0	Total RWA and capital requirements			75,216,879	6,017,350

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2021:

RM'000

Item	Exposure class 2021	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	23,974,164	23,974,164	231	18
	Public sector entities	490,369	490,369	-	-
	Insurance cos, securities firms and fund managers	79	79	79	6
	Corporates	286,231	283,471	282,521	22,602
	Regulatory retail	2,885	2,885	2,885	231
	Other assets	1,312,402	1,312,402	715,963	57,277
	Equity exposure	155,420	155,420	155,420	12,434
	Defaulted exposures	1,361	1,361	2,042	163
	Total on-balance sheet exposures	26,222,911	26,220,151	1,159,141	92,731
	Off-balance sheet exposures				
	OTC derivatives	79,115	79,115	36,564	2,925
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	57,527	55,644	47,598	3,808
	Total off-balance sheet exposures	136,642	134,759	84,162	6,733
	Total on and off-balance sheet exposures (SA)	**26,359,553**	**26,354,909**	**1,243,302**	**99,464**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	5,118,838	5,118,838	710,630	56,850
	Insurance cos, securities firms and fund managers	1,100,850	1,090,832	265,444	21,236
	Corporates	36,909,182	32,827,475	33,913,283	2,713,063
	Equity (simple risk weight)	1,604	1,604	4,811	385
	Defaulted exposures	1,206,375	1,175,949	3,087	247
	Total on-balance sheet exposures	44,336,849	40,214,698	34,897,255	2,791,781
	Off-balance sheet exposures				
	OTC derivatives	2,316,478	2,313,617	811,908	64,953
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,401,933	7,373,286	7,026,857	562,149
	Defaulted exposures	14,652	13,466	-	-
	Total off-balance sheet exposures	10,733,063	9,700,369	7,838,765	627,102
	Total on and off-balance sheet exposures (FIRB)	**55,069,911**	**49,915,067**	**42,736,020**	**3,418,883**

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2021 (Continued):

RM'000

Item	Exposure class 2021	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	35,779,788	35,779,788	3,632,064	290,565
	Qualifying revolving retail	2,354,160	2,354,160	806,937	64,555
	Other retail	15,103,074	15,103,074	2,545,133	203,611
	Defaulted exposures	1,164,324	1,164,324	483,876	38,710
	Total on-balance sheet exposures	54,401,346	54,401,346	7,468,010	597,441
	Off-balance sheet exposures				
	OTC derivatives	550	550	188	15
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,978,243	8,978,243	1,140,920	91,274
	Defaulted exposures	-	-	-	-
	Total off-balance sheet exposures	**8,978,793**	**8,978,793**	**1,141,108**	**91,289**
	Total on and off-balance sheet exposures (AIRB)	**63,380,138**	**63,380,139**	**8,609,118**	**688,730**
	Total exposures under IRB Approach	**118,450,049**	**113,295,206**	**51,345,138**	**4,107,613**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**55,669,148**	**4,453,532**
2.0	Large exposures risk requirement	-	-	-	-
3.0	Market risk	Long position	Short position		
	Interest rate risk	105,539	79,668	942,345	75,388
	Foreign currency risk	30,449	9,491	30,485	2,439
	Commodity risk	-	-	-	-
	Options risk	-	-	164,351	13,148
4.0	Operational risk (Basic Indicator Approach)			5,843,127	467,450
5.0	Total RWA and capital requirements			62,649,456	5,011,957

Capital Adequacy (Continued)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2022:

RM'000

Item	Exposure class 2022	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	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	4,194,758	4,194,758	-	-	-	-
	Public sector entities	-	-	-	-	-	
	Insurance cos, securities firms and fund managers	-	-	-	-	-	-
	Corporates	-	-	-	-	-	-
	Residential mortgages	89,775	89,775	31,432	-	31,432	2,514
	Other assets	22,273	22,273	20,107	-	20,107	1,609
	Defaulted exposures	3,167	3,167	3,107	-	3,107	249
	Total on-balance sheet exposures	4,309,973	4,309,973	54,646	-	54,646	4,372
	Off-balance sheet exposures						
	OTC derivatives	11,290	11,290	8,381	-	8,381	670
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	3	3	1	-	1	-
	Total off-balance sheet exposures	11,293	11,293	8,382	-	8,382	670
	Total on and off-balance sheet exposures (SA)	**4,321,266**	**4,321,266**	**63,028**	**-**	**63,028**	**5,042**
1.2	Exposures under the FIRB Approach						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	215,891	215,891	22,165	-	22,165	1,773
	Insurance cos, securities firms and fund managers	1,002,226	1,002,226	146,454	146,454	-	-
	Corporates	2,791,385	2,663,122	3,006,432	1,271,724	1,734,709	138,777
	Defaulted exposures	113,093	98,780	-	-	-	-
	Total on-balance sheet exposures	4,122,595	3,980,019	3,175,051	1,418,178	1,756,874	140,550
	Off-balance sheet exposures						
	OTC derivatives	3,770	3,770	2,485	-	2,485	199
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	455,184	443,970	639,000	509,187	129,813	10,385
	Total off-balance sheet exposures	458,954	447,740	641,485	509,187	132,298	10,584
	Total on and off-balance sheet exposures (FIRB)	**4,581,549**	**4,427,759**	**3,816,536**	**1,927,365**	**1,889,172**	**151,134**

Capital Adequacy (Continued)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2022 (Continued):

RM'000

Item	Exposure class 2022	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Minimum capital requirement at 8%
1.0	Credit risk (Continued)						
1.3	Exposures under the AIRB Approach						
	On-balance sheet exposures						
	Corporates	-	-	-	-	-	-
	Residential mortgages	3,296,372	3,296,372	580,667	-	580,667	46,454
	Other retail	1,296,036	1,296,036	330,070	-	330,070	26,406
	Defaulted exposures	127,346	127,346	71,980	-	71,980	5,758
	Total on-balance sheet exposures	4,719,754	4,719,754	982,717	-	982,717	78,618
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	433,201	433,201	71,818	-	71,818	5,745
	Total off-balance sheet exposures	**433,201**	**433,201**	**71,818**	**-**	**71,818**	**5,745**
	Total on and off-balance sheet exposures (AIRB)	**5,152,955**	**5,152,955**	**1,054,535**	**-**	**1,054,535**	**84,363**
	Total exposures under IRB Approach	**9,734,504**	**9,580,714**	**4,871,071**	**1,927,365**	**2,943,707**	**235,497**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**5,226,363**	**2,043,007**	**3,183,356**	**254,669**
2.0	Large exposures risk requirement	-	-	-	-	-	-
3.0	Market risk	Long position	Short position				
	Interest rate risk	173	167	3,098	-	3,098	248
	Foreign currency risk	1,749	322	1,749	-	1,749	140
	Commodity risk	-	-	-	-	-	-
	Options risk	-	-	-	-	-	-
4.0	Operational risk (Basic Indicator Approach)			224,198	-	224,198	17,936
5.0	Total RWA and capital requirements			5,455,409	2,043,007	3,412,402	272,992

Capital Adequacy (Continued)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2021:

RM'000

Item	Exposure class 2021	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Minimum capital requirement at 8%
1.0	Credit risk						
1.1	Exempted exposures under the Standardised Approach (SA)						
	On-balance sheet exposures						
	Sovereigns/central banks	2,985,869	2,985,869	-	-	-	-
	Corporates	1,422	830	830	-	830	66
	Other assets	6,781	6,781	6,781	-	6,781	542
	Total on-balance sheet exposures	2,994,072	2,993,480	7,611	-	7,611	608
	Off-balance sheet exposures						
	OTC derivatives	4,098	4,098	2,179	-	2,179	174
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-	-	-
	Total off-balance sheet exposures	4,098	4,098	2,179	-	2,179	174
	Total on and off-balance sheet exposures (SA)	**2,998,170**	**2,997,578**	**9,790**	**-**	**9,790**	**782**
1.2	Exposures under the FIRB Approach						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	203,839	203,839	20,946	-	20,946	1,676
	Insurance cos, securities firms and fund managers	1,001,490	1,001,490	237,727	237,727	-	-
	Corporates	2,772,166	2,638,527	3,206,101	1,310,128	1,895,973	151,678
	Defaulted exposures	96,211	96,211	-	-	-	-
	Total on-balance sheet exposures	4,073,706	3,940,067	3,464,774	1,547,855	1,916,919	153,354
	Off-balance sheet exposures						
	OTC derivatives	7,743	7,704	4,962	-	4,962	397
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	525,636	512,917	719,166	611,459	107,707	8,617
	Total off-balance sheet exposures	533,379	520,621	724,128	611,459	112,669	9,014
	Total on and off-balance sheet exposures (FIRB)	**4,607,085**	**4,460,688**	**4,188,902**	**2,159,314**	**2,029,588**	**162,368**

Capital Adequacy (Continued)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2021 (Continued):

RM'000

Item	Exposure class 2021	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Minimum capital requirement at 8%
1.0	Credit risk (Continued)						
1.3	Exposures under the AIRB Approach						
	On-balance sheet exposures						
	Corporates	-	-	-	-	-	-
	Residential mortgages	2,937,154	2,937,154	437,200	-	437,200	34,976
	Other retail	1,212,831	1,212,831	313,002	-	313,002	25,040
	Defaulted exposures	100,014	100,014	45,784	-	45,784	3,663
	Total on-balance sheet exposures	4,249,999	4,249,999	795,986	-	795,986	63,679
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	435,782	435,782	71,465	-	71,465	5,717
	Total off-balance sheet exposures	**435,782**	**435,782**	**71,465**	**-**	**71,465**	**5,717**
	Total on and off-balance sheet exposures (AIRB)	**4,685,781**	**4,685,781**	**867,451**	**-**	**867,451**	**69,396**
	Total exposures under IRB Approach	**9,292,866**	**9,146,469**	**5,056,353**	**2,159,314**	**2,897,039**	**231,764**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**5,369,525**	**2,288,873**	**3,080,652**	**246,452**
2.0	Large exposures risk requirement	-	-	-	-	-	-
3.0	Market risk	Long position	Short position				
	Interest rate risk	19	4	272	-	272	22
	Foreign currency risk	353	389	389	-	389	31
	Commodity risk	-	-	-	-	-	-
	Options risk	-	-	-	-	-	-
4.0	Operational risk (Basic Indicator Approach)			156,436	-	156,436	12,515
5.0	Total RWA and capital requirements			5,526,622	2,288,873	3,237,749	259,020

Capital Structure

As at 31 December 2022, 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;
(3) On 27 October 2022, the Bank issued RM1 billion subordinated notes at 4.91% p.a. maturing on 27 October 2032;

The 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:

	Group		Bank	
	31-Dec-22 RM'000	31-Dec-21 RM'000	31-Dec-22 RM'000	31-Dec-21 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	11,447,521	10,809,329	11,616,857	10,878,366
Other reserves	66,934	185,636	(173,464)	(14,002)
Regulatory adjustments applied in the calculation of CET1 Capital	(1,140,963)	(532,347)	(1,492,626)	(899,615)
Total CET1/Tier 1 Capital	11,166,047	11,255,173	10,743,322	10,757,304
Tier 2 Capital				
Tier 2 Capital instruments	2,350,000	1,350,000	2,350,000	1,350,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	320,555	312,387	321,073	312,822
- General provisions	164,706	26,425	155,041	15,541
Regulatory adjustments applied in the calculation of Tier 2 Capital	105,073	86,731	-	-
Total Tier 2 Capital	2,940,334	1,775,543	2,826,114	1,678,363
Total Capital	14,106,381	13,030,716	13,569,436	12,435,667

Capital Structure (Continued)

The capital adequacy ratios of the Group and the Bank:

	Group		Bank	
	31-Dec-22 RM'000	31-Dec-21 RM'000	31-Dec-22 RM'000	31-Dec-21 RM'000
CET1/Tier 1 Capital	14.711%	17.740%	14.283%	17.171%
Total Capital	18.585%	20.538%	18.040%	19.850%

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:

	31-Dec-22 RM'000	31-Dec-21 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital		
Capital fund	450,000	450,000
Retained profits	86,744	14,261
Other reserves	(3,318)	(966)
Regulatory adjustments applied in the calculation of CET1 Capital	(14,025)	(11,130)
Total CET1/Tier 1 Capital	519,401	452,165
Tier 2 Capital		
Financing loss provision		
- Surplus eligible provisions over expected losses	18,722	18,426
- General provisions	788	122
Total Tier 2 Capital	19,510	18,548
Total Capital	538,911	470,713

Capital Structure (Continued)

The capital adequacy ratios of the Islamic Banking Window:

	31-Dec-22 RM'000	31-Dec-21 RM'000
Before the effects of RSIA		
CET1/Tier 1 Capital	9.521%	8.182%
Total Capital	10.101%	8.766%
After the effects of RSIA		
CET1/Tier 1 Capital	15.221%	13.965%
Total Capital	15.793%	14.538%

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 2022, credit risks related to RSIA assets excluded from the total capital ratio calculation amounting to RM2,043,006,700 (2021: RM2,288,873,000).

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. We are committed to upholding high standards of corporate governance, sound risk management principles and robust business practices to achieve sustainable, long-term growth. We continually strengthen our risk management practices in support of our strategic objectives.

Risk Culture

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. At UOBM, our risk culture is based on our values. A strong risk culture ensures that our decisions and actions are considered and focused on our stakeholders, and that we are not distracted by short-term gains.

UOBM's Risk Culture Statement

Managing risk is integral to how we create long-term value for our customers and other stakeholders. Our 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 our distinctive set of values that guides every action we take. In entrenching our risk culture further across our franchise, we uphold 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.

Risk Management (Continued)

Risk Culture (Continued)

UOBM's Risk Culture Statement (Continued)

Safeguarding our reputation in creating long term value for our stakeholders

Our Risk Culture Impact	Financial safety and soundness	Fair outcomes and appropriate support for all stakeholders	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 the Three Lines Model. • Balanced risk-reward remuneration. • Established consequences. • Individual 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)

Our risk management strategy embeds our risk culture across the Bank, so as to facilitate ongoing effective discovery, management and mitigation of risks arising from external factors and our business activities, and to use capital efficiently to address these risks. Risks are managed within levels established by senior management committees and approved by the Board and its committees. We have put in place frameworks, policies, methodologies, tools and processes that help us to identify, to measure, to monitor and to manage the material risks faced by the Bank. These enable us to focus on the fundamentals of banking and create long-term value for all our stakeholders.

Risk Governance

Our risk frameworks, policies and appetite provide the principles and guidance for the Bank's risk management activities. They guide our key decisions for capital management, strategic planning and budgeting, and performance management to ensure that risk dimension is appropriately and sufficiently considered. Risk reports are submitted regularly to senior management committees and the Board to keep them apprised of the Bank's risk profile.

Responsibility for risk management starts with the Board oversight of the governance structure, which ensures 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
- subject to adequate risk management and internal controls.

The Board is assisted primarily by the Risk Management Committee (RMC), which reviews the overall risk appetite and level of risk capital to be maintained for the Bank.

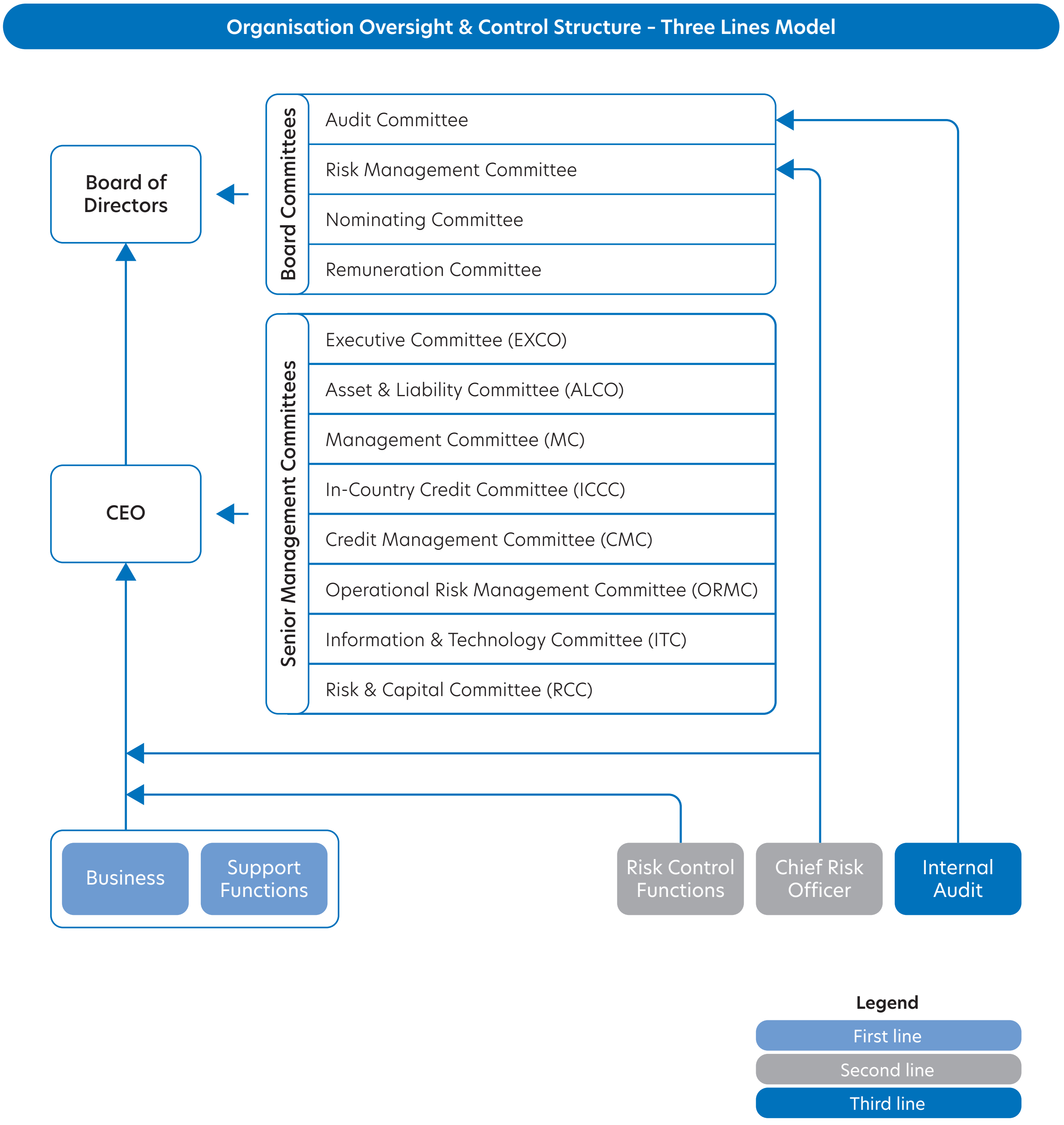
Our Chief Executive Officer (CEO) has established senior management committees to assist her in making business decisions with due consideration to risks and returns. The main senior management committees involved in this are the Executive Committee (EXCO), Management Committee (MC), Asset and Liability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

Management and the senior management committees are authorised to delegate risk appetite limits by location, business units and/or broad product lines.

Risk management is the responsibility of every employee in the Bank. We strive to instill awareness of the risks created by their actions and the accountability for the consequences of those actions in our employees. We have established frameworks to ensure appropriate oversight, accountability and management of all risk types encountered in the course of our business. The organisational control structure provides the Three Lines Model as follows:

Risk Management (Continued)

Risk Governance (Continued)



Risk Management (Continued)

Risk Governance (Continued)

First Line - The Risk Owner

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

Second Line - Risk Oversight

The risk and control oversight functions (i.e., Risk Management and Compliance) and the Chief Risk Officer (CRO), as the Second Line, support the Bank's strategy of balancing growth with stability by establishing risk frameworks, policies, appetite and limits within which the business functions must adhere to and comply within their operations. They are also responsible for the independent review and monitoring of the Bank's risk profile and for highlighting any significant vulnerabilities and risk issues to the respective senior management committees.

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

Third Line - Independent Audit

The Bank's internal auditors conduct risk-based audits covering all aspects of the First and Second Lines to provide independent assurance to the CEO, the Audit Committee (AC) and the Board on the adequacy and effectiveness of our system of risk management and internal controls. The Internal auditor's overall opinion of the internal controls and risk management system is provided to the AC and the Board annually.

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

Risk Appetite

Our risk appetite framework defines the amount of risk we are able and willing to take in the pursuit of our business objectives. It ensures that the Bank's risk profile remains within well-defined and tolerable boundaries. The framework has been formulated based on the following key criteria:

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

The risk appetite defines suitable thresholds and limits across key areas of credit risk, country risk, market risk, liquidity risk, operational risk, technology risk, reputation risk and conduct risk. Our risk-taking approach is focused on businesses which we understand and whose risks we are well-equipped to manage. This approach helps us to minimise earnings volatility and concentration risk, and ensures that our high credit ratings, strong capital and stable funding base remain intact. This enables us to remain a steadfast partner to our customers through changing economic conditions and cycles.

Our risk appetite framework is reviewed and approved annually by the Board. Management monitors and reports the risk profiles and compliance with the Bank's 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 take 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, taking into account all material risks. Stress-testing is conducted to determine capital adequacy under stressed conditions.

* The acquired Citi's consumer banking portfolio is reported under Standardised Approach.

Credit Risk

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when they are due. It 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.

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. Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the identification, measurement and management of credit risk. The Bank continually monitors the operating environment to identify emerging risks and to formulate appropriate mitigating actions.

Credit Risk Governance and Organisation

The CMC supports the CEO and RMC in managing the Bank's overall credit risk exposures and serves as an executive forum for discussions on all credit-related matters. 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 facilitates business development within a framework that results in prudent, consistent and efficient credit risk management. It is responsible for the reporting, analysis and management of credit risk to the CMC, RMC and Board. The comprehensive credit risk reports cover business segments at the overall portfolio level by various dimensions including industry, product and country.

Credit Risk Policies and Processes

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

Credit approval process

Credit origination and approval functions are segregated to maintain the independence and integrity of the credit approval process. 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 which are reviewed periodically to ensure their continued relevance to the Bank's business strategy and the business environment.

Credit concentration risk

Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. This is managed by setting exposure limits on 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 manages its country risk exposures within an established framework that involves setting country limits. 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. The Bank also conducts frequent stress-testing to assess the resilience of our portfolio in the event of a marked deterioration in operating conditions.

Credit stress test

Credit stress-testing is a core component of the Bank's credit portfolio management process. The three objectives are:

- to assess the profit and loss and balance sheet impact of business strategies;
- to quantify the sensitivity of performance drivers under various macroeconomic and business planning scenarios; and
- to evaluate the impact of Management's decisions on capital, funding and leverage.

Stress tests are conducted to assess if the Bank's capital can withstand credit portfolio losses resulting from stress scenarios, and their impact on our profitability and balance sheet quality. Stress tests also help us to identify the vulnerability of various business units and enable us to formulate appropriate mitigating measures.

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

Credit Risk (Continued)

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 committees are updated on credit trends through internal risk reports so that the necessary mitigating measures can be implemented promptly.

Delinquency monitoring

The Bank monitors closely the delinquency of borrowing accounts, a key indicator of credit quality. An account is considered delinquent when payment has not been received by the payment 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.

Classification and loan/financing loss impairment

The Bank classifies its credit portfolios according to the borrowers' ability to repay the credit facilities from their normal source of income.

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

Upgrading and declassification of a 'Non-Performing' account to 'Pass' or 'Special Mention' 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 de-classified, the account is unlikely to be classified again in the near future.

A credit facility is rescheduled or restructured when a bank grants concessions (usually non-commercial) to a borrower because of a deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule.

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 de-classified.

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 and the BNM requirements.

Special Asset Management

Special Asset Management (SAM) is an independent division that manages the restructuring, workout and recovery of the Bank's non-performing portfolios. Its primary objectives are (i) to restructure/nurse the non-performing accounts back to financial health whenever possible for transfer back to the business units for management and (ii) to maximise recovery of the Non-Performing accounts that the Bank intends to exit.

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 of the Bank by sectors as at 31 December 2022:

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	Higher risk assets RM'000	Other assets RM'000	Securitisation exposure RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,702,453	20,393	-	-	-	-	-	1,722,846
Mining and quarrying	-	-	16,838	-	223,272	9,534	-	-	-	-	-	249,644
Manufacturing	-	-	80,808	-	9,329,299	1,347,792	-	-	-	-	-	10,757,899
Electricity, gas and water	-	-	-	-	1,240,616	9,248	-	-	-	-	-	1,249,864
Construction	-	-	-	-	11,404,964	481,645	-	-	-	-	-	11,886,609
Wholesale, retail trade, restaurants and hotels	-	-	31,222	-	17,004,778	4,456,088	-	-	-	-	-	21,492,088
Transport, storage and communication	-	-	828	-	2,168,780	202,162	-	-	-	-	-	2,371,770
Finance, insurance and business services	10,433	45,320	9,162,692	1,244,204	3,437,259	960,460	-	-	-	-	-	14,860,368
Real estate	-	-	-	-	4,275,064	608,433	-	-	-	120,026	-	5,003,523
Community, social and personal services	-	-	-	-	84,579	133,688	-	-	-	-	-	218,267
Households	-	-	-	-	11,295	26,568,131	46,215,490	10,958	-	-	-	72,805,874
Others	27,723,926	658,203	-	-	-	-	-	-	2,125,314	-	153,681	30,661,124
	27,734,359	703,523	9,292,388	1,244,204	50,882,359	34,797,574	46,215,490	10,958	2,125,314	120,026	153,681	173,279,876

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

Credit Risk (Continued)

(i) The credit exposures of the Bank by sectors as at 31 December 2021:

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	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,748,188	23,116	-	-	-	1,771,304
Mining and quarrying	-	-	465,278	-	193,661	10,751	-	-	-	669,690
Manufacturing	-	-	101,558	-	8,887,742	1,308,877	-	-	-	10,298,177
Electricity, gas and water	-	-	-	-	710,815	9,876	-	-	-	720,691
Construction	-	-	-	-	10,683,853	510,463	-	-	-	11,194,316
Wholesale, retail trade, restaurants and hotels	-	-	69,837	-	15,978,330	4,299,114	-	-	-	20,347,281
Transport, storage and communication	-	-	1,889	-	1,613,686	185,071	-	-	-	1,800,646
Finance, insurance and business services	2,553	39,858	6,644,993	1,228,166	2,951,604	942,398	-	-	-	11,809,572
Real estate	-	-	-	-	4,093,291	631,683	-	-	-	4,724,974
Community, social and personal services	-	-	-	-	36,276	133,048	-	-	-	169,324
Households	-	-	-	-	5,511	16,343,096	38,985,530	-	-	55,334,137
Others	23,991,341	490,369	-	-	292	-	-	1,330,465	157,023	25,969,490
	23,993,894	530,227	7,283,555	1,228,166	46,903,249	24,397,493	38,985,530	1,330,465	157,023	144,809,603

Credit Risk (Continued)

(ii) The credit exposures under the Islamic Banking Window by sectors as at 31 December 2022:

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	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	276,974	388	-	-	-	277,362
Mining and quarrying	-	-	-	-	90,422	-	-	-	-	90,422
Manufacturing	-	-	-	-	893,279	182,113	-	-	-	1,075,392
Electricity, gas and water	-	-	-	-	540,236	-	-	-	-	540,236
Construction	-	-	-	-	484,221	63,787	-	-	-	548,008
Wholesale, retail trade, restaurants and hotels	-	-	-	-	564,120	515,943	-	-	-	1,080,063
Transport, storage and communication	-	-	-	-	138,483	40,798	-	-	-	179,281
Finance, insurance and business services	10,433	3,637	215,891	1,009,880	112,314	175,761	-	-	-	1,527,916
Real estate	-	-	-	-	212,338	121,759	-	-	-	334,097
Community, social and personal services	-	-	-	-	51,045	36,567	-	-	-	87,612
Households	-	-	-	-	-	305,708	3,803,075	-	-	4,108,783
Others	4,184,325	-	-	-	-	-	-	22,273	-	4,206,598
	4,194,758	3,637	215,891	1,009,880	3,363,432	1,442,824	3,803,075	22,273	-	14,055,770

Credit Risk (Continued)

(ii) The credit exposures under the Islamic Banking Window by sectors as at 31 December 2021:

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	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	336,538	419	-	-	-	336,957
Mining and quarrying	-	-	-	-	90,304	-	-	-	-	90,304
Manufacturing	-	-	-	-	1,013,493	171,938	-	-	-	1,185,431
Electricity, gas and water	-	-	-	-	512,805	-	-	-	-	512,805
Construction	-	-	-	-	585,886	67,414	-	-	-	653,300
Wholesale, retail trade, restaurants and hotels	-	-	-	-	556,652	467,448	-	-	-	1,024,100
Transport, storage and communication	-	-	-	-	93,518	34,824	-	-	-	128,342
Finance, insurance and business services	2,553	2,399	203,839	1,003,189	44,645	169,234	-	-	-	1,425,858
Real estate	-	-	-	-	169,338	115,659	-	-	-	284,997
Community, social and personal services	-	-	-	-	-	35,458	-	-	-	35,458
Households	-	-	-	-	-	305,240	3,318,148	-	-	3,623,388
Others	2,983,316	-	-	-	-	-	-	6,781	-	2,990,097
	2,985,869	2,399	203,839	1,003,189	3,403,179	1,367,634	3,318,148	6,781	-	12,291,036

Credit Risk (Continued)

(iii) The credit exposures of the Bank by remaining contractual maturities as at 31 December 2022:

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	Higher risk assets RM'000	Other assets RM'000	Securitisation exposure RM'000	Equity exposures RM'000	Grand total RM'000
< 3 months	4,547,881	33,504	4,582,178	144,740	16,141,808	924,912	2,167	-	-	-	-	26,377,190
3 - 6 months	595,079	11,817	386,120	20,589	4,469,482	219,732	5,542	-	-	-	-	5,708,361
6 - 12 months	372,215	290,064	552,774	13,697	3,891,240	7,078,645	1,441,227	-	415,969	-	-	14,055,831
1 - 3 years	7,888,607	65,993	2,950,560	1,017,920	9,601,049	12,856,249	6,856,766	10,958	1,709,345	-	153,681	43,111,128
3 - 5 years	4,295,282	25,079	740,745	-	9,191,643	819,014	269,337	-	-	-	-	15,341,100
> 5 years	10,035,295	277,066	80,011	47,258	7,587,137	12,899,022	37,640,451	-	-	120,026	-	68,686,266
	27,734,359	703,523	9,292,388	1,244,204	50,882,359	34,797,574	46,215,490	10,958	2,125,314	120,026	153,681	173,279,876

The credit exposures of the Bank by remaining contractual maturities as at 31 December 2021:

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	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
< 3 months	8,894,308	16,121	2,751,777	141,384	13,821,556	936,232	11,293	-	-	26,572,672
3 - 6 months	1,397,040	69,119	1,956,894	23,921	3,415,986	230,128	4,684	-	-	7,097,772
6 - 12 months	934,050	118,129	705,131	29,633	3,828,096	6,703,554	1,523,709	480,123	-	14,322,425
1 - 3 years	5,765,580	124,150	1,192,280	31,612	11,131,151	2,483,304	110,359	850,342	157,023	21,845,801
3 - 5 years	3,283,638	-	606,804	1,001,616	8,069,100	818,565	272,350	-	-	14,052,073
> 5 years	3,719,278	202,707	70,669	-	6,637,360	13,225,710	37,063,134	-	-	60,918,858
	23,993,894	530,227	7,283,555	1,228,166	46,903,249	24,397,493	38,985,529	1,330,465	157,023	144,809,603

Credit Risk (Continued)

(iv) The credit exposures under the Islamic Banking Window by remaining contractual maturities as at 31 December 2022:

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	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
< 3 months	2,579,529	3,637	-	6,516	592,696	7,803	-	-	-	3,190,181
3 - 6 months	251,078	-	-	1,137	34,478	1,115	-	-	-	287,808
6 - 12 months	-	-	-	-	22,621	157	-	-	-	22,778
1 - 3 years	1,364,151	-	215,891	1,002,227	163,453	13,754	93,366	22,273	-	2,875,115
3 - 5 years	-	-	-	-	1,559,453	4,067	394	-	-	1,563,914
> 5 years	-	-	-	-	990,731	1,415,928	3,709,315	-	-	6,115,974
	4,194,758	3,637	215,891	1,009,880	3,363,432	1,442,824	3,803,075	22,273	-	14,055,770

The credit exposures under the Islamic Banking Window by remaining contractual maturities as at 31 December 2021:

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	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
< 3 months	1,407,000	-	133,686	1,699	558,765	3,778	-	-	-	2,104,928
3 - 6 months	1,244,241	2,399	-	-	62,410	766	-	-	-	1,309,816
6 - 12 months	197,204	-	-	-	85,420	158	-	-	-	282,782
1 - 3 years	137,424	-	70,153	-	156,681	8,323	606	6,781	-	379,968
3 - 5 years	-	-	-	1,001,490	1,363,684	3,938	299	-	-	2,369,411
> 5 years	-	-	-	-	1,176,219	1,350,671	3,317,243	-	-	5,844,132
	2,985,869	2,399	203,839	1,003,189	3,403,179	1,367,634	3,318,148	6,781	-	12,291,036

Credit Risk (Continued)

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

Bank	2022 Past due but not impaired RM'000	2022 Impaired loans RM'000	2021 Past due but not impaired RM'000	2021 Impaired loans RM'000
Agriculture, hunting, forestry and fishing	37,940	-	6,545	1,276
Mining and quarrying	4,198	83,075	7,101	81,750
Manufacturing	161,546	190,171	31,410	210,436
Electricity, gas and water	-	-	-	-
Construction	386,763	658,549	197,367	445,367
Wholesale, retail trade, restaurant and hotels	274,133	340,269	53,590	309,863
Transport, storage and communication	7,893	36,830	2,367	103,371
Finance, insurance and business services	50,160	42,710	14,604	30,148
Real estate	94,961	195,714	144,544	181,574
Community, social and personal services	13,331	11,169	836	-
Households:				
- purchase of residential properties	1,904,161	972,294	258,161	740,211
- purchase of non-residential properties	264,531	158,602	80,900	190,879
- others	390,344	143,797	69,931	100,071
	3,589,961	2,833,180	867,356	2,394,946

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

Islamic Banking Window	2022 Past due but not impaired RM'000	2022 Credit-impaired financing, advances and others RM'000	2021 Past due but not impaired RM'000	2021 Credit-impaired financing, advances and others RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-
Mining and quarrying	-	81,862	-	81,750
Manufacturing	1,552	7,814	-	18,733
Construction	2,708	31,598	-	3,595
Wholesale, retail trade, restaurant and hotels	41,077	15,759	1,332	10,636
Transport, storage and communication	2,052	3,317	-	3,315
Finance, insurance and business services	3,709	2,411	2,275	682
Real estate	-	-	-	-
Community, social and personal services	5,553	4,954	-	-
Households:				
- purchase of residential properties	207,935	99,293	30,994	80,157
- purchase of non-residential properties	4,823	4,114	62	1,351
- others	2,615	221	294	143
	272,024	251,343	34,957	200,362

Credit Risk (Continued)

(vi) Allowances for Expected Credit Loss (ECL) 1, 2 and 3 of the Bank analysed by economic sectors:

Bank	2022 ECL 3 RM'000	2022 ECL 1 and ECL 2 RM'000	2021 ECL 3 RM'000	2021 ECL 1 and ECL 2 RM'000
Agriculture, hunting, forestry and fishing	-	53,497	3	45,390
Mining and quarrying	82,020	7,185	81,750	995
Manufacturing	98,153	144,623	100,962	51,028
Electricity, gas and water	-	52,405	-	6,393
Construction	130,337	254,573	51,988	312,151
Wholesale, retail trade, restaurant and hotels	150,775	359,359	148,219	477,938
Transport, storage and communication	4,251	27,839	50,387	16,816
Finance, insurance and business services	15,563	105,594	12,057	67,825
Real estate	65,016	202,814	56,016	293,927
Community, social and personal services	1,378	3,869	-	6,112
Households:				
- purchase of residential properties	209,001	204,187	157,679	164,337
- purchase of non-residential properties	27,316	9,789	28,120	4,430
- others	59,394	301,471	26,128	163,714
	843,204	1,727,205	713,309	1,611,056

Note: Expected Credit Loss (ECL) measurement approaches can be found in Financial Statement Note 40.1 (b).

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

Islamic Banking Window	2022 ECL 3 RM'000	2022 ECL 1 and ECL 2 RM'000	2021 ECL 3 RM'000	2021 ECL 1 and ECL 2 RM'000
Agriculture, hunting, forestry and fishing	-	139	-	519
Mining and quarrying	81,862	2	81,750	6
Manufacturing	4,133	1,125	3,627	3,930
Electricity, gas and water	-	9,988	-	5,447
Construction	16,324	1,554	859	6,792
Wholesale, retail trade, restaurant and hotels	5,937	9,915	5,425	20,085
Transport, storage and communication	-	551	-	569
Finance, insurance and business services	704	977	121	2,599
Real estate	-	1,941	-	6,440
Community, social and personal services	166	561	-	1,834
Households:				
- purchase of residential properties	22,786	13,498	16,991	6,859
- purchase of non-residential properties	772	214	71	55
- others	22	73	-	25
	132,706	40,538	108,844	55,160

Credit Risk (Continued)

(vii) Allowances for Expected Credit Loss 3 (ECL 3) of the Bank analysed by economic sectors:

Bank	2022 Allowances for ECL 3 made during the year RM'000	2022 Write-offs during the year RM'000	2021 Allowances for ECL 3 made during the year RM'000	2021 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	57	60	3	-
Mining and quarrying	251	-	81,750	-
Manufacturing	9,296	5,991	30,565	27,850
Electricity, gas and water	-	-	-	-
Construction	87,526	4,776	6,980	2,398
Wholesale, retail trade, restaurant and hotels	45,251	26,681	71,285	13,799
Transport, storage and communication	996	46,353	3,186	1,292
Finance, insurance and business services	9,830	5,320	4,303	3,062
Real estate	9,112	-	17,339	2
Community, social and personal services	1,064	-	91	91
Households:				
- purchase of residential properties	115,310	64,065	107,698	54,414
- purchase of non-residential properties	14,857	11,950	27,441	17,850
- others	81,217	62,147	75,987	67,143
	374,768	227,341	426,628	187,901

Allowances for ECL 3 under the Islamic Banking Window analysed by economic sectors:

Islamic Banking Window	2022 Allowances for ECL 3 made during the year RM'000	2022 Write-offs during the year RM'000	2021 Allowances for ECL 3 made during the year RM'000	2021 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-
Mining and quarrying	112	-	81,750	-
Manufacturing	2,869	-	4	-
Electricity, gas and water	-	-	-	-
Construction	15,647	102	175	605
Wholesale, retail trade, restaurant and hotels	2,303	1,252	581	-
Transport, storage and communication	-	-	-	-
Finance, insurance and business services	583	-	121	-
Real estate	-	-	-	-
Community, social and personal services	166	-	-	-
Households:				
- purchase of residential properties	14,261	4,609	11,589	6,070
- purchase of non-residential properties	757	-	71	111
- others	22	-	-	-
	36,720	5,963	94,291	6,786

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 exposures of the Bank analysed by geography:

Bank **As at 31 December 2022**	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Exempted exposures under Standardised Approach			
Sovereigns/central banks	27,734,359	-	27,734,359
Public sector entities	703,523	-	703,523
Banks, Development Financial Institutions & MDBs	869	-	869
Insurance cos, securities firms & fund managers	35,962	-	35,962
Corporates	424,540	-	424,540
Regulatory retail	10,258,482	-	10,258,482
Residential mortgages	6,749,031	-	6,749,031
Higher risk assets	10,958	-	10,958
Other assets	2,125,314	-	2,125,314
Securitisation exposure	120,026	-	120,026
Equity exposure	152,757	-	152,757
Total exempted exposures	48,315,821	-	48,315,821
Exposures under IRB Approach			
Banks, Development Financial Institutions & MDBs	7,168,235	2,123,284	9,291,518
Insurance cos, Securities firms & fund managers	1,146,778	61,463	1,208,242
Corporates	48,174,468	2,283,352	50,457,820
Residential mortgages	35,822,283	3,644,177	39,466,460
Qualifying revolving retail exposures	6,696,458	12,096	6,708,554
Other retail exposures	16,633,440	1,197,098	17,830,538
Equity exposure	924	-	924
Total IRB Approach	115,642,586	9,321,469	124,964,055
Total credit risk exposures	163,958,407	9,321,469	173,279,876

Note: Exposures outside of Malaysia are mainly loans extended to non-residents.

Credit Risk (Continued)

(viii) Credit exposures of the Bank analysed by geography (Continued):

Bank As at 31 December 2021	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Exempted exposures under Standardised Approach			
Sovereigns/central banks	23,993,894	-	23,993,894
Public sector entities	530,227	-	530,227
Banks, Development Financial Institutions & MDBs	-	-	-
Insurance cos, securities firms & fund managers	25,532	-	25,532
Corporates	321,131	-	321,131
Regulatory retail	2,885	-	2,885
Other assets	1,330,465	-	1,330,465
Equity exposure	155,420	-	155,420
Total exempted exposures	26,359,554	-	26,359,554
Exposures under IRB Approach			
Banks, Development Financial Institutions & MDBs	5,903,169	1,380,386	7,283,555
Insurance cos, Securities firms & fund managers	1,202,634	-	1,202,634
Corporates	44,803,223	1,778,894	46,582,118
Residential mortgages	35,158,968	3,826,562	38,985,530
Qualifying revolving retail exposures	6,256,596	11,984	6,268,579
Other retail exposures	16,897,299	1,228,730	18,126,029
Equity exposure	1,604	-	1,604
Total IRB Approach	110,223,492	8,226,556	118,450,049
Total credit risk exposures	136,583,046	8,226,556	144,809,602

Note: Exposures outside of Malaysia are mainly loans extended to non-residents.

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	48,313	54,980	64,006

Note*:
- Amount under Standardised Approach refers to credit exposures where IRB Approach is not applicable.
- On 1 November 2022, the Bank had acquired Citibank Bhd's consumer banking portfolio which is reported under Standardised Approach.

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 (RAM), Fitch Ratings, Moody's Investors Service, Malaysian Rating Corporation Berhad (MARC) and Standard & Poor's (S&P). ECAI ratings are mapped to a common credit quality grade prescribed by BNM.

Credit Risk (Continued)

The aggregate breakdown of credit risk exposures of the Bank by risk weights under the Standardised Approach as at 31 December 2022:

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	Residential mortgages	Higher risk assets	Other assets	Securitisation exposure	Equity exposure	Total exposures after netting and CRM	Total RWA
0%	27,641,784	658,203	-	-	1,583	-	-	-	758,791	-	-	29,060,361	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	92,575	45,320	869	-	-	-	-	-	-	120,026	-	258,790	51,758
35%	-	-	-	-	-	-	6,140,620	-	-	-	-	6,140,620	2,149,217
50%	-	-	-	-	-	9,171	328,639	-	-	-	-	337,810	168,905
75%	-	-	-	-	-	10,002,717	113	-	-	-	-	10,002,830	7,502,123
90%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	35,962	414,917	227,804	276,625	-	1,366,523	-	152,757	2,474,588	2,474,588
110%	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	4,990	18,790	3,034	10,958	-	-	-	37,772	56,657
270%	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**27,734,359**	**703,523**	**869**	**35,962**	**421,490**	**10,258,482**	**6,749,031**	**10,958**	**2,125,314**	**120,026**	**152,757**	**48,312,771**	**12,403,248**

Credit Risk (Continued)

The aggregate breakdown of credit risk exposures of the Bank by risk weights under the Standardised Approach as at 31 December 2021:

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 exposure	Total exposures after netting and CRM	Total RWA
0%	23,980,527	490,369	-	-	2,401	-	596,439	-	25,069,736	-
10%	-	-	-	-	-	-	-	-	-	-
20%	13,136	39,858	-	-	196	-	-	-	53,189	10,638
35%	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-
100%	231			25,532	312,529	2,885	734,026	155,420	1,230,623	1,230,622
110%	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	1,361	-	-	-	1,361	2,042
270%	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-
Total	**23,993,894**	**530,227**	**-**	**25,532**	**316,487**	**2,885**	**1,330,465**	**155,420**	**26,354,909**	**1,243,302**

Credit Risk (Continued)

Credit Exposures under Basel II (Continued)

The table below summarises the approaches adopted under the Islamic Banking Window 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	4,321	4,428	5,153

Note*:
- Amount under Standardised Approach refers to credit exposures where IRB Approach is not applicable.
- The acquired islamic banking consumer portfolio from Citibank Bhd is reported under Standardised Approach.

The aggregate breakdown of credit risk exposures under Islamic Banking Window by risk weights under the Standardised Approach as at 31 December 2022:

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	Residential mortgages	Other assets	Total exposures after netting and CRM	Total RWA
0%	4,194,758	-	-	-	-	-	2,166	4,196,924	-
10%	-	-	-	-	-	-	-	-	-
20%	-	3,637	-	-	-	-	-	3,637	727
35%	-	-	-	-	-	89,711	-	89,711	31,399
50%	-	-	-	-	-	186	-	186	93
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-		7,653	-	3,048	20,107	30,808	30,809
110%	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-
Total	**4,194,758**	**3,637**	**-**	**7,653**	**-**	**92,945**	**22,273**	**4,321,266**	**63,028**

Credit Risk (Continued)

Credit Exposures under Basel II (Continued)

The aggregate breakdown of credit risk exposures under Islamic Banking Window by risk weights under the Standardised Approach as at 31 December 2021:

RM'000

Risk weights	Islamic Banking Window							
	Sovereigns /central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Other assets	Total exposures after netting and CRM	Total RWA
0%	2,985,869	-	-	-	-	-	2,985,869	-
10%	-	-	-	-	-	-	-	-
20%	-	2,399	-	-	-	-	2,399	480
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-		1,699	830	6,781	9,310	9,310
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-
Total	**2,985,869**	**2,399**	**-**	**1,699**	**830**	**6,781**	**2,997,578**	**9,790**

Credit Risk (Continued)

Rated Exposures of the Bank by ECAI ratings as at 31 December 2022:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	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)		-	-	-	-	703,523
Insurance cos, securities firms and fund managers		-	-	-	-	35,962
Corporates		-	-	-	-	421,490
Total		**-**	**-**	**-**	**-**	**1,160,975**

RM'000

Exposure class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated
On and off-balance sheet exposures							
Banks, DFIs and MDBs		869	-	-	-	-	-
Total		**869**	**-**	**-**	**-**	**-**	**-**

RM'000

Exposure class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated
On and off-balance sheet exposures							
Sovereigns/central banks		-	21,512,979	6,200,961	-	-	20,419
Total		**-**	**21,512,979**	**6,200,961**	**-**	**-**	**20,419**

Credit Risk (Continued)

Rated Exposures of the Bank by ECAI ratings as at 31 December 2021:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	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)		-	-	-	-	530,227
Insurance cos, securities firms and fund managers		-	-	-	-	25,532
Corporates		-	-	-	-	316,487
Total		**-**	**-**	**-**	**-**	**872,246**

RM'000

Exposure class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated
On and off-balance sheet exposures							
Sovereigns/central banks		-	23,993,894	-	-	-	-
Total		**-**	**23,993,894**	**-**	**-**	**-**	**-**

Credit Risk (Continued)

Rated Exposures of the Islamic Banking Window by ECAI ratings as at 31 December 2022:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and off-balance sheet exposures</u>						
Credit exposures (using corporate risk weights)						
Public sector entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	3,637
Insurance cos, securities firms and fund managers		-	-	-	-	7,653
Corporates		-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**11,290**

RM'000

Exposure class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated
<u>On and off-balance sheet exposures</u>							
Sovereigns/central banks		-	4,194,758	-	-	-	-
Total		**-**	**4,194,758**	**-**	**-**	**-**	**-**

Credit Risk (Continued)

Rated Exposures of the Islamic Banking Window by ECAI ratings as at 31 December 2021:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	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)		-	-	-	-	2,399
Insurance cos, securities firms and fund managers		-	-	-	-	1,699
Corporates		-	-	-	-	830
Total		**-**	**-**	**-**	**-**	**4,928**

RM'000

Exposure class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated
On and off-balance sheet exposures							
Sovereigns/central banks		-	2,985,869	-	-	-	-
Total		**-**	**2,985,869**	**-**	**-**	**-**	**-**

Credit Risk (Continued)

Internal Credit Rating System

The Bank employs internal rating models to support the assessment of credit risk and the 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 defined the roles and responsibilities of the various stakeholders in the credit rating process, including model development and review, model performance monitoring, annual model validation and independent reviews by Internal Audit in order to ensure the reliable and consistent performance of the Bank's rating systems.

Credit risk models are independently validated before they are implemented to ensure that 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 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 borrowers' ability to meet their financial obligations. The models are calibrated to provide an estimate of the likelihood of default over a 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 the External Credit Assessment Institutions (ECAIs), they are not directly comparable with or equivalent to the ECAIs ratings.

Corporate Portfolio

The Bank has developed models to rate Non-bank Financial Institution (NBFI), Large Corporate (LC) and SME portfolios. Credit risk factors used to derive a borrower's risk rating include the borrower's 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, LC and SME models consists of 16 pass grades. The models are mapped to the rating scale by calibration that takes into account the respective portfolio's long-term average default rate.

Specialised Lending Portfolio

The Bank has also developed models for three Specialised Lending portfolios, namely: Income Producing Real Estate (IPRE), Commodities Finance (CF) and Project Finance (PF). These models produce internal risk grades which are derived based on a comprehensive assessment of financial and non-financial risk factors.

The rating grade structure for IPRE portfolio, like our Corporate models, has 16 pass grades. Risk grades derived for CF and PF portfolios are mapped to four supervisory slotting categories, which determines the risk weights to be applied to such exposures.

Bank Portfolio

Exposures in our Bank portfolio are rated by our internal Bank model, which 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.

Credit Risk (Continued)

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.

Retail Exposures

The Bank has adopted the Advanced Internal Ratings-Based (AIRB) Approach for its retail exposures, which consist of 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 that are segmented based on borrower and transaction characteristics. As loss characteristics of retail exposures are geography and product specific, bespoke PD, LGD and EAD segmentation models are developed using empirical loss data for the respective exposures across the Bank. Where internal loss data is insufficient to provide robust risk estimates, the segmentation models may incorporate internal and/or external proxies. Where necessary, the model is 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, behavioural 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 covers 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 LGD models 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, a 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 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 portfolio's 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 provide the breakdown of exposures of the Bank using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2022:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	**1-9**	**10-16**	**17-20 (Default)**
	RM'000	RM'000	RM'000
Non-retail exposures (EAD)			
Large corporate, SMEs and specialised lending (IPRE)	28,032,806	20,100,253	1,431,677
Bank	9,268,152	23,367	-
Insurance cos, securities firm and fund managers	1,208,242	-	-
Total non-retail exposures	**38,509,200**	**20,123,620**	**1,431,677**
Undrawn commitments			
Large corporate, SMEs and specialised lending (IPRE)	1,242,956	677,322	5,909
Bank	-	-	-
Insurance cos, securities firm and fund managers	-	-	-
Total undrawn commitments	**1,242,956**	**677,322**	**5,909**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	42%	41%	44%
Bank	45%	45%	-
Insurance cos, securities firm and fund managers	44%	-	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	61%	118%	0%
Bank	12%	42%	-
Insurance cos, securities firm and fund managers	19%	-	-

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	**Strong/ 50%**	**Strong/ 70%**	**Good/ 70%**	**Good/ 90%**	**Satisfactory/ 115%**	**Weak/ 250%**	**Default/ 0%**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Lending exposures (EAD)							
Project Finance	22,500	107,930	41,504	640,991	-	80,159	-
Risk Weighted Assets	11,250	75,551	29,053	576,891	-	200,397	-

Credit Risk (Continued)

Credit risk profile (Continued)

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential mortgages	34,338,994	932,462	3,408,507	786,497
Qualifying revolving retail	3,804,584	769,767	2,093,739	40,464
Other retail	13,199,428	2,536,107	1,740,486	354,517
Total retail exposures	**51,343,006**	**4,238,336**	**7,242,732**	**1,181,478**
Undrawn commitments				
Residential mortgages	2,315,132	304,148	97,065	-
Qualifying revolving retail	2,581,048	391,577	1,134,886	-
Other retail	1,999,101	561,107	154,063	129
Total undrawn commitments	**6,895,281**	**1,256,832**	**1,386,014**	**129**
Exposure weighted average LGD				
Residential mortgages	12.94%	14.27%	13.71%	14.01%
Qualifying revolving retail	34.18%	44.49%	40.05%	51.61%
Other retail	15.88%	23.10%	24.32%	21.42%
Exposure weighted average risk weight				
Residential mortgages	7.52%	22.24%	47.64%	31.24%
Qualifying revolving retail	6.43%	19.65%	56.58%	282.23%
Other retail	11.87%	25.96%	38.75%	57.60%

The following tables provide the breakdown of exposures of the Bank using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2021:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	1-9	10-16	17-20 (Default)
	RM'000	RM'000	RM'000
Non-retail exposures (EAD)			
Large corporate, SMEs and specialised lending (IPRE)	23,015,408	21,807,994	1,224,577
Bank	7,264,480	19,075	-
Insurance cos, securities firm and fund managers	1,202,610	24	-
Total non-retail exposures	**31,482,498**	**21,827,092**	**1,224,577**
Undrawn commitments			
Large corporate, SMEs and specialised lending (IPRE)	1,478,295	595,756	1,288
Bank	-	-	-
Insurance cos, securities firm and fund managers	-	-	-
Total undrawn commitments	**1,478,295**	**595,756**	**1,288**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	42%	40%	45%
Bank	45%	45%	-
Insurance cos, securities firm and fund managers	45%	45%	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	68%	115%	0%
Bank	17%	55%	-
Insurance cos, securities firm and fund managers	24%	235%	-

Credit Risk (Continued)

Credit risk profile (Continued)

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 50%	Strong/ 70%	Good/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Lending exposures (EAD)							
Project Finance	-	66,332	10,457	454,850	-	2,500	-
Risk Weighted Assets	-	46,433	7,320	409,365	-	6,250	-

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential mortgages	34,897,177	770,583	2,538,095	779,675
Qualifying revolving retail	3,937,270	709,801	1,598,311	23,197
Other retail	13,859,186	2,093,871	1,811,261	361,711
Total retail exposures	**52,693,633**	**3,574,255**	**5,947,667**	**1,164,583**
Undrawn commitments				
Residential mortgages	2,123,053	193,635	109,379	-
Qualifying revolving retail	2,854,041	337,320	699,862	-
Other retail	2,036,824	450,101	174,319	259
Total undrawn commitments	**7,013,918**	**981,056**	**983,560**	**259**
Exposure weighted average LGD				
Residential mortgages	12.84%	14.23%	13.48%	14.01%
Qualifying revolving retail	32.91%	45.33%	43.30%	51.67%
Other retail	15.94%	24.07%	25.87%	20.72%
Exposure weighted average risk weight				
Residential mortgages	7.46%	22.03%	42.79%	30.86%
Qualifying revolving retail	6.16%	19.94%	59.39%	198.91%
Other retail	11.87%	26.92%	39.92%	54.52%

Credit Risk (Continued)

Credit risk profile (Continued)

The following tables provide the breakdown of exposures of the Islamic Banking Window using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2022:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	1-9	10-16	17-20 (Default)
	RM'000	RM'000	RM'000
Non-retail exposures (EAD)			
Large corporate, SMEs and specialised lending (IPRE)	1,782,826	974,634	113,843
Bank	215,891	-	-
Insurance cos, securities firm and fund managers	1,002,226	-	-
Total non-retail exposures	**3,000,943**	**974,634**	**113,843**
Undrawn commitments			
Large corporate, SMEs and specialised lending (IPRE)	19,546	44,609	750
Bank	-	-	-
Insurance cos, securities firm and fund managers	-	-	-
Total undrawn commitments	**19,546**	**44,609**	**750**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	45%	41%	39%
Bank	45%	-	-
Insurance cos, securities firm and fund managers	45%	-	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	94%	156%	0%
Bank	10%	-	-
Insurance cos, securities firm and fund managers	15%	-	-

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 50%	Strong/ 70%	Good/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Lending exposures (EAD)							
Project Finance	-	-	1,942	490,187	-	-	-
Risk Weighted Assets	-	-	1,359	441,169	-	-	-

Credit Risk (Continued)

Credit risk profile (Continued)

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential mortgages	3,052,122	102,107	464,231	91,671
Other retail	705,116	565,215	136,819	35,675
Total retail exposures	**3,757,238**	**667,322**	**601,050**	**127,346**
Undrawn commitments				
Residential mortgages	279,057	36,143	6,888	-
Other retail	52,715	56,246	2,153	-
Total undrawn commitments	**331,770**	**92,389**	**9,042**	**-**
Exposure weighted average LGD				
Residential mortgages	14.79%	14.71%	15.62%	15.48%
Other retail	21.47%	27.05%	25.91%	32.67%
Exposure weighted average risk weight				
Residential mortgages	11.49%	22.49%	55.66%	8.44%
Other retail	18.17%	29.92%	39.02%	180.07%

The following tables provide the breakdown of exposures of the Islamic Banking Window using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2021:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	1-9	10-16	17-20 (Default)
	RM'000	RM'000	RM'000
Non-retail exposures (EAD)			
Large corporate, SMEs and specialised lending (IPRE)	1,749,935	1,094,553	96,961
Bank	203,623	216	-
Insurance cos, securities firm and fund managers	1,001,490	-	-
Total non-retail exposures	**2,955,048**	**1,094,770**	**96,961**
Undrawn commitments			
Large corporate, SMEs and specialised lending (IPRE)	30,643	11,464	750
Bank	-	-	-
Insurance cos, securities firm and fund managers	-	-	-
Total undrawn commitments	**30,643**	**11,464**	**750**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	44%	41%	45%
Bank	45%	45%	-
Insurance cos, securities firm and fund managers	45%	-	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	110%	146%	0%
Bank	10%	43%	-
Insurance cos, securities firm and fund managers	24%	-	-

Credit Risk (Continued)

Credit risk profile (Continued)

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 50%	Strong/ 70%	Good/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Lending exposures (EAD)							
Project Finance	-	-	5,457	454,850	-	-	-
Risk Weighted Assets	-	-	3,820	409,365	-	-	-

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential mortgages	2,854,384	99,828	286,363	77,573
Other retail	733,550	477,406	134,237	22,441
Total retail exposures	**3,587,934**	**577,234**	**420,600**	**100,014**
Undrawn commitments				
Residential mortgages	262,373	35,161	5,886	-
Other retail	55,254	72,848	4,260	-
Total undrawn commitments	**317,627**	**108,009**	**10,146**	**-**
Exposure weighted average LGD				
Residential mortgages	14.84%	14.82%	16.08%	15.46%
Other retail	22.62%	27.11%	28.96%	35.85%
Exposure weighted average risk weight				
Residential mortgages	11.08%	22.72%	49.74%	7.75%
Other retail	19.09%	29.98%	42.49%	177.24%

Credit Risk (Continued)

Retail exposures of the Bank under the IRB Approach by expected loss (EL) range as at 31 December 2022:

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%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	37,796,612	967,982	135,366	566,500	-
Qualifying revolving retail	4,753,643	1,348,693	210,336	340,558	55,324
Other retail	16,759,243	658,264	77,328	241,337	94,366
Total retail exposures	**59,309,498**	**2,974,939**	**423,030**	**1,148,395**	**149,690**
Undrawn commitments					
Residential mortgages	2,703,358	11,085	1,902	-	-
Qualifying revolving retail	3,164,059	728,578	64,976	141,862	8,036
Other retail	2,677,184	32,696	3,897	622	1
Total undrawn commitments	**8,544,601**	**772,359**	**70,775**	**142,484**	**8,037**
Exposure weighted average risk weight					
Residential mortgages	10.23%	68.86%	92.30%	0.00%	-
Qualifying revolving retail	8.56%	44.88%	106.15%	127.00%	48.29%
Other retail	15.06%	55.00%	102.01%	54.22%	8.11%

Retail exposures of the Bank under the IRB Approach by expected loss (EL) range as at 31 December 2021:

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%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	37,822,494	530,293	64,871	567,872	-
Qualifying revolving retail	4,730,051	1,056,109	204,808	212,847	64,764
Other retail	17,068,391	655,367	58,459	256,989	86,823
Total retail exposures	**59,620,936**	**2,241,769**	**328,138**	**1,037,708**	**151,587**
Undrawn commitments					
Residential mortgages	2,414,653	10,883	531	-	-
Qualifying revolving retail	3,281,103	441,458	65,166	96,914	6,582
Other retail	2,622,632	37,923	597	299	52
Total undrawn commitments	**8,318,388**	**490,264**	**66,294**	**97,213**	**6,634**
Exposure weighted average risk weight					
Residential mortgages	9.76%	66.21%	90.96%	0.00%	0.00%
Qualifying revolving retail	8.03%	45.80%	106.36%	111.43%	94.22%
Other retail	14.97%	59.02%	96.03%	43.93%	20.39%

Credit Risk (Continued)

Retail exposures of the Islamic Banking Window under the IRB Approach by expected loss (EL) range as at 31 December 2022:

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%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	3,491,698	98,293	35,623	84,517	-
Other retail	1,352,788	58,066	9,293	11,984	10,694
Total retail exposures	**4,844,486**	**156,359**	**44,916**	**96,501**	**10,694**
Undrawn commitments					
Residential mortgages	319,989	1,605	494	-	-
Other retail	110,251	863	-	-	-
Total undrawn commitments	**430,240**	**2,468**	**494**	**-**	**-**
Exposure weighted average risk weight					
Residential mortgages	15.18%	78.25%	91.34%	0.00%	0.00%
Other retail	24.70%	62.81%	297.17%	113.86%	27.61%

Retail exposures of the Islamic Banking Window under the IRB Approach by expected loss (EL) range as at 31 December 2021:

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%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	3,205,321	32,123	7,942	72,762	-
Other retail	1,292,053	56,458	5,684	5,286	8,153
Total retail exposures	**4,497,374**	**88,581**	**13,626**	**78,048**	**8,153**
Undrawn commitments					
Residential mortgages	302,848	572	-	-	-
Other retail	129,221	3,141	-	-	-
Total undrawn commitments	**432,069**	**3,713**	**-**	**-**	**-**
Exposure weighted average risk weight					
Residential mortgages	14.25%	70.55%	102.53%	0.00%	0.00%
Other retail	26.02%	53.44%	73.58%	174.97%	2.81%

Credit Risk (Continued)

Actual loss by asset class

Actual loss consists of impairment loss allowance and write-off posted to the Bank's income statement for the financial year ended 31 December 2022.

Comparison of actual loss and expected loss by asset class

Bank **RM'000**

Asset class	Actual loss (FYE 31 December 2022)	Expected loss (as at 31 December 2021)	Actual loss (FYE 31 December 2021)	Expected loss (as at 31 December 2020)
Corporate	125,512	1,197,492	144,610	1,018,671
Bank	-	2,845	-	3,201
Retail	142,121	409,712	190,944	365,635
Total	**267,633**	**1,610,050**	**335,554**	**1,387,507**

The actual loss in 2022 was lower than the expected loss computed as at 31 December 2021. The Bank continues to be proactive in its risk management approach to ensure that actual losses remain 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 2021 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 (FYE 31 December 2022)	Expected loss (as at 31 December 2021)	Actual loss (FYE 31 December 2021)	Expected loss (as at 31 December 2020)
Corporate	14,729	89,998	81,290	39,197
Bank	-	34	-	16
Retail	15,036	33,163	11,884	27,994
Total	**29,765**	**123,195**	**93,174**	**67,207**

Credit Risk (Continued)

Movements in the allowance for ECL and write-off on loans, advances and financing:

Bank 2022	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	312,573	1,298,483	713,309	2,324,365
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	62,709	(223,574)	(19,417)	(180,282)
Transferred to Stage 2	(8,413)	94,469	(12,330)	73,726
Transferred to Stage 3	(2,077)	(23,460)	275,164	249,627
Allowances made for the financial year	259,612	182,633	99,605	541,850
Maturity/settlement/repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total	141,023	(191,256)	293,212	242,979
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	553,562	1,173,643	843,204	2,570,409

Bank 2021	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	712,300	785,956	455,576	1,953,832
Transferred to Stage 1	34,188	(77,956)	(2,501)	(46,269)
Transferred to Stage 2	(37,237)	134,368	(1,733)	95,398
Transferred to Stage 3	(1,951)	(22,872)	301,676	276,853
Allowances made for the financial year	142,177	556,993	124,952	824,122
Maturity/settlement/repayment	(535,116)	(78,717)	(34,643)	(648,476)
Exchange differences	(1,788)	711	-	(1,077)
Net total	(399,727)	512,527	387,751	500,551
Amounts written-off	-	-	(187,901)	(187,901)
Other movements	-	-	57,883	57,883
At 31 December	312,573	1,298,483	713,309	2,324,365

Credit Risk (Continued)

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

Islamic Banking Window 2022	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	16,663	38,497	108,844	164,004
Transfer from business acquisition	93	531	660	1,284
Transferred to Stage 1	6,889	(21,418)	(2,988)	(17,517)
Transferred to Stage 2	(1,064)	12,198	(850)	10,284
Transferred to Stage 3	(417)	(2,491)	27,529	24,621
Allowances made for the financial year	10,044	40	9,191	19,275
Maturity/settlement/repayment	(14,422)	(4,605)	(3,717)	(22,744)
Net total	1,030	(16,276)	29,165	13,919
Amounts written-off	-	-	(5,963)	(5,963)
At 31 December	17,786	22,752	132,706	173,244

Islamic Banking Window 2021	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	20,975	34,732	20,684	76,391
Transferred to Stage 1	2,642	(19,561)	(28)	(16,947)
Transferred to Stage 2	(3,749)	8,420	(38)	4,633
Transferred to Stage 3	(248)	(1,657)	89,451	87,546
Allowances made for the financial year	13,430	33,652	4,840	51,922
Maturity/settlement/repayment	(16,387)	(17,089)	(1,242)	(34,718)
Net total	(4,312)	3,765	92,983	92,436
Amounts written-off	-	-	(6,786)	(6,786)
Other movements	-	-	1,963	1,963
At 31 December	16,663	38,497	108,844	164,004

Credit Risk (Continued)

Credit Risk Mitigation

Potential credit losses are mitigated through a variety of instruments such as collateral, derivatives, guarantees and netting arrangement. The Bank generally does not grant credit facilities solely on the basis of the collateral provided. All requests for credit facilities are assessed based on the credit standing, source of repayment and debt servicing ability of the borrower.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically and the frequency of such valuation depends on the type, liquidity and volatility of the collateral value. The collaterals are mostly in the form of properties, cash and marketable securities. The collateral has to fulfill certain criteria (such as legal certainty across relevant jurisdictions) in order to be eligible for the Internal Ratings-based (IRB) Approach purposes. Policies and processes are in place to monitor collateral concentration. Appropriate haircuts that reflect the underlying nature, quality, volatility and liquidity of the collaterals would be applied to the market value of collaterals as appropriate.

When extending credit facilities to small and medium-sized enterprises (SMEs), the Bank often take personal guarantees to secure the moral commitment from the principal shareholders and directors.

For IRB Approach purposes, the Bank does not recognise personal guarantees as 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 Foundation Internal Ratings-based (FIRB) Approach, the Bank adopts the Probability of Default (PD) substitution approach whereby the PD of an eligible guarantor of an exposure is 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 is owed 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 of the Bank which are covered by eligible credit risk mitigants as at 31 December 2022:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
Credit risk				
On-balance sheet exposures				
Sovereign/central banks	27,260,129	-	-	-
Public sector entities	658,203	658,203	-	-
Banks, DFIs and MDBs	5,377,974	-	-	-
Insurances cos, securities firms and fund managers	1,100,543	-	27,156	-
Corporates	39,696,964	3,190,232	2,186,306	2,577,790
Regulatory retail	23,882,162	-	-	-
Residential mortgages	42,475,627	-	-	-
Higher risk assets	4,683	-	-	-
Other assets	2,111,802	-	-	-
Securitisation exposure	120,026	120,026	-	-
Equity exposures	153,681	-	-	-
Defaulted exposures*	2,095,440	4,577	7,380	37,849
Total on-balance sheet exposures	**144,937,234**	**3,973,038**	**2,220,842**	**2,615,639**
Off-balance sheet exposures				
OTC derivatives	3,407,295	1,029	2,982	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	24,161,027	259,780	6,415,761	235,618
Defaulted exposures*	32,988	151	982	1,607
Total off-balance sheet exposures	**27,601,310**	**260,960**	**6,419,725**	**237,225**
Total on and off-balance sheet exposures	**172,538,544**	**4,233,998**	**8,640,567**	**2,852,864**

*Defaulted exposure is net off specific provision.

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following table presents the total exposures of the Bank which are covered by eligible credit risk mitigants as at 31 December 2021:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
<u>Credit risk</u>				
On-balance sheet exposures				
Sovereign/central banks	23,974,164	-	-	-
Public sector entities	490,369	490,369	-	-
Banks, DFIs and MDBs	5,118,838	-	-	-
Insurances cos, securities firms and fund managers	1,100,929	-	10,018	-
Corporates	37,193,516	2,829,288	2,263,069	1,821,399
Regulatory retail	17,457,234	-	-	-
Residential mortgages	35,779,788	-	-	-
Other assets	1,312,402	-	-	-
Equity exposures	157,023	-	-	-
Defaulted exposures*	1,721,583	8,518	12	29,178
Total on-balance sheet exposures	**124,305,846**	**3,328,175**	**2,273,099**	**1,850,577**
Off-balance sheet exposures				
OTC derivatives	1,739,838	2,509	1,572	641
Off-balance sheet exposures other than OTC derivatives or credit derivatives	18,093,749	256,968	1,389,609	188,337
Defaulted exposures*	7,256	-	895	-
Total off-balance sheet exposures	**19,840,843**	**259,477**	**1,392,076**	**188,978**
Total on and off-balance sheet exposures	**144,146,689**	**3,587,653**	**3,665,175**	**2,039,555**

*Defaulted exposure is net off specific provision.

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following table presents the total exposures of the Islamic Banking Window which are covered by eligible credit risk mitigants as at 31 December 2022:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
Credit risk				
On-balance sheet exposures				
Sovereign/central banks	4,194,758	-	-	-
Banks, DFIs and MDBs	215,891	-	-	-
Insurances cos, securities firms and fund managers	1,002,226	-	-	-
Corporates	2,792,136	58,289	83,979	44,284
Regulatory retail	1,296,036	-	-	-
Residential mortgages	3,386,147	-	-	-
Other assets	22,273	-	-	-
Defaulted exposures*	118,260	-	6,893	-
Total on-balance sheet exposures	**13,027,727**	**58,289**	**90,872**	**44,284**
Off-balance sheet exposures				
OTC derivatives	15,060	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	887,638	2,658	10,848	366
Defaulted exposures*	-	-	-	-
Total off-balance sheet exposures	**902,698**	**2,658**	**10,848**	**366**
Total on and off-balance sheet exposures	**13,930,425**	**60,947**	**101,720**	**44,650**

*Defaulted exposure is net off specific provision.

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following table presents the total exposures of the Islamic Banking Window which are covered by eligible credit risk mitigants as at 31 December 2021:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
Credit risk				
On-balance sheet exposures				
Sovereign/central banks	2,985,869	-	-	-
Banks, DFIs and MDBs	203,839	-	-	-
Insurances cos, securities firms and fund managers	1,001,490	-	-	-
Corporates	2,773,588	86,499	85,715	47,747
Regulatory retail	1,212,831	-	-	-
Residential mortgages	2,937,154	-	-	-
Other assets	6,781	-	-	-
Defaulted exposures*	91,380	-	-	-
Total on-balance sheet exposures	**11,212,934**	**86,499**	**85,715**	**47,747**
Off-balance sheet exposures				
OTC derivatives	11,841	-	40	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	960,668	2,743	10,974	1,745
Defaulted exposures*	750	-	-	-
Total off-balance sheet exposures	**973,259**	**2,743**	**11,014**	**1,745**
Total on and off-balance sheet exposures	**12,186,193**	**89,241**	**96,728**	**49,492**

*Defaulted exposure is net off specific provision.

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 and an 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 transaction and is used for limit setting and internal risk management.

The Bank has also established policies and procedures to manage wrong-way risk, i.e., where the counterparty credit exposure is positively correlated with its default risk. Transactions that exhibit such characteristics are identified and reported to Senior Management regularly. Separately, transactions with specific wrong-way risk are 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 as at 31 December 2022:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	4,444,105		4,325,833	2,603,485
Transaction related contingent items	6,494,369		3,223,817	2,157,317
Short Term Self Liquidating trade related contingencies	494,007		94,954	50,785
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions.	5,919,105		398,295	1,582
Foreign exchange related contracts				
One year or less	79,993,510	885,840	1,982,711	292,423
Over one year to five years	993,533	14,477	79,272	46,275
Over five years	141,067	-	14,768	17,401
Interest/Profit rate related contracts				
One year or less	30,970,334	235,579	465,608	71,312
Over one year to five years	36,907,880	442,306	1,524,240	422,064
Over five years	1,487,906	31,293	158,040	78,114
Equity related contracts				
One year or less	21,343	19	-	-
Over one year to five years	1,000	-	-	-
Over five years	-	-	-	-
Commodity contracts				
One year or less	266,506	13,998	28,373	12,325
Over one year to five years	5,169	22	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,161,591		4,809,176	2,685,427
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	22,427,479		1,197,119	319,627
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	16,652,405		5,703,623	810,603
Unutilised credit card lines	18,167,501		3,633,500	2,730,559
Off-balance sheet for securitisation exposures	-		-	-
Total	232,548,810	1,623,534	27,639,329	12,299,299

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 as at 31 December 2021:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	3,283,375		3,189,255	2,369,357
Transaction related contingent items	6,050,045		3,001,739	2,059,927
Short Term Self Liquidating trade related contingencies	620,294		136,216	80,964
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions.	563,417		16,649	723
Foreign exchange related contracts				
One year or less	43,703,666	170,026	729,714	168,577
Over one year to five years	338,754	6,215	28,112	11,370
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	17,383,220	57,846	140,160	73,134
Over one year to five years	32,775,558	206,915	1,261,652	472,061
Over five years	1,600,697	41,510	186,264	100,431
Equity related contracts				
One year or less	44,935	20	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Commodity contracts				
One year or less	313,096	33,214	50,241	23,086
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,644,725		4,577,876	2,845,756
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	19,253,186		913,737	168,450
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	15,372,716		5,598,135	673,025
Unutilised credit card lines	93,739		18,748	17,181
Off-balance sheet for securitisation exposures	-		-	-
Total	148,041,422	515,746	19,848,498	9,064,044

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 as at 31 December 2022:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	137,779		137,779	261,648
Transaction related contingent items	201,412		101,196	163,942
Short Term Self Liquidating trade related contingencies	3,150		2,052	486
Foreign exchange related contracts with an original maturity up to one year				
One year or less	834,445	33,716	12,836	9,746
Over one year to five years	4,757	45	283	198
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	376,500	-	941	659
Over one year to five years	100,000	6,942	1,000	263
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	897,965		635,262	280,510
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	315,820		12,099	4,232
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	1,098,770		-	-
Total	3,970,598	40,703	903,448	721,684

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 as at 31 December 2021:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	146,542		146,542	281,909
Transaction related contingent items	158,716		79,458	152,484
Short Term Self Liquidating trade related contingencies	1,564		313	178
Foreign exchange related contracts with an original maturity up to one year				
One year or less	378,843	1,719	6,165	3,699
Over one year to five years	14,149	245	1,047	733
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	-	-	-	-
Over one year to five years	362,880	-	4,629	2,708
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,011,585		727,874	353,527
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	224,833		7,231	2,534
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	481,577		-	-
Total	2,780,689	1,964	973,259	797,772

Securitisation Exposure

The Bank presently has exposure to securitisation transactions. Any decision for such transactions is subject to independent risk assessment and approval. The special purpose entities involved in these transactions are established and managed by third parties and are not controlled by the Bank. Our securitisation positions are recognised as financial assets.

Risk weights for securitisation exposures in the banking book are computed based on the BNM Capital Adequacy Framework (Basel II – Risk-Weighted Assets).

The table below represents the disclosure on securitisation exposure of the Bank under Standardised Approach (SA) as at 31 December 2022:

RM'000

Exposure class 2022	Exposure Value of Positions Purchased or Retained	Eligible CRM	Exposure after CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights						Risk Weighted Assets
					Rated Securitisation Exposures				Unrated (Look Through)		
					20%	50%	100%	1250%	Average Risk Weight	Exposure Amount	
Traditional Securitisation (Banking book) Non-Originating Banking Institution											
On-Balance Sheet Most Senior	120,000	120,026	120,026	-	120,026	-	-	-	-	-	24,005
Total Exposures	120,000	120,026	120,026	-	120,026	-	-	-	-	-	24,005

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 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 ALCO, RCC, RMC and Board 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 validated independently. In addition, a Product/Service Programme process is in place to ensure 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 our customers' business and hedging needs. We continually review and enhance our management of derivatives risks to ensure that the complexities of the Bank's business are appropriately controlled.

Market Risk (Continued)

Our overall market risk appetite is balanced with targeted revenue at the Bank and business unit levels 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 are set based on expected 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 and interest rate option, cross currency swap, government bond, quasi government bond, corporate bond, equities and equity options, commodity contract and commodity option.

The Bank estimates 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 method assumes observed historical market movements can be used to imply possible changes in market rates. ES is the average of the worse losses in the loss distribution, assuming that the losses exceed the specified percentile.

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.

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. VaR uses the same loss distribution as ES. 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. Backtesting results were within acceptable tolerance level in the year under review.

The Bank's daily ES as at 31 December 2022 was RM9.577 million.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2022				
Interest rate	4,327	5,391	1,364	2,454
Foreign exchange	206	13,232	91	502
Commodities	100	520	3	62
Option Volatility	319	356	1	180
Equities	24	151	4	18
Total diversified ES	9,577	10,452	3,464	5,976
2021				
Interest rate	1,864	9,295	1,573	4,183
Foreign exchange	392	2,967	69	603
Commodities	11	347	2	103
Option Volatility	1	311	0	85
Equities	13	76	0	6
Total diversified ES	5,281	18,095	4,274	8,829

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 a change in the Bank's earnings and economic net worth. The primary objective of managing IRRBB/RORRBB is to protect and to 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 oversees 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.

Our banking book interest/profit rate exposure is quantified on a monthly basis using dynamic simulation techniques. Interest/profit rate risk varies with different repricing periods, currencies, embedded options and interest/profit rate basis. Embedded options may be in the form of loan prepayment and early withdrawal of time deposit.

In Economic Value of Equity (EVE) sensitivity simulations, we compute the present value for repricing cashflows, with the focus on changes in EVE under different interest/profit rate scenarios. This economic perspective measures interest/profit rate risks across the full maturity profile of the balance sheet, including off-balance sheet items. We estimate the potential effects of interest/profit rate changes on Net Interest Income (NII) by simulating the possible future course of interest/profit rates over a 12-month horizon. Mismatches in the longer tenor would result in greater change in EVE than similar positions in the shorter tenor while mismatches in the shorter tenor would have greater impact on NII. Interest/profit rate scenarios used in simulations include the six standard scenarios prescribed by the Basel Committee on Banking Supervision as well as internal scenarios covering changes in the shape of the yield curve, including positive and negative tilt 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.

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

Interest/Profit Rate Sensitivity Analysis - Banking Book

The table below shows the results of 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 points	Sensitivity of EVE	Increase/ (Decrease) in basis points	Sensitivity of EVE
31 December 2022		RM'000		RM'000
Currency				
Total	**+200/(200)**	**(944,014)/1,314,991**	**+100/(100)**	**(511,752)/603,927**
MYR	+200/(200)	(1,021,009)/1,396,566	+100/(100)	(550,806)/644,125
USD	+200/(200)	76,995/(81,575)	+100/(100)	39,054/(40,198)
31 December 2021				
Currency				
Total	**+200/(200)**	**(833,072)/997,910**	**+100/(100)**	**(445,392)/520,914**
MYR	+200/(200)	(850,249)/1,000,335	+100/(100)	(454,035)/524,580
USD	+200/(200)	17,177/(2,425)	+100/(100)	8,643/(3,666)

Net Interest/Profit Income (NII/NPI)

	Increase/ (Decrease) in basis points	Sensitivity of EVE	Increase/ (Decrease) in basis points	Sensitivity of EVE
31 December 2022		RM'000		RM'000
Currency				
Total	**+200/(200)**	**303,515/(435,057)**	**+100/(100)**	**151,757/(193,502)**
MYR	+200/(200)	335,068/(465,669)	+100/(100)	167,533/(209,259)
USD	+200/(200)	(31,553)/30,612	+100/(100)	(15,776)/15,757
31 December 2021				
Currency				
Total	**+200/(200)**	**451,685/(657,880)**	**+100/(100)**	**225,843/(296,834)**
MYR	+200/(200)	487,278/(653,648)	+100/(100)	243,639/(292,605)
USD	+200/(200)	(35,593)/(4,232)	+100/(100)	(17,796)/(4,229)

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. This is done by minimising excessive funding concentrations by diversifying the sources and terms of funding and maintaining a portfolio of high quality and marketable debt securities.

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 risk 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 42 to the financial statements 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, technology risk, fraud risk, legal risk, regulatory compliance risk (including Shariah non-compliance risk), reputational risk, outsourcing risk, third party non-outsourcing risk and conduct risk.

The Bank's primary objective is to foster a sound reputation and operating environment. Operational risk is managed through a framework of policies and procedures to help 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 Model. The business and support units, as the First Line, 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 part of the Second Line, provides overarching governance of operational risk through relevant frameworks, policies, programmes and systems. It also monitors operational risk incidents, key risk and control self-assessment results, outsourcing and third party non-outsourcing matters, key operational risk indicator breaches, product and service programme matters and operational risks self-identified by the First Line. Any material risks are then reported to the ORMC and the Board to ensure they are promptly escalated and addressed.

Operational Risk (Continued)

Internal Audit, as the Third Line, 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.

Our Insurance programme covers crime and civil 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 the risks discussed below.

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, which 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. The scope of technology risk management covers many aspects, including technology asset management, technology resiliency and service continuity aspects of business continuity management, cybersecurity management and information security management.

A dedicated Technology Risk Management (TRM) function within ORM, as part of the Second Line, 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, to review and to strengthen their practices in technology risk management. The ORMC, RMC and Board are briefed regularly on technology risk appetite and technology risk matters.

Regulatory Compliance Risk

Regulatory compliance risk refers to the risk of financial loss, damage to reputation or franchise value of the Bank when it fails to comply with laws, regulations, rules, standards or industry codes of conduct applicable to the Bank's business activities and operations. A change in laws and regulations can also increase the cost of operations and the cost of capital for the Bank, thereby impacting the Bank's earnings or returns. 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 established a policy which sets the guiding principles for risk identification, monitoring, reporting and mitigation of risk exposure and communication with our stakeholders.

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.

Operational Risk (Continued)

Third Party Non-Outsourcing Risk

Third party non-outsourcing risk arises from arrangements where a third party provides a product or service to the Bank or our customers. This risk could result in adverse financial, operational, reputational, legal and compliance impact arising from the failure of a third party to provide the product or service, or the third party's breaches of security including data leakages. The Bank manages this risk through its Third Party Non-Outsourcing Risk Management Policy 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 governance oversight of fraud risk is provided by the Audit Committee (AC) and the RMC at the Board level and primarily by the ORMC at the senior management level. The Integrated Fraud Management (IFM) under Risk Management, as part of the Second Line, drives the 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 UOB 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.

Conduct risk

Conduct risk is the risk of improper employee behaviour or action that results in unfair stakeholder outcomes, negative impact on market integrity and other issues that damage the reputation of the Bank. This includes the failure of supervising managers to reasonably manage a conduct issue or report the misconduct on a timely basis. Conduct risk is managed through a multi-faceted approach leveraging the frameworks, policies and procedures on operational risk management, fraud risk management, whistle blowing, trade surveillance, employee discipline, code of conduct, remuneration, fair dealing and anti-money laundering. The corporate governance oversight of conduct risk is provided by the ORMC, RMC and Board.

ESG Risk

Environmental Social and Governance (ESG) risk includes financial risks and non-financial risks, such as reputation damage, arising from ESG issues such as climate change. While a key component of ESG risk arises indirectly from the financial services we provide to our customers, it can also result directly from our own operations. Our Group Sustainability Committee identifies and reviews ESG factors material to the UOB Group, and ensures that sustainability factors are considered in all aspects of our operations (including day-to-day decision-making processes). The specific risk associated with each factor is monitored and managed in accordance with the respective frameworks, policies or guidelines.

Responsible Financing Policy

The Bank has established, since 2016, a Responsible Financing Policy which is approved by the Board. The policy is embedded within our Corporate Credit Policy so that ESG considerations are integrated into our credit evaluation and approval processes. The Credit Approval function is responsible for ensuring that ESG risks are adequately addressed and, where necessary, customers or projects with elevated ESG risks are escalated for further review prior to approval. Consistent with our overall risk management approach, ESG risks are managed through the Bank's Three Lines Model control structure.

ESG Risk (Continued)

Responsible Financing Policy (Continued)

Our Responsible Financing Policy applies to all borrowing customers of Wholesale Banking and to the Bank's capital market activities. Under the policy framework, our account officers are required to conduct due diligence on all new and existing borrowers during the onboarding process and annual credit review. Customers are assessed for material ESG risks, including adherence to the Bank's responsible financing exclusion list, as well as their capacity for, commitment to and track record in ESG risk management.

We have implemented sector-specific Credit Acceptance Guidelines and have responsible financing checklists in place to help our account officers identify, assess and review ESG risks. Borrowers that fall within the following eight ESG-sensitive industries are subject to enhanced due diligence in accordance with sector-specific guidelines developed by the Bank.

• Agriculture • Metals and Mining • Chemical • Infrastructure	• Forestry • Defence • Energy • Waste Management

As part of our ESG risk classification approach, borrowers are classified as either 'high', 'medium' or 'low' ESG risk. This is based on the level of ESG risk inherent in their business operations and the residual ESG risk after taking into consideration their mitigation measures, as well as their ESG risk management capacity.

We notify our customers of their need to adhere to our Responsible Financing Policy and seek their representations and warranties to ensure compliance, including with the host country's ESG regulations. We also encourage them to follow established industry standards, to obtain relevant certifications and to adopt best practices pertaining to, for example, proper water and waste management, greenhouse gas emissions mitigation and occupational health and safety management. The policy references international standards and conventions such as the Roundtable on Sustainable Palm Oil, Forest Stewardship Council, World Heritage Convention, and best industry practices provided by the World Bank and the International Finance Corporation.

Our Responsible Financing Policy prohibits our financing of companies:

- where their operations or projects threaten the outstanding universal value or special characteristics of UNESCO World Heritage Sites, Ramsar Wetlands, forests of high conservation value (HCV), or would impact critical natural habitats significantly;
- involved in animal cruelty and the trade of endangered species as defined by the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora;
- without measures in place to manage or to mitigate the risk of air, soil and water pollution which may negatively impact terrestrial or marine ecosystems;
- involved in the exploitation of labour, including forced labour and child labour, taking reference from the International Labour Organisation (ILO) standards;
- in violation of the rights of local or indigenous communities; and
- involved in open burning for land clearance.

These financing prohibitions are cross-cutting commitments applicable to all new and existing customers and help to bolster our efforts in fostering sustainable development through responsible financing.

Equator Principles

To strengthen our processes and practices on environmental and social risk management further, UOB Group formally adopted the Equator Principles (EP) in 2021. The EP is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risks in projects and is primarily intended to provide a minimum standard for due diligence and monitoring.

EP requirements have been incorporated into our Responsible Financing Policy for bank-wide implementation. Dedicated EP Implementation Guidelines and toolkits have been developed to provide detailed guidance for transaction screening, categorisation, as well as environmental and social risk assessment. The In-country Credit Committee is required to review and approve high-risk projects, i.e. Category A projects, as well as appropriate Category B projects under the definition of EP.

ESG Risk (Continued)

Equator Principles (Continued)

In addition, dedicated training programmes in the form of online webinars and e-learning courses have been rolled out to relevant colleagues to strengthen the Bank's capabilities in EP.

Monitoring

We engage our borrowing customers proactively and continually work with them to improve their ESG practices and performance. In addition, we monitor our borrowers on an ongoing basis for any adverse ESG-related news. Borrowers with any known material ESG-related incidents will trigger an immediate review to ensure ESG risks will be addressed and managed promptly and appropriately. We require our borrowers to rectify any breaches of our policy within a reasonable timeframe with account officers responsible for monitoring their progress. However, if we deem our borrowers unable or unwilling to commit to adequately managing the potential adverse impact from ESG issues on their operations, we are prepared to review and to reassess the relationship, or to reject the transaction.

Training and Capacity Building

Strengthening our internal capacity on ESG risk management remains a key focus as environmental risk becomes increasingly mainstream. All our colleagues in relevant roles are trained on our Responsible Financing Policy and processes.

Climate Change Risks

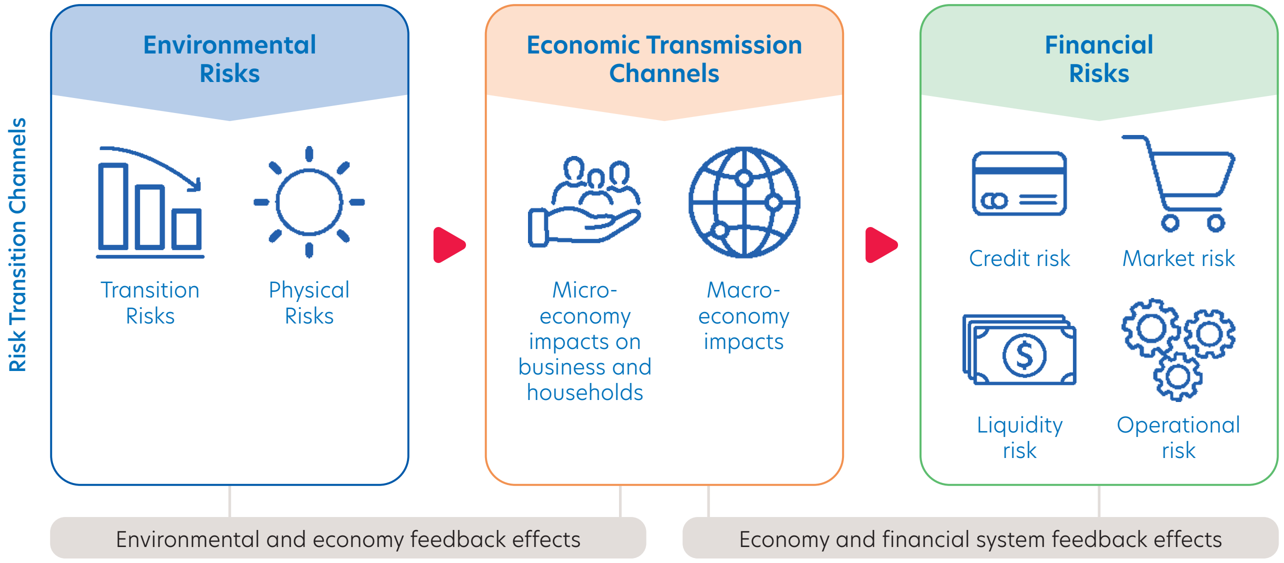
Climate change is one of the most complex and defining issues of our time and there is a critical need for the world to reach 'net zero' by 2050 in alignment with the Paris Agreement and the 1.5°C trajectory outlined by the Intergovernmental Panel on Climate Change. As a leading financial institution in Malaysia, we are committed to strengthening our portfolio resilience and to being a positive force in the fight against climate change.

Environmental Risk Management Framework

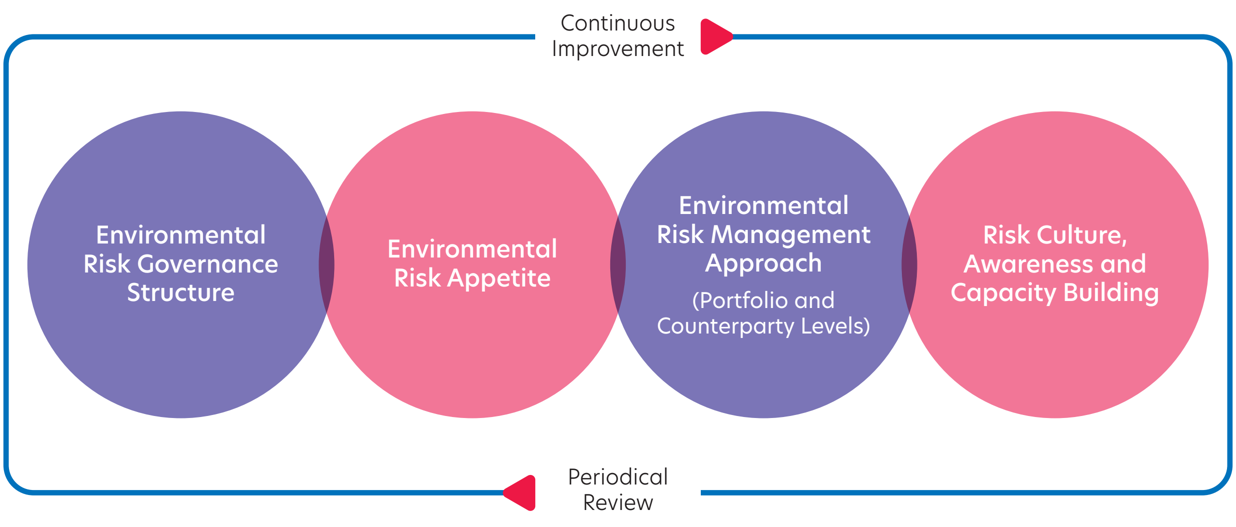
In line with our Group, UOBM has established an Environmental Risk Management Framework, approved by the Board. This framework, with a key focus on climate risk management, covers governance, policy and control processes in relation to the management of environmental risk at both portfolio and counterparty levels in the Bank's lending and capital market underwriting activities. The framework is also align with the principles set out in the BNM Climate Risk Management and Scenario Analysis policy.

ESG Risk (Continued)

Environmental Risk Management Framework (Continued)



Key Aspects of UOBM Environmental Risk Management Framework



ESG Risk (Continued)

Environmental Risk Management Framework (Continued)

The Board provides oversight of environmental risk including climate change-related issues with the support from the RMC. The roles and responsibilities of the Board under the governance structure include:

- review and approval of risk management frameworks and policies;
- review and approval of risk appetite statement; and
- review and determine climate related issues that need to be addressed through the Bank's strategies and business plans.

The EXCO supports the Board in the management of matters related to environmental risk. The EXCO will review climate change-related issues and provides strategic direction including the allocation of resources for the management of the Bank's climate-related issues.

The RCC and CMC support the EXCO in the review of frameworks, policies, risk appetite statement, stress tests and scenario analysis for the management of climate risk.

The Bank will continue to step up our efforts and capabilities in the areas of risk management, scenario analysis, stress testing and disclosure requirements. This will also include reviewing our business strategies, taking into consideration our parent bank's net zero commitment and promote a just orderly transition that continues to support economic growth of the country.

Equities (Disclosures for Banking Book position)

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

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

RM'000

Type of Equities	Bank			
	31 December 2022		31 December 2021	
	Exposures	RWA	Exposures	RWA
Publicly traded equity exposures *mainly acquired via loan restructuring activities	924	2,773	1,604	4,811
All other equity exposures *unquoted shares which are non-traded in the stock exchange	152,757	152,757	155,420	155,420
Total	153,681	155,530	157,024	160,231

Equities (Disclosures for Banking Book position) (Continued)

	Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Realised (loss)/gains arising from sales and liquidation	250	6
Unrealised gains included in fair value reserve	141,600	144,677

As at 31 December 2022 and 31 December 2021, there were no equity exposure under Islamic Banking Window.

Restricted Specific Investment Account and Shariah Governance

Restricted Specific Investment Account (RSIA)

United Overseas Bank (Malaysia) Bhd's Islamic Banking Window did not have any RSIA arrangement with third party as at 31 December 2022.

Shariah Governance

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

No actual Shariah non-compliance event had been detected for the financial year ended 31 December 2022. As such, no Shariah non-compliant income had been recorded for the year.

United Overseas Bank (Malaysia) Bhd and its subsidiaries

31 December 2022

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 Bank) and its subsidiaries (the Group) for the financial year ended 31 December 2022.

Principal Activities

The principal activities of the Bank are banking and related financial services, including Islamic Banking. The principal activities and other information of the subsidiaries and the associate are set out in Notes 13 and 14, 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	**1,316,949**	1,444,234
Income tax expense	**(679,007)**	(705,993)
Profit for the year	**637,942**	738,241

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

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

Dividends

There was no proposed dividend for the financial year ended 31 December 2022.

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 (resigned on 15 February 2023)
Ng Wei Wei (appointed on 1 May 2022)
Wong Kim Choong (resigned on 1 May 2022)

Subsidiaries of the Bank
Chang Yeong Gung
Kan Wing Yin
Lai Tak Ming
Ronnie Lim Kheng Swee
Teo Teck Hin

Directors' Benefits

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

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and the officers of the Group and the Bank are RM463,320,450 and RM380,886 respectively.

Share-Based Compensation Plans

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

As approved by shareholders of UOBL 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.

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.

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				
		1.1.2022	**Acquired**	**Disposed**	**Forfeited**	**31.12.2022**
Ultimate holding company: UOBL						
Wee Ee Cheong	- Direct	3,081,455	100,000	-	-	3,181,455
	- Indirect	173,701,487	-	-	-	173,701,487
Ng Wei Wei (appointed on 1 May 2022)	- Direct	-	-	-	-	-
	- Indirect	-	2,280	-	-	2,280
Ching Yew Chye	- Direct	23,536	-	-	-	23,536

		Number of options over ordinary shares under UOB Restricted Share Plan				
		1.1.2022	**Granted**	**Vested**	**Forfeited**	**31.12.2022**
Ultimate holding company: UOBL						
Ng Wei Wei (appointed on 1 May 2022)	- Direct	12,945	7,105	(2,280)	-	17,770

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

Other than the above, no other directors in office at the end of the financial year had any interests in shares and share options in the Bank or its related 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 UOBL, a bank incorporated in Singapore and listed on the Singapore Exchange, respectively.

Strategy and Performance for the Financial Year Ended 31 December 2022

After weathering the uncertainties of the pandemic, Malaysia transitioned to an endemic phase during 2022. Business and social activities returned to normality, interstate travel resumed, and international borders reopened. While the country's economic prospects continued on a brighter path, we remained cautious about factors that continue to affect our operations, such as external headwinds, rising inflation and the gradual rise of interest rates.

2022 was a defining year for UOB (Malaysia). Guided by our three-year growth strategy, we continued to transform and invest in our infrastructure, digital capabilities, network, people, and brand. UOB announced the acquisition of Citigroup's consumer banking business across four markets, including Malaysia, in January. With the completion of the acquisition process in November in Malaysia, the Bank effectively added Citigroup's unsecured and secured lending portfolios, wealth management, and retail deposit businesses into our retail portfolio.

In September, the Bank refreshed its brand in line with its sharpened purpose – *Building the future of ASEAN: For the people and businesses within, and connecting with, ASEAN*. This clear and bold statement reflects the Bank's long-term strategy and commitment to the region. To carry out its sharpened purpose, the Bank will double down on three strategic areas – Connectivity, Personalisation, and Sustainability. As part of the refresh, we remain committed to delivering our promise to do right by our stakeholders, including our customers, colleagues, and the community.

Our brand refresh is also backed by a strong legacy of over seven decades in Malaysia. In November, UOB (Malaysia) celebrated its 71st anniversary with the theme '*for tomorrow and beyond*' to signify the Bank's long-term commitment to the country. While we value the road we have taken with our customers and stakeholders, we look ahead to advance our relationship with them for many more decades to come.

As part of UOB (Malaysia)'s transformation, the Bank has moved into its new RM800 million state-of-the-art headquarters at UOB Plaza 1 KL. Affirming our commitment to sustainability, UOB Plaza 1 KL is a green building that incorporates elements of wellness and sustainability in its design — from the energy-efficient windows and lightings to composting bins, biophilic features and an ergonomic set-up. It has been earmarked to receive the BCA Greenmark and GreenRE platinum certifications. The building also symbolises our long-term commitment to Malaysia and the value we create for our valued customers and stakeholders.

Connecting businesses to opportunities within and across ASEAN

UOB's unparalleled regional footprint and one-bank approach help businesses connect with and within ASEAN, opening doors to new growth opportunities across the region. The motto, '*One Bank for ASEAN*', underscores our commitment to play a more meaningful role in facilitating Malaysia's growth and helping local companies prosper. UOB is the first bank in Southeast Asia to set up a dedicated FDI Advisory team across 10 dedicated foreign direct investment (FDI) centres across Asia, including Malaysia. Since the establishment of the FDI unit in 2013, we have helped over 420 global companies in their expansion into Malaysia and assisted more than 200 Malaysian companies with their regional expansion.

Leveraging on our cross-border capabilities, the Bank worked with the Sarawak Trade and Tourism Office Singapore and Singapore Business Federation to help connect clients to business opportunities in Sarawak. During the four-day investment and trade mission, over 50 top executives from Singapore's various business sectors, such as energy, electronics, manufacturing, trading, agriculture and education, learned about Sarawak's business opportunities. UOB (Malaysia) continued supporting multinationals in Malaysia, as well as local companies in their regional expansion. These include helping Mercedes-Benz Services Malaysia tap the local debt capital market to meet its liquidity needs and jointly financing OCK Group's telecommunication tower projects in Myanmar.

Strategy and Performance for the Financial Year Ended 31 December 2022 (Continued)

Over the years, we have invested heavily in building our digital and connectivity capabilities to support our clients' regional expansion. In 2022, we launched two digital solutions for businesses, UOB Infinity and the UOB SME app, which come equipped with supply chain management capabilities. As '*One Bank for ASEAN*', these solutions support our goal to be the top cross-border bank in ASEAN.

In 2022, UOB Malaysia ran its annual digital transformation accelerator for SMEs, the *Jom Transform Programme*, for the fourth consecutive year. Through this programme, the Bank has enabled more than 400 SMEs to embark on their digitalisation journeys since 2019. This year's *Jom* Transform was focused on supporting woman entrepreneurs looking to drive productivity, save costs and grow business revenue through digitalisation. About 700 woman entrepreneurs benefited from this programme.

Personalising solutions that are closely aligned with customer needs

Amidst the ever-changing consumer landscape, UOB (Malaysia) intensified its focus on personalisation and digitalisation to position its award-winning retail franchise for long-term growth. Personalisation is a key strategic pillar that conveys the Bank's customer-centricity and commitment to understanding the unique needs of each customer.

The recently completed acquisition of Citigroup's consumer banking business fits naturally into our broader business strategy. Together with UOB's regional franchise, the acquisition will scale up and strengthen our retail business in Malaysia. By harnessing the synergies from the combined UOB and Citigroup portfolio, we will bring a wider range of products and services to our retail customers.

The Bank also recently expanded its partnerships with top brands across the region, which include Singapore Airlines (SIA), The MICHELIN Guide, Club21, and Shopee, to provide our retail customers access to more benefits locally as well as regionally.

Going forward, our top priority is to ensure an efficient and seamless transition for Citigroup customers. We are working to integrate Citigroup's consumer banking portfolio into UOB Malaysia's platform by the second half of 2023.

The Bank has also set aside RM1 billion for the next three years to invest in our digital capabilities, including retail banking. This will enable us to deliver on our promise to bring innovative products and services to our customers. We also want to create a more convenient and hyper-personalised banking experience for our customers by leveraging data insights and artificial intelligence.

At the same time, we also recognise that many customers still prefer a personalised experience through face-to-face conversations. As such, we have been executing our branch transformation strategy to cater to the increasing customer demand for wealth and financial planning services at our UOB Privilege Banking and Wealth Banking centres. To date, we have reconfigured and relocated 10 flagship branches and wealth centres. Following the completion of Citigroup consumer banking acquisition in November 2022, we have further added 10 bank branches to our network, bringing the total to 55 branches nationwide.

Forging a sustainable future

Sustainability remains a key thrust for UOB (Malaysia). We believe in growing sustainably, balancing growth with responsibility. Having already achieved carbon neutrality regionally, UOB in 2022 announced its commitments to reach net zero by 2050, which is also aligned with Malaysia's commitment. Our pledges underline our goal to support a just transition that advances sustainable socioeconomic development in tandem with decarbonisation in Southeast Asia.

We will support our regional commitment to decarbonise six sectors of our corporate lending portfolio. These six sectors are power, automotive, oil and gas, which are part of the energy value chain, as well as real estate, construction and steel, which are part of the built environment value chain.

Helping businesses advance responsibly

We are committed to helping businesses advance responsibly, to positively impacting the environment and to fostering social inclusiveness alongside economic progress. To that end, UOB has developed sustainable finance frameworks to support our clients in beginning their sustainability journeys or bringing them to the next level.

Strategy and Performance for the Financial Year Ended 31 December 2022 (Continued)

As of 2022, UOB (Malaysia)'s sustainable finance commitments in Malaysia totalled over RM2.0 billion, more than six times the amount in 2021. Under the UOB Smart City Sustainable Finance Framework, the U-Solar programme has helped facilitate the generation of almost 307 gigawatt hours of solar power in Malaysia. This translates to a reduction of 204,000 tonnes of carbon dioxide emissions, amounting to almost 3.4 million tree seedlings grown for 10 years and about 44,000 cars taken off the road for a year.

Under the Sustainable Finance Framework for Green Building Developers and Owners, UOB (Malaysia) supported EXSIM Group (EXSIM) to monetise the future earnings of its sustainable residential development in the Klang Valley through debt capital raising. For this deal, the Bank won the Best Structured Financing at The Asset's Triple A Islamic Banking Awards 2022. UOB (Malaysia) also extended a green trade finance facility under the UOB Green and Sustainable Trade Finance Framework to IOI Corporation Berhad, one of Malaysia's leading global integrated and sustainable palm oil players. The facility will help the company promote sustainable palm oil and strengthen the global sustainable palm oil supply chain. Apart from this, our solutions under this financing framework have seen good traction with the resumption of trade flows post-pandemic. To date, we have provided a total of RM600 million worth of trade and working capital financing to facilitate the import and export of sustainable agri-commodities, renewables and energy efficiency equipment, and electric vehicles.

Besides helping large corporates transition, UOB (Malaysia) is also focused on supporting small and medium enterprises (SMEs) on their sustainable journeys through synergistic partnerships with ecosystem partners. In this regard, the Bank has partnered Syarikat Jaminan Pembiayaan Perniagaan Malaysia (SJPP) to launch the U-Green Financing programme. The Bank has allocated RM1 billion for this programme, where up to 80 per cent of the loans are guaranteed by SJPP under the government's PEMULIH Government Guarantee Scheme.

In addition to providing financing, UOB (Malaysia) also collaborated with the Malaysian Research Accelerator for Technology and Innovation (MRANTI) to establish an ESG workshop series to equip SMEs with knowledge and practical insights to embark on their sustainability journeys. Through the workshops, SMEs will benefit from a syllabus that is co-developed with MRANTI and its approved training providers. The Bank also worked with MRANTI to support UOB's regional annual Green Tech Accelerator, focusing on educating local start-ups on energy efficiency, zero-waste supply chains, as well as carbon management and reporting.

UOB (Malaysia) also continued to collaborate with key media in the country to increase awareness on sustainability. The Bank proudly supported The Edge's inaugural ESG Awards 2022 as a main partner while continuing its platinum sponsorship for The Star's Circular Economy Conference for the second consecutive year.

Fostering social inclusiveness

In line with our purpose of '*Building the future of ASEAN*', UOB (Malaysia) constantly strives to make a difference in the areas of children, education and art. All these can contribute to the progress and cohesion of society.

In 2022, the Bank continued its contribution in cash and in kind to various charitable causes. In the 14th edition of the UOB Heartbeat Run/Walk fundraising event, we were heartened by the generosity of our colleagues and customers in raising a record RM1.2 million for five local beneficiaries: Food Aid Foundation, HOPE Worldwide Malaysia, Kechara Soup Kitchen, Pintar Foundation and WORLD Vision Malaysia. We continued to contribute digital learning devices to schools and homes to bridge the digital gap for children from disadvantaged backgrounds through the UOB My Digital Space Programme. Our colleagues' contributions of close to 22,000 volunteerism hours also affirms our collective commitment to improve the communities which UOB operates in.

During the year, we continued to uncover and nurture local artists through the 12th edition of the UOB Painting of the Year (Malaysia) competition.

Banking on our people for a sustainable future

A critical component of driving sustainable growth is ensuring that we take good care of our people, the cornerstone of our long-term success. We have enacted robust policies to support our multi-generational workforce of over 6,000 Malaysian employees in learning and career development. We facilitate their work, drive employee engagement and promote better work-life balance to retain our competitive advantage and to grow our own timber.

Strategy and Performance for the Financial Year Ended 31 December 2022 (Continued)

We have a talented and highly engaged workforce, bolstered by the recent addition of 1,200 new colleagues to the UOB family following the completion of the Citigroup acquisition in November 2022. We continually look for new avenues to nurture knowledge, encourage diversity and advocate creativity. The consolidation of our KL offices under our new headquarters at UOB Plaza 1 KL is a tangible change of our transformation into an agile and collaborative workforce, enabling the Bank to be future-ready. In response to how COVID-19 has fundamentally altered the way we work, the Bank also announced a hybrid working policy that empowers our people to work remotely for up to two days a week.

We offer excellent benefits and training to develop our people. Our UOB Care programmes support our workforce's mental and physical well-being through a broad spectrum of in-person and digital services. The Bank has expanded its flexCARE benefit programme to allow our colleagues to claim for health supplements, COVID-19-related essential care items, and home office equipment.

We continued to invest in our people to build capabilities, future-proof their skills, and prepare them for the new era of banking. In 2022, our structured training programmes included the expanded "Better U" flagship learning and development programme, "Leadership Right by You" leadership and managerial skills training initiative, LinkedIn's online courses covering a range of subjects from problem-solving to time management, and specially curated courses under our partnership with the Asian Banking School (ABS) and Melbourne Business School (MBS). We also launched UOB Sustainability 101, a new e-learning programme for our people to deepen their knowledge and capabilities in managing ESG risks.

We firmly believe that the Bank is only as strong as its people. Apart from our extensive learning portfolio, we continued to provide leadership development opportunities for our people to achieve their career aspirations. In 2022, we fortified our bench strength across various levels by filling key leadership positions with internal talent as part of our robust succession planning. The appointment of our internal talent, Ms Ng Wei Wei, as UOB (Malaysia)'s first female Chief Executive Officer in May 2022 underscores our steadfast belief in delivering growth through diversity and meritocracy. It also reflects the Bank's success in growing its own timber.

Our efforts of building a healthy pipeline to deepen the Bank's talent pool continued with the induction of fresh graduates, interns, and trainees into our Management Associate Programme, the UOB Corporate Internship Programme and the revamped Smart Internship Banking Programme. This was supplemented by our continued support of trainees under ABS and Bank Negara Malaysia's Financial Sector Talent Enrichment Programme.

Outlook

Global economic growth is set to be slower in 2023 amid key risk factors including financial stability risks due to the tightening of financial conditions and potential global funding markets dysfunction and geopolitical tensions including the escalating Russia-Ukraine war. Following the fallout in the United States and European banking sectors, the authorities' swift, targeted and decisive response to restore public confidence in the global banking system has defused potential contagion and systemic risks significantly. It is noted that many economies no longer consider COVID-19 as a downside growth risk. China's reopening would have a positive effect on growth and paves the way for a faster recovery thanks to higher pent-up demand, particularly for services including travel and leisure. This delivers a balance of risks whereby China's reopening and recovery can bring benefits that help to offset some of the downside drivers this year, particularly for Asian economies.

In Malaysia, the economic recovery has gained traction amid the ongoing transition to endemicity, while government subsidies have helped to mitigate the impact of inflation. Higher commodity prices and strong global demand for Malaysia's electronics exports helped lift overall export earnings to record highs and accelerate the recovery. Going forward, external demand is expected to moderate in tandem with softer global growth. Thus domestic demand will remain the prime driver of Malaysia's economy with household spending being underpinned by improving labour market conditions and the prospects of higher tourism activity. Investments will be supported by the realisation of infrastructure projects and improved domestic conditions to attract foreign direct investments.

Strategy and Performance for the Financial Year Ended 31 December 2022 (Continued)

Further efforts to expand digitalisation, sustainability, and decarbonisation activities will drive new growth areas. Despite heightened volatility in global financial markets and the local currency, these developments have not derailed Malaysia's economy as domestic liquidity and the functioning of domestic markets have remained stable. Such factors, supported by robust fundamentals, will further support Malaysia's economy amid the uncertainties of 2023. Potential downside risks to Malaysia's growth outlook could stem from weaker-than-expected global growth, higher risk aversion in global financial markets, further escalation of geopolitical tensions, volatile commodity prices, worsening supply chain disruptions, and climate-related risks.

Overall, there are grounds for optimism as Malaysia's diversified economic structure provides underlying strength and resilience. Ongoing policy support with a record budget allocation for 2023 and an accommodative monetary policy, will serve to support sustainable economic growth. Guided by the time-tested values of Honourable, Enterprising, United, and Committed, we remain confident that UOB (Malaysia)'s transformation will position the Bank to be future-ready for its customers and its people in the new era of banking.

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: Tier-2 Subordinated Notes (2018/2028)	AA1/Stable
2	RM8 billion Medium Term Notes Programme: Tier-2 Subordinated Notes (2020/2030)	AA1/Stable
3	RM8 billion Medium Term Notes Programme: Tier-2 Subordinated Notes (2022/2032)	AA1/Stable

RAM defines that 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 financing, and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts and financing had been written-off and that adequate allowance had been made for doubtful debts and financing; 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.

Other Statutory Information (Continued)

(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 and financing or the amount of the allowance for doubtful debts and financing 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.

Significant Events

On 14 January 2022, the Group proposed acquisition of Citigroup Inc.'s consumer banking businesses comprising its unsecured and secured lending portfolios, wealth management and retail deposit businesses (the "Consumer Business") in Indonesia, Malaysia, Thailand and Vietnam.

On 1 November 2022, the Group completed the acquisition of the Consumer Business for Malaysia and Thailand. Please refer to Note 48 in the financial statements for details on the acquisition of the business.

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　　　　Ng Wei Wei

Kuala Lumpur, Malaysia
Date: 6 April 2023

Statement by Directors

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

We, Ng Tiong Lip and Ng Wei Wei, 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 122 to 253 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 2022 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　　　　　　　　Ng Wei Wei

Kuala Lumpur, Malaysia
Date: 6 April 2023

Statutory Declaration

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

I, Ng Wei Wei, 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 122 to 253 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 Ng Wei Wei at Kuala Lumpur in the Federal Territory on 6 April 2023.

Ng Wei Wei

Before me,

Shariah Committee's Report

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

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

In compliance with the letter of appointment, we are submitting the following report:

We, the members of the 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 Board of Directors are ultimately responsible and accountable for all Shariah matters under the Bank, the Board of 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 accordingly.

We have concluded five meetings to review the Bank's various Shariah product structures and documentation, transactions, services, and operations during the financial year ended 31 December 2022. In the course of our meetings, we reviewed the Bank's existing range of Shariah products and approved two new products, namely FX Option-i and FX Swap-i. 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 Bank Negara Malaysia.

We have assessed and endorsed the works carried out by the Shariah Review, the Shariah Risk Management and the Shariah Audit teams. The works 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.

We have also reviewed the audited financial statements of the Bank's Islamic Banking business for the financial year and confirmed that the financial statements are in compliance with Shariah.

Based on the above, in our opinion:

(i) The Bank's Islamic Banking products, legal documents and processes that we approved during the financial year ended 31 December 2022 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 2022 are in compliance with the Shariah rules and principles;

(iii) The Bank's sources of Shariah income during the financial year ended 31 December 2022 are in compliance with the Shariah rules and principles;

(iv) No Shariah non-compliant event was reported during the financial year ended 31 December 2022;

(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 2022 are in conformity with the Shariah rules and principles. *Allah* knows best.

Dr. Zaharuddin Bin Abdul Rahman

Chairman,
Shariah Committee

Prof. Dr. Noraini Binti Mohd Ariffin

Member,
Shariah Committee

Kuala Lumpur, Malaysia
Date: 6 April 2023

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 2022 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 122 to 253.

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 2022, 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, of 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.

Report on the Audit of the Financial Statements (Continued)

Auditors' responsibilities for the audit of the financial statements

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

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

- 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	Yeo Beng Yean No. 03013/10/2024 J Chartered Accountant

Kuala Lumpur, Malaysia
Date: 6 April 2023

Statements of Financial Position

As at 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Assets					
Cash and short-term funds	3	**7,690,591**	10,063,224	**7,690,591**	10,063,224
Deposits and placements with financial institutions	4	**-**	-	**-**	-
Securities purchased under resale agreements	5	**333,751**	77,705	**333,751**	77,705
Financial assets at fair value through profit or loss (FVTPL)	6	**8,193,160**	4,594,153	**8,193,160**	4,594,153
Debt instruments at fair value through other comprehensive income (FVOCI)	7	**20,167,367**	22,142,903	**20,167,367**	22,142,903
Equity instruments at fair value through other comprehensive income (FVOCI)	8	**153,681**	157,024	**153,681**	157,024
Debt instruments at amortised cost	9	**7,937,593**	1,176,380	**7,937,593**	1,176,380
Other assets	10	**1,576,798**	901,255	**1,581,892**	903,498
Derivative financial assets	25	**1,623,534**	515,746	**1,623,534**	515,746
Loans, advances and financing	11	**103,108,949**	87,712,734	**103,195,366**	87,804,018
Statutory deposits with Bank Negara Malaysia	12	**1,815,933**	180,667	**1,815,933**	180,667
Investment in subsidiaries	13	**-**	-	**570,020**	530,020
Investment in an associate	14	**418**	9,747	**4,758**	13,522
Property, plant and equipment	15	**1,307,789**	1,135,441	**535,357**	372,868
Right-of-use assets	16	**93,166**	66,048	**134,964**	118,290
Intangible assets	17	**480,157**	-	**480,157**	-
Deferred tax assets	18	**361,850**	262,147	**344,713**	262,147
Total assets		**154,844,737**	128,995,174	**154,762,837**	128,912,165
Liabilities					
Deposits from customers	19	**110,884,809**	97,074,345	**110,900,274**	97,101,837
Deposits and placements of banks and other financial institutions	20	**16,338,616**	15,344,500	**16,338,616**	15,344,520
Obligations on securities sold under repurchase agreements	5	**5,523,321**	546,768	**5,523,321**	546,768
Bills and acceptances payable		**239,443**	208,321	**239,443**	208,321
Other liabilities	21	**4,563,668**	1,895,309	**4,521,899**	1,889,833
Derivative financial liabilities	25	**2,287,130**	520,281	**2,287,130**	520,281
Tax payable		**223,311**	155,402	**224,441**	154,823
Lease liabilities	16	**98,970**	69,455	**145,038**	125,595
Subordinated bonds	22	**2,346,727**	1,363,268	**2,346,727**	1,363,268
Deferred tax liabilities	18	**31,732**	30,005	**-**	-
Total liabilities		**142,537,727**	117,207,654	**142,526,889**	117,255,246
Equity attributable to equity holders of the Bank					
Share capital	23	**792,555**	792,555	**792,555**	792,555
Reserves	24	**11,514,455**	10,994,965	**11,443,393**	10,864,364
Total equity		**12,307,010**	11,787,520	**12,235,948**	11,656,919
Total liabilities and equity		**154,844,737**	128,995,174	**154,762,837**	128,912,165
Commitments and contingencies	38	**232,548,810**	148,148,043	**232,548,810**	148,041,422

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

Statements of Profit or Loss

For the financial year ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Operating revenue	27	**6,247,835**	5,129,292	**6,250,954**	5,132,206
Interest income	28	**4,692,091**	3,926,355	**4,694,919**	3,928,929
Interest expense	29	**(2,032,784)**	(1,537,779)	**(2,034,209)**	(1,539,935)
Net interest income		**2,659,307**	2,388,576	**2,660,710**	2,388,994
Net income from Islamic Banking operations	47	**147,733**	141,160	**147,733**	141,160
Other operating income	30	**1,049,956**	818,111	**1,049,099**	818,451
Operating income		**3,856,996**	3,347,847	**3,857,542**	3,348,605
Other operating expenses	31	**(2,296,194)**	(1,352,881)	**(2,275,401)**	(1,346,593)
Operating profit before allowance for expected credit losses		**1,560,802**	1,994,966	**1,582,141**	2,002,012
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	33	**(169,793)**	(451,265)	**(170,539)**	(450,925)
Other financial assets	33	**3,297**	28,772	**6,178**	25,892
Commitments and contingencies	21(c)/33	**26,454**	(58,249)	**26,454**	(58,249)
Impairment loss on property, plant and equipment	15	**(103,246)**	(3,188)	**-**	-
		1,317,514	1,511,036	**1,444,234**	1,518,730
Share of net (loss)/profit of an associate	14	**(565)**	110	**-**	-
Profit before taxation		**1,316,949**	1,511,146	**1,444,234**	1,518,730
Income tax expense	34	**(679,007)**	(369,087)	**(705,993)**	(370,014)
Profit for the year attributable to equity holders of the Bank		**637,942**	1,142,059	**738,241**	1,148,716
Basic/diluted earnings per share (sen)	35	**135.7**	243.0		
Dividend per share (sen)	36	**-**	-		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the year	**637,942**	1,142,059	**738,241**	1,148,716
Other comprehensive (losses)/income:				
Items that will be reclassified subsequently to income statements:				
Net fair value changes in debt instruments at FVOCI	**(206,742)**	(414,809)	**(206,742)**	(414,809)
Income tax effect (Note 18)	**49,618**	99,554	**49,618**	99,554
	(157,124)	(315,255)	**(157,124)**	(315,255)
Items that will not be reclassified subsequently to income statements:				
Net fair value changes in equity instruments at FVOCI	**(3,076)**	(1,173)	**(3,076)**	(1,173)
Revaluation of land and buildings (Note 15)	**53,631**	24,641	**-**	-
Income tax effect (Note 18)	**(12,133)**	(15,753)	**738**	282
	38,422	7,715	**(2,338)**	(891)
Total other comprehensive losses for the year, net of tax	**(118,702)**	(307,540)	**(159,462)**	(316,146)
Reclassification of gain on disposal of equity investment at FVOCI	**250**	6	**250**	6
Total comprehensive income for the year attributable to equity holders	**519,490**	834,525	**579,029**	832,576

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

Statements of Changes in Equity

For the financial year ended 31 December 2022

Group	Share capital RM'000	◄--- Non-distributable Revaluation reserve RM'000	---► FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2022					
Balance as at 1 January 2022	792,555	192,735	(7,099)	10,809,329	11,787,520
Profit for the year	-	-	-	637,942	637,942
Reclassification of gain on disposal of equity investment at FVOCI	-	-	(250)	250	-
Other comprehensive income/(losses)	-	40,760	(159,212)	-	(118,452)
Total comprehensive income/(losses)	-	40,760	(159,462)	638,192	519,490
Balance as at 31 December 2022	**792,555**	**233,495**	**(166,561)**	**11,447,521**	**12,307,010**

Group	Share capital RM'000	◄--- Non-distributable Revaluation reserve RM'000	---► FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2021					
Balance as at 1 January 2021	792,555	184,130	309,046	10,174,394	11,460,125
Profit for the year	-	-	-	1,142,059	1,142,059
Reclassification of gain on disposal of equity investment at FVOCI	-	-	(6)	6	-
Other comprehensive income/(losses)	-	8,605	(316,139)	-	(307,534)
Total comprehensive income/(losses)	-	8,605	(316,145)	1,142,065	834,525
Transaction with owners:					
Dividend paid					
- Final dividend for the financial year ended 31 December 2020 (Note 36)	-	-	-	(507,130)	(507,130)
Balance as at 31 December 2021	**792,555**	**192,735**	**(7,099)**	**10,809,329**	**11,787,520**

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

Statements of Changes in Equity (Continued)

For the financial year ended 31 December 2022

Bank	Non-distributable Share capital RM'000	Non-distributable FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2022				
Balance as at 1 January 2022	792,555	(14,002)	10,878,366	11,656,919
Profit for the year	-	-	738,241	738,241
Reclassification of gain on disposal of equity investment at FVOCI	-	(250)	250	-
Other comprehensive income/(losses)	-	(159,212)	-	(159,212)
Total comprehensive income/(losses)	-	(159,462)	738,491	579,029
Balance as at 31 December 2022	**792,555**	**(173,464)**	**11,616,857**	**12,235,948**

Bank	Non-distributable Share capital RM'000	Non-distributable FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2021				
Balance as at 1 January 2021	792,555	302,144	10,236,774	11,331,473
Profit for the year	-	-	1,148,716	1,148,716
Reclassification of gain on disposal of equity investment at FVOCI	-	(6)	6	-
Other comprehensive income/(losses)	-	(316,140)	-	(316,140)
Total comprehensive income/(losses)	-	(316,146)	1,148,722	832,576
Transaction with owners:				
Dividend paid				
- Final dividend for the financial year ended 31 December 2020 (Note 36)	-	-	(507,130)	(507,130)
Balance as at 31 December 2021	**792,555**	**(14,002)**	**10,878,366**	**11,656,919**

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

Statements of Cash Flows

For the financial year ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Cash flows from operating activities					
Profit before taxation		**1,316,949**	1,511,146	**1,444,234**	1,518,730
Adjustments for:					
Share of net loss/(profit) of an associate	14	**565**	(110)	**-**	-
Amortisation of intangible assets	17	**1,983**	-	**1,983**	-
Gain on disposal and write-off of property, plant and equipment		**-**	(583)	**-**	(583)
Depreciation of property, plant and equipment	31	**117,142**	89,212	**86,173**	72,517
Depreciation of right-of-use assets	31	**22,129**	16,443	**30,716**	33,974
Allowance for expected credit losses on loans, advances and financing	33	**169,793**	451,265	**170,539**	450,925
Write-back of expected credit losses on other financial assets	33	**(3,297)**	(28,772)	**(6,178)**	(25,892)
(Write-back)/allowance for expected credit losses on commitments and contingencies	21(c)	**(28,130)**	58,249	**(28,130)**	58,249
Net unrealised loss on financial assets at FVTPL	30	**3,451**	2,909	**3,451**	2,909
Dividend income from equity instruments at FVOCI	30	**(960)**	(876)	**(960)**	(876)
Interest income from debt instruments at FVOCI	28	**(694,259)**	(670,075)	**(694,259)**	(670,075)
Interest income from debt instruments at amortised cost	28	**(154,243)**	(28,445)	**(154,243)**	(28,445)
Gain from sale of debt instruments at FVOCI	30	**(40,216)**	(58,066)	**(40,216)**	(58,066)
Unrealised foreign exchange loss/(gain)		**338,582**	(353,837)	**338,582**	(353,837)
Gain from sale of financial assets at FVTPL	30	**(29,888)**	(8,229)	**(29,888)**	(8,229)
Loss/(gain) from trading derivatives	30	**11,587**	(51,075)	**11,587**	(51,075)
Unrealised (gain)/loss from trading derivatives	30	**(37,108)**	29,983	**(37,108)**	29,983
Unrealised gain on fair value hedge	30	**(16,541)**	(13,898)	**(16,541)**	(13,898)
Gain from sale of precious metals	30	**(723)**	(865)	**(723)**	(865)
Unrealised gain from revaluation of precious metals	30	**(2,370)**	(1,815)	**(2,370)**	(1,815)
Impairment loss on property, plant and equipment, net	44	**103,246**	3,188	**-**	-
Interest expense from lease liabilities	29	**720**	1,975	**1,749**	3,527
Amortisation of premium less accretion of discount from					
- Financial assets at FVTPL	28	**(35,827)**	(1,259)	**(35,827)**	(1,259)
- Debt instruments at FVOCI	28	**116,761**	94,547	**116,761**	94,547
Operating profit before working capital changes		**1,159,346**	1,041,012	**1,159,332**	1,050,446

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

Statements of Cash Flows (Continued)

For the financial year ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Cash flows from operating activities (Continued)					
(Increase)/decrease in operating assets:					
Loans, advances and financing		**(2,532,408)**	(2,657,435)	**(2,528,287)**	(2,646,671)
Financial assets at FVTPL		**(3,536,743)**	(241,175)	**(3,536,743)**	(241,175)
Securities purchased under resale agreements		**(256,046)**	1,092,299	**(256,046)**	1,092,299
Statutory deposits with Bank Negara Malaysia		**(1,635,266)**	15,784	**(1,635,266)**	15,784
Derivative financial assets		**(1,082,267)**	319,464	**(1,082,267)**	319,464
Other assets		**(505,248)**	160,346	**(506,841)**	195,865
		(9,547,978)	(1,310,717)	**(9,545,450)**	(1,264,434)
Increase/(decrease) in operating liabilities:					
Deposits from customers		**3,722,561**	3,485,245	**3,710,534**	3,421,449
Deposits and placements of banks and other financial institutions		**994,116**	(1,604,257)	**994,096**	(1,604,257)
Obligation on securities sold under repurchase agreements		**4,976,553**	(378,009)	**4,976,553**	(378,009)
Bills and acceptances payable		**31,122**	3,296	**31,122**	3,296
Derivative financial liabilities		**1,766,849**	(562,633)	**1,766,849**	(562,633)
Other liabilities		**2,177,346**	284,001	**2,142,674**	279,932
		13,668,547	1,227,643	**13,621,828**	1,159,778
Cash generated from operations		**5,279,915**	957,938	**5,235,710**	945,790
Tax paid		**(688,124)**	(425,083)	**(685,118)**	(421,032)
Net cash generated from operating activities		**4,591,791**	532,855	**4,550,592**	524,758
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**783**	635	**174**	635
Purchase of property, plant and equipment	15	**(326,327)**	(283,695)	**(235,275)**	(125,952)
Partial return for investment in associate	14	**8,764**	-	**8,764**	-
Acquisition of consumer business	48	**(3,417,256)**	-	**(3,417,256)**	-
Interest income from debt instruments at FVOCI	28	**694,259**	670,075	**694,259**	670,075
Interest income from debt instruments at amortised cost	28	**154,243**	28,445	**154,243**	28,445
Net disposal of debt instruments at FVOCI		**1,700,453**	3,046,357	**1,700,453**	3,046,357
Net purchase of debt instruments at amortised cost		**(6,784,353)**	(653,301)	**(6,784,353)**	(653,301)
Dividend income from equity instruments at FVOCI	30	**960**	876	**960**	876
Subscription of redeemable preference shares	13(a)	**-**	-	**(40,000)**	(130,000)
Net cash (used in)/generated from investing activities		**(7,968,474)**	2,809,392	**(7,918,031)**	2,837,135

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

Statements of Cash Flows (Continued)

For the financial year ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Cash flows from financing activities					
Net proceeds from issuance of subordinated bonds	22(c)	**1,000,000**	-	**1,000,000**	-
Lease payments	16	**(20,451)**	(17,238)	**(29,695)**	(36,884)
Dividend paid	36	**-**	(507,130)	**-**	(507,130)
Net cash generated from/(used in) financing activities		**979,549**	(524,368)	**970,305**	(544,014)
Net (decrease)/increase in cash and cash equivalents		**(2,397,134)**	2,817,879	**(2,397,134)**	2,817,879
Cash and cash equivalents at beginning of the year		**10,094,057**	7,276,178	**10,094,057**	7,276,178
Cash and cash equivalents at end of the year before allowance for expected credit losses		**7,696,923**	10,094,057	**7,696,923**	10,094,057
Analysis of cash and cash equivalents					
Cash and short-term funds	3	**7,696,923**	10,094,057	**7,696,923**	10,094,057
Deposits and placements with financial institutions	4	**-**	-	**-**	-
		7,696,923	10,094,057	**7,696,923**	10,094,057
Less: Allowance for expected credit losses	3,4	**(6,332)**	(30,833)	**(6,332)**	(30,833)
		7,690,591	10,063,224	**7,690,591**	10,063,224

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 22, UOB Plaza 1 Kuala Lumpur, No. 7 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 and listed on the Singapore Exchange, respectively.

The principal activities of the Bank are banking and related financial services, including Islamic Banking. The principal activities of the subsidiaries and the associate are set out in Notes 13 and 14, respectively. There have been no significant changes in the nature of the principal activities during the financial year.

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

2. Significant Accounting Policies

2.1 Basis of preparation

The financial statements comply with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2016 in Malaysia.

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

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

2.2 Changes in accounting policies

Adoption of new and amended MFRSs 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 and amended MFRSs and IC Interpretations beginning on or after 1 January 2022

Annual improvements to MFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
Annual improvements to MFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
Annual improvements to MFRS 141 Agriculture - Taxation in fair value measurements
Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"
Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)

The adoption of the above amended MFRSs 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 MFRSs and amendments to MFRSs have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Bank.

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts
Amendments to MFRS 17 Insurance Contracts
Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendments to MFRS 17 Insurance Contracts)
Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)
Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)
Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)

2. Significant Accounting Policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Effective for financial periods beginning on or after 1 January 2023 (Continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)
Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 Leases)
Non-current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)

Effective for financial periods which have yet to be determined by the MASB

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

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. The initial application of the abovementioned pronouncements is not expected to have any significant impact to the financial statements of the Group and the Bank.

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

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

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

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(b) Associate

An associate is an entity over 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 the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

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

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

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

The most recently available audited financial statements of the 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) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(c) Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Financial instruments

(i) Classification

Financial assets

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

(a) Amortised cost

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

(b) Debt instruments at FVOCI

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

(c) Equity instruments at FVOCI

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

(d) Financial instruments at FVTPL

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

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.

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

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

- where the principal or interest/profit or both of the loan/financing is past due for more than 90 days or 3 months;
- in the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
- where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the loan/financing exhibits weaknesses in accordance with the banking institution's credit risk measurement framework; or
- as soon as a default occurs where the principal and/or interest/profit repayments are scheduled on intervals of 3 months or longer.

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

(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 allowance for impairment are based on the expected credit losses (ECL) associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the probability of default over the expected remaining life of the assets. The impairment can be assessed either individually or collectively.

(v) Offsetting of financial instruments

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

(vi) Recognition and derecognition

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

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

(vii) Write-off policy

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

(h) Impairment of non-financial assets

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

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

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

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 CGU to which the asset belongs to.

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

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

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

(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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(j) Property, plant and equipment, and depreciation (Continued)

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 - 33.3%
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.

The Group and the 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 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(k) Leases (Continued)

The Group and the Bank as lessee (Continued)

(ii) Lease liabilities (Continued)

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.

(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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(n) Income and deferred taxes (Continued)

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

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

(o) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits - Defined contribution plans

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

(p) Share-based payment

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

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

(q) Cash and cash equivalents

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

(r) Bills and acceptances payable

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

(s) Provisions

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

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of significant accounting policies (Continued)

(u) Share capital and share issuance expenses (Continued)

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).

2.5 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:

2. Significant Accounting Policies (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(a) Allowance 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 allowance 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 amounts of allowance for ECL on loans, advances and financing recognised by the Group and the Bank are as disclosed in Note 11.

(b) Level 3 fair value estimation for financial instruments, 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. Cash and Short-Term Funds

	Group and Bank	
	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	3,253,289	1,335,442
Money at call and deposit placements maturing within one month	4,443,634	8,758,615
	7,696,923	10,094,057
Less: Allowance for ECL	(6,332)	(30,833)
	7,690,591	10,063,224

3. Cash and Short-Term Funds (Continued)

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

Group and Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
2022	RM'000	RM'000	RM'000	RM'000
At 1 January	30,833	-	-	30,833
Allowance made	7,328	-	-	7,328
Maturity/settlement/repayment	(31,829)	-	-	(31,829)
Net total (Note 33)	(24,501)	-	-	(24,501)
At 31 December	6,332	-	-	6,332
2021				
At 1 January	56,670	-	-	56,670
Allowance made	24,138	-	-	24,138
Maturity/settlement/repayment	(49,975)	-	-	(49,975)
Net total (Note 33)	(25,837)	-	-	(25,837)
At 31 December	30,833	-	-	30,833

4. Deposits and Placements with Financial Institutions

	Group and Bank	
	2022 RM'000	2021 RM'000
Licensed banks	-	-
Less: Allowance for ECL	-	-
	-	-

4. Deposits and Placements with Financial Institutions (Continued)

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

Group and Bank 2022	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	-	-	-	-
Allowance made	-	-	-	-
Maturity/settlement/repayment	-	-	-	-
Net total (Note 33)	-	-	-	-
At 31 December	-	-	-	-
2021				
At 1 January	290	-	-	290
Allowance made	-	-	-	-
Maturity/settlement/repayment	(290)	-	-	(290)
Net total (Note 33)	(290)	-	-	(290)
At 31 December	-	-	-	-

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

Reverse Repos

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

	Group and Bank	
	2022 RM'000	2021 RM'000
Assets received for Reverse Repos transactions, at amortised cost	333,751	77,705

Repos

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

	Group and Bank	
	2022 RM'000	2021 RM'000
Assets sold for Repos transactions, at amortised cost	5,523,321	546,768

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

	Group and Bank	
	2022 RM'000	2021 RM'000
Money market instruments		
Malaysian Government treasury bills	896,067	619,799
Malaysian Government securities	-	335,233
Negotiable instruments of deposits	4,799,896	1,999,656
	5,695,963	2,954,688
Unquoted securities in Malaysia		
Cagamas bonds	571,926	306,142
Private debt securities	1,925,271	1,333,323
	2,497,197	1,639,465
Total financial assets at FVTPL	**8,193,160**	**4,594,153**

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

	Group and Bank	
	2022 RM'000	2021 RM'000
Money market instruments		
Malaysian Government securities	14,568,367	14,758,380
Negotiable instruments of deposits	2,199,855	3,539,347
	16,768,222	18,297,727
Unquoted securities in Malaysia		
Cagamas bonds	1,241,815	1,333,627
Private debt securities	2,157,330	2,511,549
	3,399,145	3,845,176
Total debt instruments at FVOCI	**20,167,367**	**22,142,903**

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

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

Group and Bank 2022	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	12,213	-	39,960	52,173
Allowance made	2,614	-	-	2,614
Maturity/settlement/repayment	(10,818)	-	-	(10,818)
Net total (Note 33)	(8,204)	-	-	(8,204)
At 31 December	4,009	-	39,960	43,969
2021				
At 1 January	13,828	-	39,960	53,788
Allowance made	13,348	-	-	13,348
Maturity/settlement/repayment	(14,963)	-	-	(14,963)
Net total (Note 33)	(1,615)	-	-	(1,615)
At 31 December	12,213	-	39,960	52,173

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

	Group and Bank 2022 RM'000	 2021 RM'000
Quoted securities		
Shares of corporations in Malaysia	924	1,604
Unquoted securities		
Shares of corporations in Malaysia (Note (a))	152,757	155,420
	153,681	157,024

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

9. Debt Instruments at Amortised Cost (AC)

	Group and Bank	
	2022 RM'000	2021 RM'000
Money market instruments		
Malaysian Government securities	6,654,658	451,645
Less: Allowances for ECL	(1,010)	-
	6,653,648	451,645
Unquoted securities in Malaysia		
Private debt securities	1,307,850	726,510
Less: Allowance for ECL	(23,905)	(1,775)
	1,283,945	724,735
Total debt instruments at AC	**7,937,593**	**1,176,380**

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

Group and Bank	Stage 1	Stage 2	Stage 3	
2022	12-month ECL RM'000	Lifetime ECL non credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	1,775	-	-	1,775
Allowance made (Note 33)	23,140	-	-	23,140
At 31 December	24,915	-	-	24,915
2021				
At 1 January	5,010	-	-	5,010
Allowance write-back (Note 33)	(3,235)	-	-	(3,235)
At 31 December	1,775	-	-	1,775

10. Other Assets

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables, deposits and prepayments	1,015,396	313,392	1,015,230	313,248
Accrued interest/income receivables	302,630	209,919	302,630	209,919
Amount due from subsidiaries (Note (a))	-	-	5,259	5,267
Amount due from fellow subsidiaries (Note (b))	36	240	36	240
Amount due from holding company (Note (b))	72	48	72	48
Amount due from the ultimate holding company (Note (b))	1,336	851	1,336	851
Precious metal accounts (Note (c))	270,090	383,299	270,090	383,299
Less: Allowance for ECL (Note (d))	(12,762)	(6,494)	(12,761)	(9,374)
	1,576,798	901,255	1,581,892	903,498

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

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

(c) As at 31 December 2022, precious metal accounts comprise the following:

- Precious metals on loan to customers of the Bank which are directly sought from the gold market amounting to RM243,101,000 (2021: RM357,741,000).
- The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM95,611,000 (2021: RM118,390,000) net of cash collateral received from the customers of RM68,622,000 (2021: RM92,832,000).

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.

10. Other Assets (Continued)

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

Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	1,580	4,914	-	6,494
Allowance made	4,900	5,317	-	10,217
Maturity/settlement/repayment	(1,287)	(2,662)	-	(3,949)
Net total (Note 33)	3,613	2,655	-	6,268
At 31 December	5,193	7,569	-	12,762
2021				
At 1 January	2,657	1,632	-	4,289
Allowance made	1,632	5,106	-	6,738
Maturity/settlement/repayment	(2,709)	(1,824)	-	(4,533)
Net total (Note 33)	(1,077)	3,282	-	2,205
At 31 December	1,580	4,914	-	6,494

Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	1,580	7,794	-	9,374
Allowance made	4,155	6,061	-	10,216
Maturity/settlement/repayment	(1,286)	(5,543)	-	(6,829)
Net total (Note 33)	2,869	518	-	3,387
At 31 December	4,449	8,312	-	12,761
2021				
At 1 January	2,657	1,632	-	4,289
Allowance made	1,632	7,986	-	9,618
Maturity/settlement/repayment	(2,709)	(1,824)	-	(4,533)
Net total (Note 33)	(1,077)	6,162	-	5,085
At 31 December	1,580	7,794	-	9,374

11. Loans, Advances and Financing

At amortised cost	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Overdrafts	3,002,621	2,636,072	3,002,621	2,636,072
Term loans/financing and revolving credits:				
- Housing loans/financing	40,783,736	33,976,821	40,783,736	33,976,821
- Syndicated term loans/financing	2,648,989	2,089,627	2,648,989	2,089,627
- Other term loans/financing*	39,659,638	37,861,219	39,747,710	37,953,412
Credit card receivables	8,593,223	2,435,130	8,593,223	2,435,130
Bills receivables	182,025	696,528	182,025	696,528
Trust receipts	4,844,389	5,298,316	4,844,389	5,298,316
Claims on customers under acceptance credits	6,014,871	5,141,539	6,014,871	5,141,539
Staff loans	96,911	37,352	96,911	37,352
Others	-	3,348	-	3,348
	105,826,403	90,175,952	105,914,475	90,268,145
Unearned interest/income	(148,700)	(139,762)	(148,700)	(139,762)
Gross loans, advances and financing	105,677,703	90,036,190	105,765,775	90,128,383
Allowance for ECL on loans, advances and financing:				
- Stage 1 - 12-month ECL	(551,907)	(311,664)	(553,562)	(312,573)
- Stage 2 - Lifetime ECL non credit-impaired	(1,173,643)	(1,298,483)	(1,173,643)	(1,298,483)
- Stage 3 - Lifetime ECL credit-impaired	(843,204)	(713,309)	(843,204)	(713,309)
Net loans, advances and financing	103,108,949	87,712,734	103,195,366	87,804,018

* Other term loans/financing include the following:	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Loans/financing to subsidiaries:				
- UOB Properties Bhd	-	-	75,070	79,223
- UOB Properties (KL) Bhd	-	-	13,002	12,970
	-	-	88,072	92,193

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

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Maturing within one year	30,509,145	23,059,461	30,597,217	23,151,654
One year to three years	6,749,366	6,093,520	6,749,366	6,093,520
Three years to five years	8,853,501	8,278,729	8,853,501	8,278,729
Over five years	59,565,691	52,604,480	59,565,691	52,604,480
	105,677,703	90,036,190	105,765,775	90,128,383

11. Loans, Advances and Financing (Continued)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(ii) Gross loans, advances and financing by type of customers:				
Domestic non-banking financial institutions:				
- Stockbroking companies	896	10,744	896	10,744
- Others	2,766,076	2,266,529	2,766,076	2,266,529
Domestic business enterprises:				
- Small and medium enterprises	21,931,110	21,429,359	21,931,110	21,429,359
- Others	18,928,145	16,976,955	19,016,217	17,069,148
Individuals	56,111,922	43,185,006	56,111,922	43,185,006
Foreign entities	5,939,554	6,167,597	5,939,554	6,167,597
	105,677,703	90,036,190	105,765,775	90,128,383
(iii) Gross loans, advances and financing by interest/profit rate sensitivity:				
Fixed rate:				
- Housing loans/financing	40,681	11,091	40,681	11,091
- Other fixed rate loans/financing	16,452,454	9,832,777	16,452,454	9,832,777
Variable rate:				
- Base rate/base lending/financing rate-plus	62,893,388	55,085,090	62,893,388	55,085,090
- Cost-plus	25,736,276	24,397,777	25,824,348	24,489,970
- Other variable rates	554,904	709,455	554,904	709,455
	105,677,703	90,036,190	105,765,775	90,128,383

11. Loans, Advances and Financing (Continued)

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
(iv) Gross loans, advances and financing by economic sectors:				
Agriculture, hunting, forestry and fishing	1,681,068	1,694,515	1,681,068	1,694,515
Mining and quarrying	178,004	597,154	178,004	597,154
Manufacturing	8,997,143	8,835,870	8,997,143	8,835,870
Electricity, gas and water	730,129	414,011	730,129	414,011
Construction	7,080,238	6,995,572	7,080,238	6,995,572
Wholesale, retail trade, restaurants and hotels	14,626,320	13,678,131	14,626,320	13,678,131
Transport, storage and communication	2,041,282	1,520,910	2,041,282	1,520,910
Finance, insurance and business services	4,513,864	3,948,253	4,513,864	3,948,253
Real estate	4,336,726	4,165,803	4,424,798	4,257,996
Community, social and personal services	214,071	156,312	214,071	156,312
Households:				
- Purchase of residential properties	41,719,876	34,659,950	41,719,876	34,659,950
- Purchase of non-residential properties	7,968,499	8,318,303	7,968,499	8,318,303
- Others	11,590,483	5,051,406	11,590,483	5,051,406
	105,677,703	90,036,190	105,765,775	90,128,383

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

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
At beginning of the financial year	2,394,946	1,678,371
Transfer from business acquisition	209,289	-
Classified as credit-impaired during the financial year	1,120,492	1,240,092
Amounts recovered	(348,581)	(248,872)
Reclassified as non credit-impaired	(265,614)	(61,852)
Amounts written-off	(277,352)	(212,793)
Gross credit-impaired loans, advances and financing	2,833,180	2,394,946
Less: Stage 3 - Lifetime ECL credit-impaired	(843,204)	(713,309)
Net credit-impaired loans, advances and financing	1,989,976	1,681,637
Ratio of net credit-impaired loans, advances and financing to gross loans, advances and financing less allowance for ECL on credit-impaired provisions	1.9%	1.9%

11. Loans, Advances and Financing (Continued)

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

Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	311,664	1,298,483	713,309	2,323,456
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	62,709	(223,574)	(19,417)	(180,282)
Transferred to Stage 2	(8,413)	94,469	(12,330)	73,726
Transferred to Stage 3	(2,077)	(23,460)	275,164	249,627
Allowance made	258,866	182,633	99,605	541,104
Maturity/settlement/repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total (Note 33)	140,277	(191,256)	293,212	242,233
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	551,907	1,173,643	843,204	2,568,754
2021				
At 1 January	711,051	785,956	455,576	1,952,583
Transferred to Stage 1	34,188	(77,956)	(2,501)	(46,269)
Transferred to Stage 2	(37,237)	134,368	(1,733)	95,398
Transferred to Stage 3	(1,951)	(22,872)	301,676	276,853
Allowance made	141,266	556,993	124,952	823,211
Maturity/settlement/repayment	(533,865)	(78,717)	(34,643)	(647,225)
Exchange differences	(1,788)	711	-	(1,077)
Net total (Note 33)	(399,387)	512,527	387,751	500,891
Amounts written-off	-	-	(187,901)	(187,901)
Other movements	-	-	57,883	57,883
At 31 December	311,664	1,298,483	713,309	2,323,456

11. Loans, Advances and Financing (Continued)

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

Bank	Stage 1	Stage 2	Stage 3	
2022	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	312,573	1,298,483	713,309	2,324,365
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	62,709	(223,574)	(19,417)	(180,282)
Transferred to Stage 2	(8,413)	94,469	(12,330)	73,726
Transferred to Stage 3	(2,077)	(23,460)	275,164	249,627
Allowance made	259,612	182,633	99,605	541,850
Maturity/settlement/repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total (Note 33)	141,023	(191,256)	293,212	242,979
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	553,562	1,173,643	843,204	2,570,409

2021				
At 1 January	712,300	785,956	455,576	1,953,832
Transferred to Stage 1	34,188	(77,956)	(2,501)	(46,269)
Transferred to Stage 2	(37,237)	134,368	(1,733)	95,398
Transferred to Stage 3	(1,951)	(22,872)	301,676	276,853
Allowance made	142,177	556,993	124,952	824,122
Maturity/settlement/repayment	(535,116)	(78,717)	(34,643)	(648,476)
Exchange differences	(1,788)	711	-	(1,077)
Net total (Note 33)	(399,727)	512,527	387,751	500,551
Amounts written-off	-	-	(187,901)	(187,901)
Other movements	-	-	57,883	57,883
At 31 December	312,573	1,298,483	713,309	2,324,365

11. Loans, Advances and Financing (Continued)

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

	Group and Bank	
	2022 RM'000	2021 RM'000
Agriculture, hunting, forestry and fishing	-	1,276
Mining and quarrying	83,075	81,750
Manufacturing	190,171	210,436
Construction	658,549	445,367
Wholesale, retail trade, restaurants and hotels	340,269	309,863
Transport, storage and communication	36,830	103,371
Finance, insurance and business services	42,710	30,148
Real estate	195,714	181,574
Community, social and personal services	11,169	-
Households:		
- Purchase of residential properties	972,294	740,211
- Purchase of non-residential properties	158,602	190,879
- Others	143,797	100,071
	2,833,180	2,394,946

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

	Group and Bank	
	2022 RM'000	2021 RM'000
In Malaysia	2,833,180	2,394,946

12. Statutory Deposits with Bank Negara Malaysia

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

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 December 2022 and the Bank has utilised such flexibility.

13. Investment in Subsidiaries

	Bank	
	2022 RM'000	2021 RM'000
Unquoted shares in Malaysia, at cost		
At 1 January/31 December	20	20
Redeemable preference shares in Malaysia, at cost		
At 1 January	530,000	400,000
Subscription of preference shares (Note (a))	40,000	130,000
At 31 December	570,000	530,000
Total investment in subsidiaries	570,020	530,020

13. Investment in Subsidiaries (Continued)

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

	Paid-up capital	Group's effective interest		Principal activities
		2022	2021	
	RM	%	%	
UOB Properties (KL) Bhd* (held directly by UOB Properties Bhd)	2	100	100	Property investment holding and property management company
UOB Properties Bhd	7	100	100	Property holding company
UOBM Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
UOB Credit Bhd	2	100	100	Dormant
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services

(a) In July 2017, the Board of UOB Properties (KL) Bhd approved the issuance of redeemable preference shares amounting to RM600,000,000 over the period from 1 July 2017 to 31 January 2021. Subsequently in March 2021, the Board has approved the extension till 30 June 2023. As at 31 December 2022, the Bank has subscribed to 570,000,000 units of redeemable preference shares amounting to RM570,000,000, of which RM40,000,000 was subscribed by the Bank during the current financial year. The preference shares rank ahead of the ordinary shares in the event of liquidation. The redemption of the redeemable preference shares are solely at the discretion of UOB Properties (KL) Bhd and it does not carry the right to any dividends.

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

All of the subsidiaries are audited by Ernst & Young PLT.

14. Investment in an Associate

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares, at cost	33,277	33,277	33,277	33,277
Balance brought forward	(3,775)	(3,885)	-	-
Partial return for investment in an associate	(8,764)	-	(8,764)	-
Share of net (loss)/profit for the year	(565)	110	-	-
Share of post-acquisition deficit	(13,104)	(3,775)	(8,764)	-
	20,173	29,502	24,513	33,277
Accumulated impairment loss	(19,755)	(19,755)	(19,755)	(19,755)
	418	9,747	4,758	13,522

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

	Group's effective interest 2022 %	Group's effective interest 2021 %	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 as its financial year end is on 31 March. The unaudited summarised financial information of the associate as at 31 December is as presented below.

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

	2022 RM'000	2021 RM'000
Assets and liabilities		
Current assets	18,893	19,979
Total assets	18,893	19,979
Current liabilities	73	5
Total liabilities	73	5
Results		
Revenue	107	349
(Loss)/profit before taxation	(1,129)	306
(Loss)/profit for the year	(1,153)	224

At 31 December 2022, the amount of goodwill for Uni.Asia Capital included within the Group is RM19,755,000 (2021: RM19,755,000), all of which are allocated to the investment in an associate as a cash generating unit and it has been fully impaired.

15. Property, Plant and Equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2022								
Cost or valuation								
At 1 January:								
- At cost	-	-	-	254,952	617,360	6,929	578,703	1,457,944
- At valuation	95,637	97,502	223,088	-	-	-	-	416,227
	95,637	97,502	223,088	254,952	617,360	6,929	578,703	1,874,171
Transfer from business acquisition	-	-	-	10,544	3,017	-	-	13,561
Additions	-	224	39,948	23,840	115,925	1,656	144,734	326,327
Revaluation surplus/ (deficit)	39,973	(480)	14,138	-	-	-	-	53,631
Reclassifications	57,906	-	481,179	-	-	-	(539,085)	-
Disposals/write-off	-	-	-	(260)	(13,740)	(722)	(724)	(15,446)
At 31 December	193,516	97,246	758,353	289,076	722,562	7,863	183,628	2,252,244
Representing:								
- At cost	-	-	-	289,076	722,562	7,863	183,628	1,203,129
- At valuation	193,516	97,246	758,353	-	-	-	-	1,049,115
At 31 December	193,516	97,246	758,353	289,076	722,562	7,863	183,628	2,252,244
Accumulated depreciation								
At 1 January	-	21,480	128,305	165,998	410,219	4,762	-	730,764
Depreciation charge (Note 31)	-	3,192	25,521	17,764	69,868	797	-	117,142
Disposals/write-off	-	-	-	(257)	(13,684)	(722)	-	(14,663)
At 31 December	-	24,672	153,826	183,505	466,403	4,837	-	833,243
Impairment loss								
At 1 January	3,240	2,554	2,172	-	-	-	-	7,966
Additional	-	-	110,319	-	-	-	-	110,319
Write-back	(2,410)	(2,554)	(2,109)	-	-	-	-	(7,073)
At 31 December	830	-	110,382	-	-	-	-	111,212
Net carrying amount								
At cost	-	-	-	105,571	256,159	3,026	183,628	548,384
At valuation	192,686	72,574	494,145	-	-	-	-	759,405
At 31 December	192,686	72,574	494,145	105,571	256,159	3,026	183,628	1,307,789

15. Property, Plant and Equipment (Continued)

Group (Continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2021								
Cost or valuation								
At 1 January:								
- At cost	-	-	-	234,249	543,151	7,074	400,807	1,185,281
- At valuation	89,777	96,846	204,963	-	-	-	-	391,586
	89,777	96,846	204,963	234,249	543,151	7,074	400,807	1,576,867
Additions	-	-	-	23,277	80,518	1,981	177,919	283,695
Revaluation surplus	5,860	656	18,125	-	-	-	-	24,641
Disposals/write-off	-	-	-	(2,574)	(6,309)	(2,126)	(23)	(11,032)
At 31 December	95,637	97,502	223,088	254,952	617,360	6,929	578,703	1,874,171
Representing:								
- At cost	-	-	-	254,952	617,360	6,929	578,703	1,457,944
- At valuation	95,637	97,502	223,088	-	-	-	-	416,227
At 31 December	95,637	97,502	223,088	254,952	617,360	6,929	578,703	1,874,171
Accumulated depreciation								
At 1 January	-	20,031	115,422	151,583	359,650	5,847	-	652,533
Depreciation charge (Note 31)	-	1,449	12,883	16,970	56,869	1,041	-	89,212
Disposals/write-off	-	-	-	(2,555)	(6,300)	(2,126)	-	(10,981)
At 31 December	-	21,480	128,305	165,998	410,219	4,762	-	730,764
Impairment loss								
At 1 January	1,900	458	2,420	-	-	-	-	4,778
Additional	1,340	2,096	144	-	-	-	-	3,580
Write-back	-	-	(392)	-	-	-	-	(392)
At 31 December	3,240	2,554	2,172	-	-	-	-	7,966
Net carrying amount								
At cost	-	-	-	88,954	207,141	2,167	578,703	876,965
At valuation	92,397	73,468	92,611	-	-	-	-	258,476
At 31 December	92,397	73,468	92,611	88,954	207,141	2,167	578,703	1,135,441

15. Property, Plant and Equipment (Continued)

Bank	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2022								
Cost								
At 1 January	-	-	-	232,874	617,141	6,927	87,799	944,741
Transfer from business acquisition	-	-	-	10,544	3,017	-	-	13,561
Additions	-	-	-	21,896	115,778	1,656	95,945	235,275
Disposals/write-off	-	-	-	(260)	(13,714)	(722)	(133)	(14,829)
At 31 December	-	-	-	265,054	722,222	7,861	183,611	1,178,748
Accumulated depreciation								
At 1 January	-	-	-	157,024	410,089	4,760	-	571,873
Depreciation charge (Note 31)	-	-	-	15,563	69,813	797	-	86,173
Disposals/write-off	-	-	-	(257)	(13,676)	(722)	-	(14,655)
At 31 December	-	-	-	172,330	466,226	4,835	-	643,391
Net carrying amount								
At 31 December	-	-	-	92,724	255,996	3,026	183,611	535,357
2021								
Cost								
At 1 January	-	-	-	212,355	543,043	7,072	67,339	829,809
Additions	-	-	-	23,093	80,395	1,981	20,483	125,952
Disposals/write-off	-	-	-	(2,574)	(6,297)	(2,126)	(23)	(11,020)
At 31 December	-	-	-	232,874	617,141	6,927	87,799	944,741
Accumulated depreciation								
At 1 January	-	-	-	144,928	359,552	5,845	-	510,325
Depreciation charge (Note 31)	-	-	-	14,651	56,825	1,041	-	72,517
Disposals/write-off	-	-	-	(2,555)	(6,288)	(2,126)	-	(10,969)
At 31 December	-	-	-	157,024	410,089	4,760	-	571,873
Net carrying amount								
At 31 December	-	-	-	75,850	207,052	2,167	87,799	372,868

15. Property, Plant and Equipment (Continued)

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

	Group	
	2022 RM'000	2021 RM'000
Freehold land	88,064	18,508
Freehold buildings	530,861	10,723
Leasehold land and buildings	29,291	33,131
	648,216	62,362

16. Right-of-use Assets and Lease Liabilities

Group and Bank as lessee

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

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

	Buildings			
	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Right-of-use assets				
At 1 January	66,048	76,974	118,290	148,751
Transfer from business acquisition	40,278	-	40,278	-
Non-cash additions	8,969	5,517	7,112	3,513
Depreciation charge (Note 31)	(22,129)	(16,443)	(30,716)	(33,974)
At 31 December	93,166	66,048	134,964	118,290
Lease liabilities				
At 1 January	69,455	79,200	125,595	153,808
Transfer from business acquisition	41,724	-	41,724	-
Non-cash additions	7,522	5,518	5,665	5,144
Accretion of interest (Note 29)	720	1,975	1,749	3,527
Lease payments	(20,451)	(17,238)	(29,695)	(36,884)
At 31 December	98,970	69,455	145,038	125,595

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

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.

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:

2022	Within 1 year RM'000	More than 1 year RM'000	Total RM'000
Group			
Extension options expected not to be exercised	4,488	11,959	16,447
Bank			
Extension options expected not to be exercised	4,488	60,150	64,638
2021			
Group			
Extension options expected not to be exercised	-	-	-
Bank			
Extension options expected not to be exercised	10,689	53,445	64,134

17. Intangible Assets

	Group and Bank	
	2022 RM'000	2021 RM'000
Goodwill	363,140	-
Other intangible assets[(1)]	117,017	-
At 31 December	480,157	-
Represented by:		
Goodwill	363,140	-
Intangible assets, at cost	119,000	-
Gross carrying amount (Note 48)	482,140	-
Accumulated amortisation for intangible assets	(1,983)	-
Net carrying amount	480,157	-

[(1)]Other intangible assets relate to the Citi consumer business consumer relationships and core deposits.

18. Deferred Tax Assets/(Liabilities)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	232,142	55,734	262,147	74,577
Transfer from business acquisition (Note 48)	9,706	-	9,706	-
Deferred tax assets arising from fair value adjustment from business acquisition (Note 48)	2,761	-	2,761	-
Charged to the income statements (Note 34)	77,024	92,607	48,743	87,734
Deferred tax liabilities recognised on intangible assets arising from business acqusition (Note 48)	(29,000)	-	(29,000)	-
Recognised in OCI	37,485	83,801	50,356	99,836
At 31 December	330,118	232,142	344,713	262,147

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	361,850	262,147	344,713	262,147
Deferred tax liabilities, net	(31,732)	(30,005)	-	-
	330,118	232,142	344,713	262,147

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

Deferred tax assets	405,612	309,307	378,633	306,327
Deferred tax liabilities	(75,494)	(77,165)	(33,920)	(44,180)
	330,118	232,142	344,713	262,147

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

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

Deferred tax assets

Group	Provisions RM'000	Lease liabilities RM'000	Deferred income RM'000	Allowances for ECL RM'000	Total RM'000
2022					
At 1 January	77,069	30,143	15,027	187,068	309,307
Transfer from business acquisition (Note 48)	9,706	-	-	-	9,706
Deferred tax assets arising from fair value adjustment from business acquisition (Note 48)	2,761	-	-	-	2,761
Charged to income statements	48,722	4,666	(6,237)	36,687	83,838
At 31 December	138,258	34,809	8,790	223,755	405,612
2021					
At 1 January	51,598	19,008	21,142	114,253	206,001
Charged to income statements	25,471	11,135	(6,115)	72,815	103,306
At 31 December	77,069	30,143	15,027	187,068	309,307

Deferred tax liabilities

Group	Other intangible assets RM'000	Property, plant and equipment RM'000	Right-of-use assets RM'000	FVOCI reserve RM'000	Total RM'000
2022					
At 1 January	-	53,198	28,390	(4,423)	77,165
Charged to income statements	(483)	3,316	3,981	-	6,814
Deferred tax liabilities recognised on intangible assets arising from business acqusition (Note 48)	29,000	-	-	-	29,000
Recognised in OCI	-	12,871	-	(50,356)	(37,485)
At 31 December	28,517	69,385	32,371	(54,779)	75,494
2021					
At 1 January		36,380	18,474	95,413	150,267
Charged to income statements		783	9,916	-	10,699
Recognised in OCI		16,035	-	(99,836)	(83,801)
At 31 December		53,198	28,390	(4,423)	77,165

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

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

Deferred tax assets

Bank	Provisions RM'000	Lease liabilities RM'000	Deferred income RM'000	Allowances for ECL RM'000	Total RM'000
2022					
At 1 January	74,088	30,143	15,027	187,069	306,327
Transfer from business acquisition (Note 48)	9,706	-	-	-	9,706
Deferred tax assets arising from fair value adjustment from business acquisition (Note 48)	2,761	-	-	-	2,761
Charged to income statements	24,723	4,666	(6,237)	36,687	59,839
At 31 December	111,278	34,809	8,790	223,756	378,633
2021					
At 1 January	50,782	36,914	21,142	114,254	223,092
Charged to income statements	23,306	(6,771)	(6,115)	72,815	83,235
At 31 December	74,088	30,143	15,027	187,069	306,327

Deferred tax liabilities

Bank	Other intangible assets RM'000	Property, plant and equipment RM'000	Right-of-use assets RM'000	FVOCI reserve RM'000	Total RM'000
2022					
At 1 January	-	20,213	28,390	(4,423)	44,180
Charged to income statements	(483)	7,598	3,981	-	11,096
Deferred tax liabilities recognised on intangible assets arising from business acqusition (Note 48)	29,000	-	-	-	29,000
Recognised in OCI	-	-	-	(50,356)	(50,356)
At 31 December	28,517	27,811	32,371	(54,779)	33,920
2021					
At 1 January		17,402	35,700	95,413	148,515
Charged to income statements		2,811	(7,310)	-	(4,499)
Recognised in OCI		-	-	(99,836)	(99,836)
At 31 December		20,213	28,390	(4,423)	44,180

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	
	2022 RM'000	2021 RM'000
Unutilised tax losses	131	131
Unabsorbed capital allowances	137,395	11,069
	137,526	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 10 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Demand deposits #	34,027,354	31,974,033	34,042,154	32,000,153
Savings deposits	7,663,935	6,357,942	7,663,935	6,357,942
Fixed deposits #	66,085,077	54,792,750	66,085,077	54,792,750
Others	3,108,443	3,949,620	3,109,108	3,950,992
	110,884,809	97,074,345	110,900,274	97,101,837

Demand deposits and fixed deposits include the following:

Demand deposits from subsidiaries:				
- UOB Properties Bhd	-	-	2,162	947
- UOB Properties (KL) Bhd	-	-	13,303	26,545
	-	-	15,465	27,492
Demand deposits from related companies:				
- UOB Centre of Excellence (M) Sdn Bhd	500	500	500	500
- Chung Khiaw Realty Limited	516	242	516	242
- UOB Asset Management (M) Bhd	32	-	32	-
	1,048	742	1,048	742

19. Deposits From Customers (Continued)

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Due within six months	44,895,208	35,175,716	44,895,208	35,175,716
Six months to one year	21,163,510	19,435,185	21,163,510	19,435,185
One year to three years	25,820	181,775	25,820	181,775
Three years to five years	539	74	539	74
	66,085,077	54,792,750	66,085,077	54,792,750

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Business enterprises:				
- Subsidiaries	-	-	14,799	26,120
- Related companies	1,048	742	1,048	742
- Others	46,727,364	44,128,146	46,728,030	44,129,518
Individuals	61,615,090	49,672,108	61,615,090	49,672,108
Others	2,541,307	3,273,349	2,541,307	3,273,349
	110,884,809	97,074,345	110,900,274	97,101,837

20. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks in Malaysia	316,320	1,782,856	316,320	1,782,806
Bank Negara Malaysia*	961,571	1,011,320	961,571	1,011,320
Other financial institutions**	15,060,725	12,550,324	15,060,725	12,550,394
	16,338,616	15,344,500	16,338,616	15,344,520

* Included in the deposits from BNM is an amount of RM299,601,000 (2021: RM374,750,000) placed by BNM for the purposes of funding the Fund for All Economic Sectors. 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 RM636,570,000 (2021: RM636,570,000) relating to funds received under a government financing scheme for the purpose of SME lending at a below market and concession rate with remaining maturity of more than four years.

** Included in the deposits from other financial institutions are the deposit placement from the ultimate holding company amounting to RM13,991,516,000 (2021: RM11,878,779,000), deposit placement from subsidiaries amounting to RM20,000 (2021: RM20,000) and deposit placement from fellow subsidiaries amounting to RM441,500 (2021: RM444,900).

21. Other Liabilities

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Allowance for ECL on commitments and contingencies (Note (c))	162,475	190,605	162,475	190,605
Accrued interest payables	428,554	188,185	428,554	188,185
Accruals and provisions for operational expenses	978,416	250,881	976,316	245,398
Other payables and accruals (Note (a))	2,957,597	1,203,022	2,917,928	1,203,029
Deferred income (Note (b))	36,626	62,616	36,626	62,616
	4,563,668	1,895,309	4,521,899	1,889,833

(a) Included in other payables and accruals are 'Customer Gold Accounts' amounting to RM345,297,000 (2021: RM335,775,000).

(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 allowance for ECL on irrevocable commitments and contingencies are as follows:

Group and Bank	Stage 1	Stage 2	Stage 3	
2022	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	46,976	128,561	15,068	190,605
Transferred to Stage 1	28,353	(76,092)	-	(47,739)
Transferred to Stage 2	(1,782)	18,207	-	16,425
Transferred to Stage 3	-	-	61,065	61,065
Allowance made	44,430	5,896	29	50,355
Maturity/settlement/repayment	(53,325)	(39,125)	(14,233)	(106,683)
Foreign translation gain	112	11	-	123
Net total (Note 33)	17,788	(91,103)	46,861	(26,454)
Other movements	-	-	(1,676)	(1,676)
	64,764	37,458	60,253	162,475
2021				
At 1 January	75,917	38,846	17,593	132,356
Transferred to Stage 1	15,781	(18,792)	-	(3,011)
Transferred to Stage 2	(8,048)	24,333	-	16,285
Transferred to Stage 3	-	-	50	50
Allowance made	43,608	100,256	48	143,912
Maturity/settlement/repayment	(80,451)	(16,172)	(2,623)	(99,246)
Foreign translation loss	169	90	-	259
Net total (Note 33)	(28,941)	89,715	(2,525)	58,249
At 31 December	46,976	128,561	15,068	190,605

22. Subordinated Bonds

At amortised cost	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
RM600 million subordinated bond 2018/2028, at par (Note (a))	600,204	613,268
RM750 million subordinated bond 2020/2030, at par (Note (b))	746,523	750,000
RM1 billion subordinated bond 2022/2032, at par (Note (c))	1,000,000	-
	2,346,727	1,363,268
Accumulated fair value hedge loss/(gain) (Note (d))	3,273	(13,268)

(a) 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 1").

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

(b) On 3 August 2020, the Bank issued RM750 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 3.00% 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 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 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 27 October 2022, the Bank issued RM1.0 billion 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 4.91% per annum. The coupon rate herein 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 27 October 2027 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 27 April and 27 October each year commencing 27 April 2023.

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 2022, the Bank had an interest rate swap agreement in place with notional amount of RM600 million (2021: RM600 million) for Bond 1 and RM750 million (2021: nil) for Bond 2.

For Bond 1, 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.

For Bond 2, the Bank receives a fixed interest rate of 3.000% 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 the Bond 1 and Bond 2, which have fixed rates.

The movements in fair value of the interest rate swap of unrealised gain of RM16,541,000 (31 December 2021: unrealised gain of RM13,898,000) 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	
	2022 RM'000	2021 RM'000
Loss on hedging instrument	(16,541)	(13,898)
Gain on the hedged item attributable to the hedged risk (Note 30)	16,541	13,898
	-	-

23. Share Capital

	Group and Bank 2022		Group and Bank 2021	
	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

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-distributable					
Revaluation reserve	(a)	233,495	192,735	-	-
FVOCI reserve		(166,561)	(7,099)	(173,464)	(14,002)
		66,934	185,636	(173,464)	(14,002)
Distributable					
Retained profits	(b)	11,447,521	10,809,329	11,616,857	10,878,366
Total reserves		11,514,455	10,994,965	11,443,393	10,864,364

(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 2022 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
2022			
Foreign exchange contracts:			
- Forwards	14,869,880	101,329	204,707
- Swaps	64,592,840	785,259	1,355,000
- Options	1,665,390	13,729	14,176
Interest rate related contracts:			
- Swaps	69,182,678	707,842	705,750
- Futures	-	-	-
- Options	183,442	1,336	320
Equity related contracts:			
- Options	22,343	19	1,285
Commodity related contracts:			
- Swaps	137,168	9,700	2,401
- Futures	92,507	1,638	2,620
- Options	42,000	2,682	871
		1,623,534	2,287,130
2021			
Foreign exchange contracts:			
- Forwards	11,510,741	31,253	46,340
- Swaps	31,645,477	140,737	184,340
- Options	886,202	4,250	856
Interest rate related contracts:			
- Swaps	51,119,083	304,352	263,273
- Futures	460,392	92	586
- Options	180,000	1,828	117
Equity related contracts:			
- Options	44,935	20	10,918
Commodity related contracts:			
- Swaps	180,195	26,268	5,469
- Futures	125,010	1,373	8,382
- Options	7,891	5,573	-
		515,746	520,281

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
2022				
Assets				
Financial assets at FVTPL	-	8,193,160	-	8,193,160
Debt instruments at FVOCI	-	20,167,367	-	20,167,367
Equity instruments at FVOCI	924	-	152,757	153,681
Derivative financial assets	-	1,623,534	-	1,623,534
Precious metal accounts	270,090	-	-	270,090
Land and buildings	-	-	759,405	759,405
Total	271,014	29,984,061	912,162	31,167,237
Liabilities				
Customer gold accounts	345,297	-	-	345,297
Derivative financial liabilities	-	2,287,130	-	2,287,130
Total	345,297	2,287,130	-	2,632,427
2021				
Assets				
Financial assets at FVTPL	-	4,594,153	-	4,594,153
Debt instruments at FVOCI	-	22,142,903	-	22,142,903
Equity instruments at FVOCI	1,604	-	155,420	157,024
Derivative financial assets	-	515,746	-	515,746
Precious metal accounts	383,299	-	-	383,299
Land and buildings	-	-	258,476	258,476
Total	384,903	27,252,802	413,896	28,051,601
Liabilities				
Customer gold accounts	335,775	-	-	335,775
Derivative financial liabilities	-	520,281	-	520,281
Total	335,775	520,281	-	856,056

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
2022				
Assets				
Financial assets at FVTPL	-	8,193,160	-	8,193,160
Debt instruments at FVOCI	-	20,167,367	-	20,167,367
Equity instruments at FVOCI	924	-	152,757	153,681
Derivative financial assets	-	1,623,534	-	1,623,534
Precious metal accounts	270,090	-	-	270,090
Total	271,014	29,984,061	152,757	30,407,832
Liabilities				
Customer gold accounts	345,297	-	-	345,297
Derivative financial liabilities	-	2,287,130	-	2,287,130
Total	345,297	2,287,130	-	2,632,427
2021				
Assets				
Financial assets at FVTPL	-	4,594,153	-	4,594,153
Debt instruments at FVOCI	-	22,142,903	-	22,142,903
Equity instruments at FVOCI	1,604	-	155,420	157,024
Derivative financial assets	-	515,746	-	515,746
Precious metal accounts	383,299	-	-	383,299
Total	384,903	27,252,802	155,420	27,793,125
Liabilities				
Customer gold accounts	345,297	-	-	345,297
Derivative financial liabilities	-	520,281	-	520,281
Total	345,297	520,281	-	865,578

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 1 and Bond 2, the fair value is estimated based on independent brokers' quotations.

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

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

	2022		2021	
Group	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Assets				
Gross loans, advances and financing	105,677,703	103,742,645	90,036,190	88,112,651
Gross debt instruments at amortised cost	7,962,508	7,962,508	1,178,155	1,178,155
	113,640,211	111,705,153	91,214,345	89,290,806
Liabilities				
Subordinated bonds	2,346,727	2,282,608	1,363,268	1,349,111
Bank				
Assets				
Gross loans, advances and financing	105,765,775	103,830,716	90,128,383	88,204,844
Gross debt instruments at amortised cost	7,962,508	7,962,508	1,178,155	1,178,155
	113,728,283	111,793,224	91,306,538	89,382,999
Liabilities				
Subordinated bonds	2,346,727	2,282,608	1,363,268	1,349,111

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
2022				
Assets				
Gross loans, advances and financing	-	103,742,645	-	103,742,645
Gross debt instruments at amortised cost	-	7,962,508	-	7,962,508
	-	111,705,153	-	111,705,153
Liabilities				
Subordinated bonds	-	2,282,608	-	2,282,608
2021				
Assets				
Gross loans, advances and financing	-	88,112,651	-	88,112,651
Gross debt instruments at amortised cost	-	1,178,155	-	1,178,155
	-	89,290,806	-	89,290,806
Liabilities				
Subordinated bonds	-	1,349,111	-	1,349,111

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Assets				
Gross loans, advances and financing	-	103,830,716	-	103,830,716
Gross debt instruments at amortised cost	-	7,962,508	-	7,962,508
	-	111,793,224	-	111,793,224
Liabilities				
Subordinated bonds	-	2,282,608	-	2,282,608
2021				
Assets				
Gross loans, advances and financing	-	88,204,844	-	88,204,844
Gross debt instruments at amortised cost	-	1,178,155	-	1,178,155
	-	89,382,999	-	89,382,999
Liabilities				
Subordinated bonds	-	1,349,111	-	1,349,111

26. Fair Value of Assets and Liabilities (Continued)

(d) 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.

(e) 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
	Equity instruments at FVOCI: unquoted securities RM'000	Land and buildings RM'000
At 1 January 2021	155,929	251,355
Recognised in OCI	(509)	-
Depreciation (recognised in other operating expenses)	-	(14,332)
Provision made	-	(3,188)
Revaluation gain	-	24,641
At 31 December 2021	155,420	258,476
Recognised in OCI	(2,663)	-
Depreciation (recognised in other operating expenses)	-	(28,713)
Additions	-	40,172
Reclassification from capital work in progress	-	539,085
Provision made	-	(103,246)
Revaluation gain	-	53,631
At 31 December 2022	152,757	759,405

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 2022 and 2021 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.

26. Fair Value of Assets and Liabilities (Continued)

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

Land and buildings

Land and buildings were revalued on 15 October 2022 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 previous valuation was performed on 15 November 2021.

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).

Area	Significant unobservable valuation input	Range
Central	Price per square metre	RM2,989 - RM11,857
North	Price per square metre	RM2,520 - RM5,789
South	Price per square metre	RM1,560 - RM11,230
East Coast	Price per square metre	RM2,525 - RM4,711
East Malaysia	Price per square metre	RM2,975 - RM5,659

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

(f) 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.

27. Operating Revenue

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

28. Interest Income

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans, advances and financing	3,416,402	2,966,256	3,419,228	2,968,830
Credit-impaired loans, advances and financing	65,134	56,416	65,134	56,416
Money at call and deposit placements with financial institutions	313,779	176,280	313,781	176,280
Financial assets at FVTPL	129,208	122,171	129,208	122,171
Debt instruments at FVOCI	694,259	670,075	694,259	670,075
Debt instruments at amortised cost	154,243	28,445	154,243	28,445
	4,773,025	4,019,643	4,775,853	4,022,217
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	35,827	1,259	35,827	1,259
- Debt instruments at FVOCI	(116,761)	(94,547)	(116,761)	(94,547)
	4,692,091	3,926,355	4,694,919	3,928,929

29. Interest Expense

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits from customers	1,635,532	1,426,014	1,635,928	1,426,618
Deposits and placements of banks and other financial institutions	328,413	64,158	328,413	64,158
Subordinated bonds	49,342	39,934	49,342	39,934
Lease liabilities (Note 16)	720	1,975	1,749	3,527
Others	18,777	5,698	18,777	5,698
	2,032,784	1,537,779	2,034,209	1,539,935

30. Other Operating Income

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fee income:				
- Commission	265,874	293,520	265,874	293,520
- Guarantee fees	85,115	75,897	85,155	75,897
- Service charges and fees	278,322	202,139	278,720	202,538
Less: Fee expenses	(109,291)	(55,110)	(109,291)	(55,110)
	169,031	147,029	169,429	147,428
- Commitment fees	29,199	30,854	29,202	30,854
- Arrangement and participation fees	25,131	12,257	25,131	12,257
	574,350	559,557	574,791	559,956
Trading and investment income:				
- Gain from sale of financial assets at FVTPL	29,888	8,229	29,888	8,229
- Unrealised loss on financial assets at FVTPL	(3,451)	(2,909)	(3,451)	(2,909)
- (Loss)/gain from trading derivatives	(11,587)	51,075	(11,587)	51,075
- Unrealised gain/(loss) from trading derivatives	37,108	(29,983)	37,108	(29,983)
- Unrealised gain on fair value hedge (Note 22(d))	16,541	13,898	16,541	13,898
- Gain from sale of precious metals	723	865	723	865
- Unrealised gain from revaluation of precious metals	2,370	1,815	2,370	1,815
- Gain from sale of debt instruments at FVOCI	40,216	58,066	40,216	58,066
- Gross dividends from equity instruments at FVOCI	960	876	960	876
	112,768	101,932	112,768	101,932
Other income:				
- Foreign exchange gain, net	338,582	134,265	338,582	134,265
- Rental income from operating leases	150	59	-	-
- Gain on disposal of property, plant and equipment	-	635	-	635
- Others	24,106	21,663	22,958	21,663
	362,838	156,622	361,540	156,563
	1,049,956	818,111	1,049,099	818,451

31. Other operating Expenses

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Personnel expenses	898,493	793,537	893,153	789,088
Establishment related expenses	523,510	401,623	509,185	400,274
Promotion and marketing related expenses	53,326	20,370	53,318	20,360
General administrative expenses	820,865	137,351	819,745	136,871
	2,296,194	1,352,881	2,275,401	1,346,593
Personnel expenses:				
- Wages, salaries and bonus	693,973	615,732	689,660	612,158
- Defined contribution plan	106,954	96,473	106,301	95,934
- Other employee benefits	97,566	81,332	97,192	80,996
	898,493	793,537	893,153	789,088
Establishment related expenses:				
- Depreciation of property, plant and equipment (Note 15)	117,142	89,212	86,173	72,517
- Depreciation of right-of-use assets (Note 16)	22,129	16,443	30,716	33,974
- Amortisation of intangible assets (Note 17)	1,983	-	1,983	-
- Information technology costs	268,330	199,279	268,328	199,279
- Repair and maintenance	51,632	50,017	52,012	45,094
- Short-term lease expenses	266	134	8,370	134
- Others	62,028	46,538	61,603	49,276
	523,510	401,623	509,185	400,274
Promotion and marketing related expenses:				
- Advertising and publicity	53,326	20,370	53,318	20,360
General administrative expenses:				
- Fees and commissions paid	81,955	46,458	80,912	46,079
- Auditors' remuneration:				
- Statutory audit	1,703	1,145	1,661	1,105
- Assurance related services	27	25	27	25
- Others	-	10	-	10
	1,730	1,180	1,688	1,140
- Others	737,180	89,713	737,145	89,652
	820,865	137,351	819,745	136,871

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	
	2022 RM'000	2021 RM'000
Chief Executive Officer		
- Salary and other remuneration	1,504	1,632
- Bonus	2,190	1,921
- Benefits-in-kind	2,255	1,622
Non-executive directors		
- Fees	861	769
Shariah Committee members (Note 47(r))	287	205
	7,097	6,149

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	
	2022	2021
Chief Executive Officer		
RM1 to RM6,000,000	2	1
Non-executive directors		
RM1 to RM100,000	-	-
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
2022					
Chief Executive Officer					
Ng Wei Wei	947	-	-	624	1,571
Wong Kim Choong (resigned on 1 May 2022)	557	-	2,190	1,631	4,378
Non-executive directors					
Dato' Jeffrey Ng Tiong Lip	-	275	-	-	275
Fatimah Binti Merican	-	196	-	-	196
Ching Yew Chye	-	195	-	-	195
Datuk Phang Ah Tong	-	195	-	-	195
	1,504	861	2,190	2,255	6,810
2021					
Chief Executive Officer					
Wong Kim Choong	1,632	-	1,921	1,622	5,175
Non-executive directors					
Dato' Jeffrey Ng Tiong Lip	-	253	-	-	253
Fatimah Binti Merican	-	172	-	-	172
Ching Yew Chye	-	172	-	-	172
Datuk Phang Ah Tong	-	172	-	-	172
	1,632	769	1,921	1,622	5,944

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Allowance for/(write-back of) ECL on loans, advances and financing (Note 11(vi)):				
- Stage 1 ECL	140,277	(399,387)	141,023	(399,727)
- Stage 2 ECL	(191,256)	512,527	(191,256)	512,527
- Stage 3 ECL	293,212	387,751	293,212	387,751
	242,233	500,891	242,979	500,551
Credit-impaired loans, advances and financing:				
- Written-off	59,582	42,688	59,582	42,688
- Recovered	(132,022)	(92,314)	(132,022)	(92,314)
	169,793	451,265	170,539	450,925
(Write-back of)/allowance for ECL on other financial assets:				
- Stage 1 ECL	(5,952)	(32,054)	(6,696)	(32,054)
- Stage 2 ECL	2,655	3,282	518	6,162
	(3,297)	(28,772)	(6,178)	(25,892)
Allowance for/(write-back of) ECL on commitments and contingencies (Note 21 (c)):				
- Stage 1 ECL	17,788	(28,941)	17,788	(28,941)
- Stage 2 ECL	(91,103)	89,715	(91,103)	89,715
- Stage 3 ECL	46,861	(2,525)	46,861	(2,525)
	(26,454)	58,249	(26,454)	58,249

34. Income Tax Expense

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax:				
- Malaysian income tax in respect of current financial year	761,679	461,059	759,422	457,026
- (Over)/under provision in prior financial years	(5,648)	635	(4,686)	722
	756,031	461,694	754,736	457,748
Deferred tax (Note 18):				
- Relating to origination and reversal of temporary differences	(78,217)	(89,663)	(49,902)	(85,972)
- Under/(over) provision in prior financial years	1,193	(2,944)	1,159	(1,762)
	(77,024)	(92,607)	(48,743)	(87,734)
	679,007	369,087	705,993	370,014

34. Income Tax Expense (Continued)

In accordance with the Finance Act 2021 which was gazetted on 31 December 2021, the Malaysian income tax is calculated at statutory tax rate of 24% on first RM100 million of the chargeable income and 33% ("Cukai Makmur") is applied on chargeable income exceeding RM100 million (2021: 24%) for the financial year. The computation of deferred tax assets and deferred tax liabilities is based on the statutory tax rate of 24%.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation	1,316,949	1,511,146	1,444,234	1,518,730
Taxation at Malaysian statutory tax rate of 24%	316,068	362,675	346,616	364,495
Effects of prosperity tax	200,570	-	200,570	-
Effects of income not subject to tax	(252)	(363)	(252)	(363)
Effects of expenses not deductible for tax purposes	167,076	9,110	162,586	6,922
Effects of share of an associate's post-tax profit included in Group's profit before taxation	-	(26)	-	-
(Over)/under provision of tax expense in prior financial years	(5,648)	635	(4,686)	722
Under/(over) provision of deferred tax in prior financial years	1,193	(2,944)	1,159	(1,762)
Tax expense for the financial year	679,007	369,087	705,993	370,014

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 RM637,942,000 (2021: RM1,142,059,000) and on the number of issued and fully paid ordinary shares during the year of 470,000,000 (2021: 470,000,000).

36. Dividends

	Group and Bank 2022		Group and Bank 2021	
	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	-	-	107.9	507,130
Proposed final dividend for the current financial year	-	-	-	-

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 13 and 14) are as follows:

Related parties	**Relationship**
United Overseas Bank Limited	Ultimate holding company
Chung Khiaw (Malaysia) Berhad	Holding company
Chung Khiaw Realty Limited	Fellow subsidiary
UOB Centre of Excellence (M) Sdn Bhd	Fellow subsidiary
UOB Asset Management (Malaysia) Berhad	Fellow subsidiary
UOB Bullion and Futures Limited	Fellow subsidiary
United Overseas Bank (Thai) Public Company Limited	Fellow subsidiary
UOB Innovation Hub 2 Sdn Bhd	Fellow subsidiary
Avatec (Malaysia) Sdn Bhd	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.

2022	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	6,342	-	2,829	-	164	275
- Commission income	-	-	41	-	-	7,081
- Service charge income	2,591	24	399	-	-	20
- Other income	4,058	-	3	-	-	439
	12,991	24	3,272	-	164	7,815
Expenditure:						
- Interest on deposits	225,820	-	396	107	788	4
- Interest expense from lease liabilities	-	-	1,028	-	-	-
- Other expenses	265,065	-	20,057	-	-	-
	490,885	-	21,481	107	788	4
Assets:						
- Cash and short-term funds	321,926	-	-	-	-	19,757
- Loans, advances and financing	-	-	88,072	-	5,098	10,016
- Other assets	1,336	72	5,259	24,513	-	36
- Right-of-use assets	-	-	41,798	-	-	-
	323,262	72	135,129	24,513	5,098	29,809
Liabilities:						
- Deposits from customers	-	-	15,465	1,026	69,727	1,048
- Deposits and placements of banks and other financial institutions	13,991,516	-	20	-	-	441
- Other liabilities	142,547	-	-	-	-	-
- Lease liabilities	-	-	46,068	-	-	-
	14,134,063	-	61,553	1,026	69,727	1,489

37. Significant Related Party Transactions and Balances (Continued)

(b) Related parties transactions (Continued)

2021	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	72	-	2,571	-	84	16
- Commission income	-	-	-	-	-	29,068
- Service charge income	1,574	24	399	-	-	25
- Other income	4,037	-	2	-	-	556
	5,683	24	2,972	-	84	29,665
Expenditure:						
- Interest on deposits	19,774	-	603	350	448	3
- Interest expense from lease liabilities	-	-	1,553	-	-	-
- Other expenses	192,514	-	21,727	-	-	-
	212,288	-	23,883	350	448	3
Assets:						
- Cash and short-term funds	89,174	-	-	-	-	3,432
- Loans, advances and financing	-	-	92,193	-	3,169	5,007
- Other assets	844	48	5,267	33,277	-	240
- Right-of-use assets	-	-	52,242	-	-	-
	90,018	48	149,702	33,277	3,169	8,679
Liabilities:						
- Deposits from customers	-	-	27,492	18,792	25,822	741
- Deposits and placements of banks and other financial institutions	11,878,779	-	20	-	-	445
- Other liabilities	19,842	-	-	-	-	-
- Lease liabilities	-	-	56,141	-	-	-
	11,898,621	-	83,653	18,792	25,822	1,186

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	
	2022 RM'000	2021 RM'000
Short-term employee benefits	27,715	26,919
Post employment benefits: defined contribution plan	3,022	3,128
Share-based payment*	6,884	5,698
	37,621	35,745

*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 2022, the number of options held by key management personnel were 233,029 (2021: 226,725).

38. Commitments and Contingencies

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2022			
Direct credit substitutes	4,444,105	4,325,833	2,603,485
Transaction-related contingent items	6,494,369	3,223,817	2,157,317
Short-term self-liquidating trade-related contingencies	494,007	94,954	50,785
Lending of banks' securities or the posting of securities as collateral by banks	5,919,105	398,295	1,582
Foreign exchange related contracts:			
- Not more than one year	79,993,510	1,982,711	292,423
- More than one year to less than five years	993,533	79,272	46,275
- Five years and above	141,067	14,768	17,401
Interest rate related contracts:			
- Not more than one year	30,970,334	465,608	71,312
- More than one year to less than five years	36,907,880	1,524,240	422,064
- Five years and above	1,487,906	158,040	78,114
Equity related contracts:			
- Not more than one year	21,343	-	-
- More than one year to less than five years	1,000	-	-
Commodity related contracts:			
- Not more than one year	266,506	28,373	12,325
- More than one year to less than five years	5,169	-	-
Undrawn credit facilities:			
- Not more than one year	21,546,214	1,139,707	262,216
- More than one year	7,161,591	4,809,176	2,685,427
- Unconditionally cancellable	34,819,906	9,337,125	3,541,162
Other commitments	881,265	57,411	57,411
	232,548,810	27,639,330	12,299,299

38. Commitments and Contingencies (Continued)

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2021			
Direct credit substitutes	3,283,375	3,189,255	2,369,357
Transaction-related contingent items	6,050,045	3,001,739	2,059,927
Short-term self-liquidating trade-related contingencies	620,294	136,216	80,964
Lending of banks' securities or the posting of securities as collateral by banks	563,417	16,649	723
Foreign exchange related contracts:			
- Not more than one year	43,703,666	729,714	168,577
- More than one year to less than five years	338,754	28,112	11,370
Interest rate related contracts:			
- Not more than one year	17,383,220	140,160	73,134
- More than one year to less than five years	32,775,558	1,261,652	472,061
- Five years and above	1,600,697	186,264	100,431
Equity related contracts:			
- Not more than one year	44,935	-	-
Commodity related contracts:			
- Not more than one year	313,096	50,241	23,086
Undrawn credit facilities:			
- Not more than one year	18,968,168	895,675	150,388
- More than one year	6,644,725	4,577,876	2,845,756
- Unconditionally cancellable	15,466,455	5,616,882	690,206
Other commitments	391,638	124,684	124,684
	148,148,043	19,955,119	9,170,664

38. Commitments and Contingencies (Continued)

Bank	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2022			
Direct credit substitutes	4,444,105	4,325,833	2,603,485
Transaction-related contingent items	6,494,369	3,223,817	2,157,317
Short-term self-liquidating trade-related contingencies	494,007	94,954	50,785
Lending of banks' securities or the posting of securities as collateral by banks	5,919,105	398,295	1,582
Foreign exchange related contracts:			
- Not more than one year	79,993,510	1,982,711	292,423
- More than one year to less than five years	993,533	79,272	46,275
- Five years and above	141,067	14,768	17,401
Interest rate related contracts:			
- Not more than one year	30,970,334	465,608	71,312
- More than one year to less than five years	36,907,880	1,524,240	422,064
- Five years and above	1,487,906	158,040	78,114
Equity related contracts:			
- Not more than one year	21,343	-	-
- More than one year to less than five years	1,000	-	-
Commodity related contracts:			
- Not more than one year	266,506	28,373	12,325
- More than one year to less than five years	5,169	-	-
Undrawn credit facilities:			
- Not more than one year	21,546,213	1,139,707	262,216
- More than one year	7,161,591	4,809,176	2,685,427
- Unconditionally cancellable	34,819,906	9,337,125	3,541,162
Other commitments	881,266	57,411	57,411
	232,548,810	27,639,330	12,299,299

38. Commitments and Contingencies (Continued)

Bank	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2021			
Direct credit substitutes	3,283,375	3,189,255	2,369,357
Transaction-related contingent items	6,050,045	3,001,739	2,059,927
Short-term self-liquidating trade-related contingencies	620,294	136,216	80,964
Lending of banks' securities or the posting of securities as collateral by banks	563,417	16,649	723
Foreign exchange related contracts:			
- Not more than one year	43,703,666	729,714	168,577
- More than one year to less than five years	338,754	28,112	11,370
Interest rate related contracts:			
- Not more than one year	17,383,220	140,160	73,134
- More than one year to less than five years	32,775,558	1,261,652	472,061
- Five years and above	1,600,697	186,264	100,431
Equity related contracts:			
- Not more than one year	44,935	-	-
Commodity related contracts:			
- Not more than one year	313,096	50,241	23,086
Undrawn credit facilities:			
- Not more than one year	18,968,166	895,675	150,388
- More than one year	6,644,725	4,577,876	2,845,756
- Unconditionally cancellable	15,466,455	5,616,882	690,206
Other commitments	285,019	18,063	18,064
	148,041,422	19,848,498	9,064,044

39. Capital Commitments

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capital expenditure for property, plant and equipment:				
- Authorised and contracted for	57,381	124,683	57,381	18,063

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. 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	2022 RM'000	2021 RM'000
Cash and short-term funds	7,690,591	10,063,224
Securities purchased under resale agreements	333,751	77,705
Financial assets at FVTPL	8,193,160	4,594,153
Debt instruments at FVOCI	20,167,367	22,142,903
Debt instruments at amortised cost	7,937,593	1,176,380
Other assets	747,904	334,456
Derivative financial assets	1,623,534	515,746
Loans, advances and financing	103,108,949	87,712,734
Statutory deposits with BNM	1,815,933	180,667
Total gross financial assets	151,618,782	126,797,968
Financial assets not subject to credit risk	3,225,955	2,197,206
	154,844,737	128,995,174
Commitments and contingencies	232,548,810	148,148,043

Bank	2022 RM'000	2021 RM'000
Cash and short-term funds	7,690,591	10,063,224
Securities purchased under resale agreements	333,751	77,705
Financial assets at FVTPL	8,193,160	4,594,153
Debt instruments at FVOCI	20,167,367	22,142,903
Debt instruments at amortised cost	7,937,593	1,176,380
Other assets	747,904	334,456
Derivative financial assets	1,623,534	515,746
Loans, advances and financing	103,195,366	87,804,018
Statutory deposits with BNM	1,815,933	180,667
Total gross financial assets	151,705,199	126,889,252
Financial assets not subject to credit risk	3,057,638	2,022,913
	154,762,837	128,912,165
Commitments and contingencies	232,548,810	148,041,422

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, EAD and LGD 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.

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

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), house price index (HPI), Kuala Lumpur Composite Index (KLCI), consumer price index (CPI), base lending rates (BLR), production price index (PPI), and unemployment rates.

The MEV data is obtained from Bank Negara Malaysia and in-house economist, which GDP forecast range from -4.1% to 5.5% (2021: -3.0% to 5.5%); CPI forecast range from -0.6% to 6.5% (2021: -0.6% to 2.8%); BLR range from 6.0% to 7.1% (2021: 4.8% to 6.6%); HPI forecast range from -5.0% to 5.0% (2021: -5.1% to 3.5%); PPI forecast range from -4.0% to 10.4% (2021: 0.9% to 5.0%) and KLCI forecast range from -50.0% to 40.0% (2021: 5.0% to 10.0%); and unemployment rates range from 3.3% to 5.0% (2021: 3.3% to 5.5%).

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.

During the financial year, the Bank had performed model refinements on non-retail portfolios. The enhancement of the model has increased the observation period of default data and incorporation of applicable macroeconomic variables to better reflect the current economic conditions.

(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 MFRS9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented Covid-19 and the current transitional phase of endemic, proactive provisioning through management overlay have been applied to determine a sufficient overall level of ECLs for the financial year ended 31 December 2022.

The overlays took into account on possible severities arising from the pandemic and its path of recovery and also considered the potential inflationary spurred concerns on delinquencies.

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 2022	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	-	-	-	-	1,627,571	-	1,627,571	839,872
Mining and quarrying	-	-	-	180,624	88,799	-	269,423	412,931
Manufacturing	-	-	9,796	145,882	8,754,367	-	8,910,045	12,456,186
Electricity, gas and water	-	813,111	218,566	-	677,724	-	1,709,401	1,314,417
Construction	-	-	9,405	49,973	6,695,327	-	6,754,705	16,768,721
Wholesale, retail trade, restaurants and hotels	-	-	-	226,426	14,116,186	-	14,342,612	12,619,376
Transport, storage and communication	-	-	654,585	199,255	2,009,192	-	2,863,032	2,470,700
Finance, insurance and business services	8,024,342	7,359,771	19,074,106	7,070,615	4,392,707	4,187,371	50,108,912	151,814,855
Real estate	-	20,278	-	-	4,070,551	-	4,090,829	731,595
Community, social and personal services	-	-	200,909	64,818	208,825	-	474,552	45,042
Households:								
- Purchase of residential properties	-	-	-	-	41,306,688	-	41,306,688	-
- Purchase of non-residential properties	-	-	-	-	7,931,394	-	7,931,394	-
- Others	-	-	-	-	11,229,618	-	11,229,618	31,231,328
Others	-	-	-	-	-	-	-	1,843,787
Other assets not subject to credit risk	-	-	-	-	-	3,225,955	3,225,955	-
	8,024,342	8,193,160	20,167,367	7,937,593	103,108,949	7,413,326	154,844,737	232,548,810

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 2021	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	-	-	-	-	1,649,122	-	1,649,122	953,680
Mining and quarrying	-	-	-	221,262	514,409	-	735,671	562,883
Manufacturing	-	24,902	-	118,896	8,683,879	-	8,827,677	13,267,669
Electricity, gas and water	-	49,172	335,532	-	407,618	-	792,322	888,661
Construction	-	-	9,406	49,947	6,631,433	-	6,690,786	15,168,869
Wholesale, retail trade, restaurants and hotels	-	9,884	50,170	-	13,051,973	-	13,112,027	12,392,365
Transport, storage and communication	-	142,973	521,043	145,825	1,453,707	-	2,263,548	1,277,673
Finance, insurance and business services	10,140,929	4,286,717	20,889,365	640,450	3,868,372	1,030,869	40,856,702	89,167,323
Real estate	-	251	10,020	-	3,816,770	-	3,827,041	920,005
Community, social and personal services	-	80,254	327,367	-	150,200	-	557,821	43,682
Households:								
- Purchase of residential properties	-	-	-	-	34,337,934	-	34,337,934	-
- Purchase of non-residential properties	-	-	-	-	8,285,753	-	8,285,753	-
- Others	-	-	-	-	4,861,564	-	4,861,564	11,704,411
Others	-	-	-	-	-	-	-	1,800,822
Other assets not subject to credit risk	-	-	-	-	-	2,197,206	2,197,206	-
	10,140,929	4,594,153	22,142,903	1,176,380	87,712,734	3,228,075	128,995,174	148,148,043

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 2022	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	-	-	-	-	1,627,571	-	1,627,571	839,872
Mining and quarrying	-	-	-	180,624	88,799	-	269,423	412,931
Manufacturing	-	-	9,796	145,882	8,754,367	-	8,910,045	12,456,186
Electricity, gas and water	-	813,111	218,566	-	677,724	-	1,709,401	1,314,417
Construction	-	-	9,405	49,973	6,695,327	-	6,754,705	16,768,721
Wholesale, retail trade, restaurants and hotels	-	-	-	226,426	14,116,186	-	14,342,612	12,619,376
Transport, storage and communication	-	-	654,585	199,255	2,009,192	-	2,863,032	2,470,700
Finance, insurance and business services	8,024,342	7,359,771	19,074,106	7,070,615	4,392,707	4,187,371	50,108,912	151,814,855
Real estate	-	20,278	-	-	4,156,968	-	4,177,246	731,595
Community, social and personal services	-	-	200,909	64,818	208,825	-	474,552	45,042
Households:								
- Purchase of residential properties	-	-	-	-	41,306,688	-	41,306,688	-
- Purchase of non-residential properties	-	-	-	-	7,931,394	-	7,931,394	-
- Others	-	-	-	-	11,229,618	-	11,229,618	31,231,328
Others	-	-	-	-	-	-	-	1,843,787
Other assets not subject to credit risk	-	-	-	-	-	3,057,638	3,057,638	-
	8,024,342	8,193,160	20,167,367	7,937,593	103,195,366	7,245,009	154,762,837	232,548,810

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 2021	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	-	-	-	-	1,649,122	-	1,649,122	953,680
Mining and quarrying	-	-	-	221,262	514,409	-	735,671	562,883
Manufacturing	-	24,902	-	118,896	8,683,879	-	8,827,677	13,267,669
Electricity, gas and water	-	49,172	335,532	-	407,618	-	792,322	888,661
Construction	-	-	9,406	49,947	6,631,433	-	6,690,786	15,168,869
Wholesale, retail trade, restaurants and hotels	-	9,884	50,170	-	13,051,973	-	13,112,027	12,392,365
Transport, storage and communication	-	142,973	521,043	145,825	1,453,707	-	2,263,548	1,277,673
Finance, insurance and business services	10,140,929	4,286,717	20,889,365	640,450	3,868,372	1,030,869	40,856,702	89,167,323
Real estate	-	251	10,020	-	3,908,054	-	3,918,325	813,384
Community, social and personal services	-	80,254	327,367	-	150,200	-	557,821	43,682
Households:								
- Purchase of residential properties	-	-	-	-	34,337,934	-	34,337,934	-
- Purchase of non-residential properties	-	-	-	-	8,285,753	-	8,285,753	-
- Others	-	-	-	-	4,861,564	-	4,861,564	11,704,411
Others	-	-	-	-	-	-	-	1,800,822
Other assets not subject to credit risk	-	-	-	-	-	2,022,913	2,022,913	-
	10,140,929	4,594,153	22,142,903	1,176,380	87,804,018	3,053,782	128,912,165	148,041,422

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 allowance for expected credit losses for the assets subject to impairment review.

Group and Bank	Financial effect RM'000	Maximum exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
2022			
Credit-impaired loans, advances and financing	1,958,505	2,833,180	874,675
2021			
Credit-impaired loans, advances and financing	1,650,730	2,394,946	744,216

For credit-impaired loans, advances and financing, allowance for ECL as at the date of the statements of financial position would have been higher by approximately RM1,958,505,000 (2021: RM1,650,730,000) 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 2022 and 31 December 2021, 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
2022			
Cash and short-term funds	4,456,540	3,234,051	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,193,160	-	8,193,160
Debt instruments at FVOCI	20,167,367	-	20,167,367
Debt instruments at amortised cost	7,937,593	-	7,937,593
Other assets	694,166	53,738	747,904
Derivative financial assets	1,076,027	547,507	1,623,534
Loans, advances and financing	97,169,395	5,939,554	103,108,949
Statutory deposits with BNM	1,815,933	-	1,815,933
Financial assets not subject to credit risk	3,123,676	102,279	3,225,955
	144,967,608	9,877,129	154,844,737
Commitments and contingencies	191,889,749	40,659,061	232,548,810
2021			
Cash and short-term funds	8,779,911	1,283,313	10,063,224
Securities purchased under resale agreements	77,705	-	77,705
Financial assets at FVTPL	4,594,153	-	4,594,153
Debt instruments at FVOCI	22,142,903	-	22,142,903
Debt instruments at amortised cost	1,176,380	-	1,176,380
Other assets	239,250	95,206	334,456
Derivative financial assets	460,141	55,605	515,746
Loans, advances and financing	81,550,179	6,162,555	87,712,734
Statutory deposits with BNM	180,667	-	180,667
Financial assets not subject to credit risk	2,110,407	86,799	2,197,206
	121,311,696	7,683,478	128,995,174
Commitments and contingencies	133,066,489	15,081,554	148,148,043

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
2022			
Cash and short-term funds	4,456,540	3,234,051	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,193,160	-	8,193,160
Debt instruments at FVOCI	20,167,367	-	20,167,367
Debt instruments at amortised cost	7,937,593	-	7,937,593
Other assets	694,167	53,738	747,905
Derivative financial assets	1,076,027	547,507	1,623,534
Loans, advances and financing	97,255,812	5,939,554	103,195,366
Statutory deposits with BNM	1,815,933	-	1,815,933
Financial assets not subject to credit risk	2,955,358	102,279	3,057,637
	144,885,708	9,877,129	154,762,837
Commitments and contingencies	191,889,749	40,659,061	232,548,810
2021			
Cash and short-term funds	8,779,911	1,283,313	10,063,224
Securities purchased under resale agreements	77,705	-	77,705
Financial assets at FVTPL	4,594,153	-	4,594,153
Debt instruments at FVOCI	22,142,903	-	22,142,903
Debt instruments at amortised cost	1,176,380	-	1,176,380
Other assets	239,251	95,206	334,457
Derivative financial assets	460,141	55,605	515,746
Loans, advances and financing	81,641,463	6,162,555	87,804,018
Statutory deposits with BNM	180,667	-	180,667
Financial assets not subject to credit risk	1,936,113	86,799	2,022,912
	121,228,687	7,683,478	128,912,165
Commitments and contingencies	132,959,868	15,081,554	148,041,422

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
2022				
Pass	95,211,237	5,927,243	-	101,138,480
Special mention	-	1,706,043	-	1,706,043
Substandard	-	-	2,101,187	2,101,187
Doubtful	-	-	110,394	110,394
Loss	-	-	621,599	621,599
	95,211,237	7,633,286	2,833,180	105,677,703
2021				
Pass	75,591,170	10,267,138	-	85,858,308
Special mention	-	1,782,936	-	1,782,936
Substandard	-	-	1,740,470	1,740,470
Doubtful	-	-	121,295	121,295
Loss	-	-	533,181	533,181
	75,591,170	12,050,074	2,394,946	90,036,190
Bank				
2022				
Pass	95,299,309	5,927,243	-	101,226,552
Special mention	-	1,706,043	-	1,706,043
Substandard	-	-	2,101,187	2,101,187
Doubtful	-	-	110,394	110,394
Loss	-	-	621,599	621,599
	95,299,309	7,633,286	2,833,180	105,765,775
2021				
Pass	75,683,363	10,267,138	-	85,950,501
Special mention	-	1,782,936	-	1,782,936
Substandard	-	-	1,740,470	1,740,470
Doubtful	-	-	121,295	121,295
Loss	-	-	533,181	533,181
	75,683,363	12,050,074	2,394,946	90,128,383

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 and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Pass	66,997,094	1,795,932	-	68,793,026
Special mention	-	134,427	-	134,427
Substandard	-	-	13,176	13,176
Doubtful	-	-	-	-
Loss	-	-	54,727	54,727
	66,997,094	1,930,359	67,903	68,995,356
2021				
Pass	41,026,975	3,683,011	-	44,709,986
Special mention	-	213,225	-	213,225
Substandard	-	-	13,938	13,938
Doubtful	-	-	318	318
Loss	-	-	14,166	14,166
	41,026,975	3,896,236	28,422	44,951,633

Debt instruments at FVOCI

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Investment grade	20,161,971	-	-	20,161,971
Non-investment grade	-	-	49,365	49,365
	20,161,971	-	49,365	20,211,336
2021				
Investment grade	22,145,711	-	-	22,145,711
Non-investment grade	-	-	49,365	49,365
	22,145,711	-	49,365	22,195,076

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

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

Debt instruments at amortised cost

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Unrated	7,962,508	-	-	7,962,508
2021				
Unrated	1,178,155	-	-	1,178,155

Cash and short-term funds

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Pass	7,696,923	-	-	7,696,923
2021				
Pass	10,094,057	-	-	10,094,057

Other assets

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Pass	1,531,830	57,730	-	1,589,560
2021				
Pass	875,353	32,396	-	907,749
Bank				
2022				
Pass	1,536,923	57,730	-	1,594,653
2021				
Pass	880,293	32,579	-	912,872

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(g) Expected credit loss allowance

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
2022				
Gross carrying amount as at 1 January	75,591,170	12,050,074	2,394,946	90,036,190
Transfer from business acquisition	12,425,033	643,649	209,289	13,277,971
Transferred to Stage 1	5,354,274	(5,196,692)	(157,582)	-
Transferred to Stage 2	(2,308,675)	2,416,708	(108,033)	-
Transferred to Stage 3	(517,838)	(499,446)	1,017,284	-
Net drawdown/maturity/settlement	4,667,273	(1,781,007)	(245,372)	2,640,894
Write off	-	-	(277,352)	(277,352)
Balance as at 31 December	95,211,237	7,633,286	2,833,180	105,677,703
2021				
Gross carrying amount as at 1 January	77,442,843	8,337,933	1,678,371	87,459,147
Transferred to Stage 1	2,016,844	(1,979,428)	(37,416)	-
Transferred to Stage 2	(7,303,125)	7,327,561	(24,436)	-
Transferred to Stage 3	(608,548)	(535,418)	1,143,966	-
Net drawdown/maturity/settlement	4,043,156	(1,100,574)	(152,746)	2,789,836
Write off	-	-	(212,793)	(212,793)
Balance as at 31 December	75,591,170	12,050,074	2,394,946	90,036,190

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Gross carrying amount as at 1 January	75,683,363	12,050,074	2,394,946	90,128,383
Transfer from business acquisition	12,425,033	643,649	209,289	13,277,971
Transferred to Stage 1	5,354,274	(5,196,692)	(157,582)	-
Transferred to Stage 2	(2,308,675)	2,416,708	(108,033)	-
Transferred to Stage 3	(517,838)	(499,446)	1,017,284	-
Net drawdown/maturity/settlement	4,663,152	(1,781,007)	(245,372)	2,636,773
Write off	-	-	(277,352)	(277,352)
Balance as at 31 December	95,299,309	7,633,286	2,833,180	105,765,775

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(g) Expected credit loss allowance (Continue)

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
2021				
Gross carrying amount as at 1 January	77,545,800	8,337,933	1,678,371	87,562,104
Transferred to Stage 1	2,016,844	(1,979,428)	(37,416)	-
Transferred to Stage 2	(7,303,125)	7,327,561	(24,436)	-
Transferred to Stage 3	(608,548)	(535,418)	1,143,966	-
Net drawdown/maturity/settlement	4,032,392	(1,100,574)	(152,746)	2,779,072
Write off	-	-	(212,793)	(212,793)
Balance as at 31 December	75,683,363	12,050,074	2,394,946	90,128,383

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
2022				
Gross carrying amount as at 1 January	41,026,975	3,896,236	28,422	44,951,633
Transferred to Stage 1	2,470,732	(2,470,572)	(160)	-
Transferred to Stage 2	(811,075)	811,075	-	-
Transferred to Stage 3	(31,198)	(29,483)	60,681	-
Net increase/(decrease)	24,341,660	(276,897)	(21,040)	24,043,723
Balance as at 31 December	66,997,094	1,930,359	67,903	68,995,356
2021				
Gross carrying amount as at 1 January	42,681,062	3,002,753	29,685	45,713,500
Transferred to Stage 1	1,924,903	(1,924,903)	-	-
Transferred to Stage 2	(3,101,337)	3,101,337	-	-
Transferred to Stage 3	(748)	(1,304)	2,052	-
Net decrease	(476,905)	(281,647)	(3,315)	(761,867)
Balance as at 31 December	41,026,975	3,896,236	28,422	44,951,633

40. Financial Risk Management (Continued)

40.1 Credit risk (Continued)

(g) Expected credit loss allowance (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
2022				
Gross carrying amount as at 1 January	41,026,975	3,896,236	28,422	44,951,633
Transferred to Stage 1	2,470,732	(2,470,572)	(160)	-
Transferred to Stage 2	(811,075)	811,075	-	-
Transferred to Stage 3	(31,198)	(29,483)	60,681	-
Net increase/(decrease)	24,341,660	(276,897)	(21,040)	24,043,723
Balance as at 31 December	66,997,094	1,930,359	67,903	68,995,356
2021				
Gross carrying amount as at 1 January	42,422,605	3,002,753	29,685	45,455,043
Transferred to Stage 1	1,924,903	(1,924,903)	-	-
Transferred to Stage 2	(3,101,337)	3,101,337	-	-
Transferred to Stage 3	(748)	(1,304)	2,052	-
Net decrease	(218,448)	(281,647)	(3,315)	(503,410)
Balance as at 31 December	41,026,975	3,896,236	28,422	44,951,633

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 2022 was RM7,696,923,000 (2021: RM10,094,057,000).

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 2022 was nil (2021: Nil).

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 2022 was RM20,161,971,000 (2021: RM22,145,711,000). Gross balance in Stage 3 as at 31 December 2022 was RM49,365,000 (2021: 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 2022 was RM7,962,508,000 (2021: RM1,178,155,000).

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 2022 was RM1,531,830,000 (2021: RM875,353,000) and RM57,730,000 (2021: RM32,396,000) respectively. The Bank's gross balances in Stage 1 and Stage 2 as at 31 December 2022 was RM1,536,923,000 (2021: RM880,293,000) and RM57,730,000 (2021: RM32,579,000) 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 and Product Control.

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 RM512 million and RM944 million (2021: negative RM445 million and RM833 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

(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.

2022	Year end RM'000	High RM'000	Low RM'000	Average RM'000
Interest/profit rate	4,327	5,391	1,364	2,454
Foreign exchange	206	13,232	91	502
Commodities	100	520	3	62
Option volatility	319	356	1	180
Equities	24	151	4	18
Total diversified ES	9,577	10,452	3,464	5,976
2021				
Interest/profit rate	1,864	9,295	1,573	4,183
Foreign exchange	392	2,967	69	603
Commodities	11	347	2	103
Option volatility	1	311	-	85
Equities	13	76	-	6
Total diversified ES	5,281	18,095	4,274	8,829

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 on-going 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
2022						
Assets						
Cash and short-term funds	7,690,793	-	-	-	-	7,690,793
Securities purchased under resale agreements	336,619	-	-	-	-	336,619
Financial assets at FVTPL	5,609,854	1,039,651	1,587,696	-	-	8,237,201
Debt instruments at FVOCI	2,414,472	1,250,491	1,459,973	10,683,816	9,125,756	24,934,508
Equity instruments at FVOCI	-	-	-	-	153,681	153,681
Debt instruments at amortised cost	7,257	-	78,661	1,912,344	7,426,261	9,424,523
Other assets	715,790	-	-	-	-	715,790
Derivative financial assets	707,836	215,048	179,191	490,166	31,293	1,623,534
Loans, advances and financing	26,148,217	5,256,433	5,633,544	29,193,993	73,847,354	140,079,541
Intangible assets	-	-	-	-	480,157	480,157
Statutory deposits with BNM	-	-	-	-	1,815,933	1,815,933
	43,630,838	7,761,623	8,939,065	42,280,319	92,880,435	195,492,280
Liabilities						
Deposits from customers	78,345,167	11,595,400	21,694,392	27,404	-	111,662,363
Deposits and placements of banks and other financial institutions	13,678,002	1,772,008	1,288	10,307	923,288	16,384,893
Obligations on securities sold under repurchase agreements	4,654,557	932,539	-	-	-	5,587,096
Bills and acceptances payable	239,443	-	-	-	-	239,443
Other liabilities	992,115	7,400	1,650	1,606,922	-	2,608,087
Derivative financial liabilities	1,279,341	203,500	273,460	488,594	42,235	2,287,130
Lease liabilities	474	-	1,957	69,883	26,656	98,970
Subordinated bonds	-	-	-	-	3,194,423	3,194,423
	99,189,099	14,510,847	21,972,747	2,203,110	4,186,602	142,062,405
Net maturity mismatches	(55,558,261)	(6,749,224)	(13,033,682)	40,077,209	88,693,833	
Off-balance sheet liabilities						
Credit and commitments	70,387,524	14,709,117	36,249,786	34,934,127	6,902,136	163,182,690
Derivatives	(4,995,796)	548,131	3,157,244	11,918,796	13,506,351	24,134,726
Net maturity mismatches	65,391,728	15,257,248	39,407,030	46,852,923	20,408,487	187,317,416

41. Liquidity Risk (Continued)

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
2021						
Assets						
Cash and short-term funds	10,063,363	-	-	-	-	10,063,363
Securities purchased under resale agreements	78,093	-	-	-	-	78,093
Financial assets at FVTPL	1,478,762	1,995,284	785,093	330,417	98,943	4,688,499
Debt instruments at FVOCI	1,724,922	2,964,800	2,355,555	11,502,853	4,893,398	23,441,528
Equity instruments at FVOCI	-	-	-	-	157,024	157,024
Debt instruments at amortised cost	39,920	-	42,361	359,567	1,204,668	1,646,516
Other assets	507,836	-	-	-	-	507,836
Derivative financial assets	64,958	38,101	50,724	254,686	107,277	515,746
Loans, advances and financing	20,238,113	4,623,048	4,621,235	26,116,413	57,510,449	113,109,258
Statutory deposits with BNM	-	-	-	-	180,667	180,667
	34,195,967	9,621,233	7,854,968	38,563,936	64,152,426	154,388,530
Liabilities						
Deposits from customers	69,602,253	7,973,195	19,743,926	195,687	-	97,515,061
Deposits and placements of banks and other financial institutions	9,517,140	4,115,522	711,850	20,973	985,104	15,350,589
Obligations on securities sold under repurchase agreements	550,653	-	-	-	-	550,653
Bills and acceptances payable	208,321	-	-	-	-	208,321
Other liabilities	467,725	27,121	15,169	99,523	-	609,538
Derivative financial liabilities	56,334	80,167	88,269	212,823	82,688	520,281
Lease liabilities	164	53	23	14,429	54,786	69,455
Subordinated bonds	-	-	-	-	1,754,241	1,754,241
	80,402,590	12,196,058	20,559,237	543,435	2,876,819	116,578,139
Net maturity mismatches	(46,206,623)	(2,574,825)	(12,704,269)	38,020,501	61,275,607	
Off-balance sheet liabilities						
Credit and commitments	33,873,048	10,276,707	15,535,089	31,338,956	5,364,768	96,388,568
Derivatives	987	5,096	7,528	27,028	(1,817)	38,822
Net maturity mismatches	33,874,035	10,281,803	15,542,617	31,365,984	5,362,951	96,427,390

41. Liquidity Risk (Continued)

Bank	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2022						
Assets						
Cash and short-term funds	7,690,793	-	-	-	-	7,690,793
Securities purchased under resale agreements	336,619	-	-	-	-	336,619
Financial assets at FVTPL	5,609,854	1,039,651	1,587,696	-	-	8,237,201
Debt instruments at FVOCI	2,414,472	1,250,491	1,459,973	10,683,816	9,125,756	24,934,508
Equity instruments at FVOCI	-	-	-	-	153,681	153,681
Debt instruments at amortised cost	7,257	-	78,661	1,912,344	7,426,261	9,424,523
Other assets	715,790	-	-	-	-	715,790
Derivative financial assets	707,836	215,048	179,191	490,166	31,293	1,623,534
Loans, advances and financing	26,148,217	5,256,433	5,633,544	29,193,993	73,963,638	140,195,825
Statutory deposits with BNM	-	-	-	-	1,815,933	1,815,933
Intangible assets	-	-	-	-	480,157	480,157
	43,630,838	7,761,623	8,939,065	42,280,319	92,996,719	195,608,564
Liabilities						
Deposits from customers	78,360,632	11,595,400	21,694,392	27,404	-	111,677,828
Deposits and placements of banks and other financial institutions	13,678,002	1,772,008	1,288	10,307	923,288	16,384,893
Obligations on securities sold under repurchase agreements	4,654,557	932,539	-	-	-	5,587,096
Bills and acceptances payable	239,443	-	-	-	-	239,443
Other liabilities	992,115	7,400	1,650	1,606,922	-	2,608,087
Derivative financial liabilities	1,279,341	203,500	273,460	488,594	42,235	2,287,130
Lease liabilities	474	-	1,957	69,883	72,724	145,038
Subordinated bonds	-	-	-	-	3,194,423	3,194,423
	99,204,564	14,510,847	21,972,747	2,203,110	4,232,670	142,123,938
Net maturity mismatches	(55,573,726)	(6,749,224)	(13,033,682)	40,077,209	88,764,049	
Off-balance sheet liabilities						
Credit and commitments	70,387,524	14,709,117	36,249,786	34,934,127	6,902,137	163,182,691
Derivatives	(4,995,796)	548,131	3,157,244	11,918,796	13,506,351	24,134,726
Net maturity mismatches	65,391,728	15,257,248	39,407,030	46,852,923	20,408,488	187,317,417

41. Liquidity Risk (Continued)

Bank	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2021						
Assets						
Cash and short-term funds	10,063,363	-	-	-	-	10,063,363
Securities purchased under resale agreements	78,093	-	-	-	-	78,093
Financial assets at FVTPL	1,478,762	1,995,284	785,093	330,417	98,943	4,688,499
Debt instruments at FVOCI	1,724,922	2,964,800	2,355,555	11,502,853	4,893,398	23,441,528
Equity instruments at FVOCI	-	-	-	-	157,024	157,024
Debt instruments at amortised cost	39,920	-	42,361	359,567	1,204,668	1,646,516
Other assets	507,836	-	-	-	-	507,836
Derivative financial assets	64,958	38,101	50,724	254,686	107,277	515,746
Loans, advances and financing	20,238,113	4,623,048	4,621,235	26,116,413	57,601,733	113,200,542
Statutory deposits with BNM	-	-	-	-	180,667	180,667
	34,195,967	9,621,233	7,854,968	38,563,936	64,243,710	154,479,814
Liabilities						
Deposits from customers	69,629,745	7,973,195	19,743,926	195,687	-	97,542,553
Deposits and placements of banks and other financial institutions	9,517,160	4,115,522	711,850	20,973	985,104	15,350,609
Obligations on securities sold under repurchase agreements	550,653	-	-	-	-	550,653
Bills and acceptances payable	208,321	-	-	-	-	208,321
Other liabilities	467,725	27,121	15,169	99,523	-	609,538
Derivative financial liabilities	56,334	80,167	88,269	212,823	82,688	520,281
Lease liabilities	164	53	23	14,429	110,926	125,595
Subordinated bonds	-	-	-	-	1,754,241	1,754,241
	80,430,102	12,196,058	20,559,237	543,435	2,932,959	116,661,791
Net maturity mismatches	(46,234,135)	(2,574,825)	(12,704,269)	38,020,501	61,310,751	
Off-balance sheet liabilities						
Credit and commitments	33,873,048	10,276,707	15,535,089	31,338,956	5,258,147	96,281,947
Derivatives	987	5,096	7,528	27,028	(1,817)	38,822
Net maturity mismatches	33,874,035	10,281,803	15,542,617	31,365,984	5,256,330	96,320,769

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 2022 and 31 December 2021. 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
2022			
Assets			
Cash and short-term funds	7,690,591	-	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,193,160	-	8,193,160
Debt instruments at FVOCI	5,132,545	15,034,822	20,167,367
Equity instruments at FVOCI	-	153,681	153,681
Debt instruments at amortised cost	58,923	7,878,670	7,937,593
Other assets	1,570,501	6,297	1,576,798
Derivative financial assets	1,102,075	521,459	1,623,534
Loans, advances and financing	34,207,881	68,901,068	103,108,949
Statutory deposits with BNM	-	1,815,933	1,815,933
Investment in an associate	-	418	418
Property, plant and equipment	-	1,307,789	1,307,789
Right-of-use assets	2,540	90,626	93,166
Intangible assets	-	480,157	480,157
Deferred tax assets	-	361,850	361,850
Total assets	58,291,967	96,552,770	154,844,737
Liabilities			
Deposits from customers	110,858,450	26,359	110,884,809
Deposits and placements of banks and other financial institutions	15,405,021	933,595	16,338,616
Obligations on securities sold under repurchase agreements	5,523,321	-	5,523,321
Bills and acceptances payable	239,443	-	239,443
Other liabilities	2,705,713	1,857,955	4,563,668
Derivative financial liabilities	1,756,301	530,829	2,287,130
Tax payable	223,311	-	223,311
Lease liabilities	2,431	96,539	98,970
Subordinated bonds	-	2,346,727	2,346,727
Deferred tax liabilities	-	31,732	31,732
Total liabilities	136,713,991	5,823,736	142,537,727
Net mismatch	(78,422,024)	90,729,034	12,307,010

42. Maturity Analysis of Assets and Liabilities (Continued)

Group	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2021			
Assets			
Cash and short-term funds	10,063,224	-	10,063,224
Securities purchased under resale agreements	77,705	-	77,705
Financial assets at FVTPL	4,229,093	365,060	4,594,153
Debt instruments at FVOCI	8,043,578	14,099,325	22,142,903
Equity instruments at FVOCI	-	157,024	157,024
Debt instruments at amortised cost	80,313	1,096,067	1,176,380
Other assets	890,525	10,730	901,255
Derivative financial assets	153,783	361,963	515,746
Loans, advances and financing	27,190,541	60,522,193	87,712,734
Statutory deposits with BNM	-	180,667	180,667
Investment in an associate	-	9,747	9,747
Property, plant and equipment	-	1,135,441	1,135,441
Right-of-use assets	240	65,808	66,048
Deferred tax assets	-	262,147	262,147
Total assets	50,729,002	78,266,172	128,995,174
Liabilities			
Deposits from customers	96,892,496	181,849	97,074,345
Deposits and placements of banks and other financial institutions	14,338,423	1,006,077	15,344,500
Obligations on securities sold under repurchase agreements	546,768	-	546,768
Bills and acceptances payable	208,321	-	208,321
Other liabilities	1,679,105	216,204	1,895,309
Derivative financial liabilities	224,769	295,512	520,281
Tax payable	155,402	-	155,402
Lease liabilities	240	69,215	69,455
Subordinated bonds	-	1,363,268	1,363,268
Deferred tax liabilities	-	30,005	30,005
Total liabilities	114,045,524	3,162,130	117,207,654
Net mismatch	(63,316,522)	75,104,042	11,787,520

42. Maturity Analysis of Assets and Liabilities (Continued)

Bank	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2022			
Assets			
Cash and short-term funds	7,690,591	-	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,193,160	-	8,193,160
Debt instruments at FVOCI	5,132,545	15,034,822	20,167,367
Equity instruments at FVOCI	-	153,681	153,681
Debt instruments at amortised cost	58,923	7,878,670	7,937,593
Other assets	1,570,858	11,034	1,581,892
Derivative financial assets	1,102,075	521,459	1,623,534
Loans, advances and financing	34,207,881	68,987,485	103,195,366
Statutory deposits with BNM	-	1,815,933	1,815,933
Investment in subsidiaries	-	570,020	570,020
Investment in an associate	-	4,758	4,758
Property, plant and equipment	-	535,357	535,357
Right-of-use assets	2,540	132,424	134,964
Intangible assets	-	480,157	480,157
Deferred tax assets	-	344,713	344,713
Total assets	58,292,324	96,470,513	154,762,837
Liabilities			
Deposits from customers	110,873,915	26,359	110,900,274
Deposits and placements of banks and other financial institutions	15,405,021	933,595	16,338,616
Obligations on securities sold under repurchase agreements	5,523,321	-	5,523,321
Bills and acceptances payable	239,443	-	239,443
Other liabilities	2,663,944	1,857,955	4,521,899
Derivative financial liabilities	1,756,301	530,829	2,287,130
Tax payable	224,441	-	224,441
Lease liabilities	2,431	142,607	145,038
Subordinated bonds	-	2,346,727	2,346,727
Total liabilities	136,688,817	5,838,072	142,526,889
Net mismatch	(78,396,493)	90,632,441	12,235,948

42. Maturity Analysis of Assets and Liabilities (Continued)

Bank	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2021			
Assets			
Cash and short-term funds	10,063,224	-	10,063,224
Securities purchased under resale agreements	77,705	-	77,705
Financial assets at FVTPL	4,229,093	365,060	4,594,153
Debt instruments at FVOCI	8,043,578	14,099,325	22,142,903
Equity instruments at FVOCI	-	157,024	157,024
Debt instruments at amortised cost	80,313	1,096,067	1,176,380
Other assets	892,768	10,730	903,498
Derivative financial assets	153,783	361,963	515,746
Loans, advances and financing	27,190,541	60,613,477	87,804,018
Statutory deposits with BNM	-	180,667	180,667
Investment in subsidiaries	-	530,020	530,020
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	372,868	372,868
Right-of-use assets	240	118,050	118,290
Deferred tax assets	-	262,147	262,147
Total assets	50,731,245	78,180,920	128,912,165
Liabilities			
Deposits from customers	96,919,988	181,849	97,101,837
Deposits and placements of banks and other financial institutions	14,338,443	1,006,077	15,344,520
Obligations on securities sold under repurchase agreements	546,768	-	546,768
Bills and acceptances payable	208,321	-	208,321
Other liabilities	1,673,629	216,204	1,889,833
Derivative financial liabilities	224,769	295,512	520,281
Tax payable	154,823	-	154,823
Lease liabilities	240	125,355	125,595
Subordinated bonds	-	1,363,268	1,363,268
Total liabilities	114,066,981	3,188,265	117,255,246
Net mismatch	(63,335,736)	74,992,655	11,656,919

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	Amount not set-off in the statements of financial position: Net amount RM'000
2022					
Financial assets					
Derivative financial assets	1,623,534	-	1,623,534	(492,523)	1,131,011
Financial liabilities					
Derivative financial liabilities	2,287,130	-	2,287,130	(445,274)	1,841,856
2021					
Financial assets					
Derivative financial assets	515,746	-	515,746	(75,618)	440,128
Financial liabilities					
Derivative financial liabilities	520,281	-	520,281	(99,766)	420,515

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.

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 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 is an integral part of the Group, dedicated to providing high-net-worth clients with financial and portfolio planning services. We are focused on helping our clients achieve sustainable growth and legacy solutions of their wealth for future generations via bespoke wealth management and credit advisory.

Wholesale Banking (WB)

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

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
2022							
Operating income	1,278,806	1,800,315	403,663	399,647	3,882,431	(25,435)	3,856,996
Other operating expenses	(821,534)	(521,108)	(98,158)	(875,023)	(2,315,823)	19,629	(2,296,194)
Allowance for ECL	(128,489)	(9,362)	-	(49)	(137,900)	(2,142)	(140,042)
Impairment loss on property, plant and equipment	-	-	-	(103,246)	(103,246)	-	(103,246)
Share of net loss of an associate	-	-	-	(565)	(565)	-	(565)
Profit before taxation	328,783	1,269,845	305,505	(579,236)	1,324,897	(7,948)	1,316,949
Income tax expense							(679,007)
							637,942
Other information							
Gross loans, advances and financing	61,459,374	43,902,466	-	403,934	105,765,774	(88,071)	105,677,703
Deposits from customers	67,368,252	43,519,874	-	11,482	110,899,608	(14,799)	110,884,809
Inter-segment operating income/(expense)	78,667	(5,104)	(453,315)	405,187	25,435	(25,435)	-
Depreciation of property, plant and equipment and right-of-use assets	32,340	16,724	3,814	89,262	142,140	(2,869)	139,271
2021							
Operating income	1,212,478	1,610,790	269,001	279,127	3,371,396	(23,549)	3,347,847
Other operating expenses	(649,090)	(479,330)	(81,825)	(164,876)	(1,375,121)	22,240	(1,352,881)
(Allowance for)/ write-back of ECL	(163,056)	(174,591)	-	(145,603)	(483,250)	2,508	(480,742)
Impairment loss on property, plant and equipment	-	-	-	(3,188)	(3,188)	-	(3,188)
Share of net profit of an associate	-	-	-	110	110	-	110
Profit before taxation	400,332	956,869	187,176	(34,430)	1,509,947	1,199	1,511,146
Income tax expense							(369,087)
							1,142,059
Other information							
Gross loans, advances and financing	48,082,550	41,605,520	-	440,313	90,128,383	(92,193)	90,036,190
Deposits from customers	54,365,512	42,732,450	-	3,875	97,101,837	(27,492)	97,074,345
Inter-segment operating income/(expense)	139,142	59,808	(453,822)	278,421	23,549	(23,549)	-
Depreciation of property, plant and equipment	26,244	11,792	4,199	81,032	123,267	(17,612)	105,655

44. Segment Information (Continued)

Operating segments (Continued)

	Group 2022 RM'000	Group 2021 RM'000
Reconciliation of profit before taxation		
Segment profit	1,324,897	1,509,947
Eliminations		
Interest income:		
- Interest income from loans, advances and financing	(3,225)	(3,177)
Interest expense:		
- Deposits from customers	3,227	4,728
- Lease liabilities	1,028	-
Fee income:		
- Guarantee fees	(41)	-
- Commitment fees	(3)	-
- Service charges and fees	(3,664)	(1,657)
Other income:		
- Rental income from operating leases	(18,502)	(23,443)
	(21,180)	(23,549)
(Allowance for)/write-back of ECL	(2,142)	2,508
Establishment related expenses:		
- Depreciation of property, plant and equipment	(5,720)	81
- Depreciation of right-of-use assets	8,588	17,531
- Short term lease expenses	8,104	-
- Others	4,360	4,628
General administrative expenses:		
- Others	42	-
	15,374	22,240
Profit before taxation	1,316,949	1,511,146

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	11,447,521	10,809,329	11,616,857	10,878,366
Other reserves	66,934	185,636	(173,464)	(14,002)
Regulatory adjustments applied in the calculation of CET1 Capital	(1,140,963)	(532,347)	(1,492,626)	(899,615)
Total CET1/Tier 1 Capital	11,166,047	11,255,173	10,743,322	10,757,304
Tier 2 Capital				
Tier 2 Capital instruments	2,350,000	1,350,000	2,350,000	1,350,000
Loan/financing loss provision:				
- Surplus eligible provisions over expected losses	320,555	312,387	321,073	312,822
- General provisions	164,706	26,425	155,041	15,541
Regulatory adjustments applied in the calculation of Tier 2 Capital	105,073	86,731	-	-
Total Tier 2 Capital	2,940,334	1,775,543	2,826,114	1,678,363
Total Capital	14,106,381	13,030,716	13,569,436	12,435,667

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

	Group		Bank	
	2022	2021	2022	2021
CET1/Tier 1 Capital	14.711%	17.740%	14.283%	17.171%
Total capital	18.585%	20.538%	18.040%	19.850%

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia (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.

45. Capital Management and Capital Adequacy (Continued)

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

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Total RWA for credit risk	68,645,310	56,467,374	67,958,409	55,669,148
Total RWA for market risk	901,920	1,137,181	901,920	1,137,181
Total RWA for operational risk	6,355,695	5,840,780	6,356,550	5,843,126
	75,902,925	63,445,335	75,216,879	62,649,455

46. Credit Exposure Arising From Credit Transactions with Connected Parties

	Group and Bank	
	2022	**2021**
Outstanding credit exposures with connected parties (RM'000)	2,396,117	1,202,508
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	2.265	1.335
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.0003	0.0794

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

Statements of financial position
As at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Cash and short-term funds	a	3,414,153	1,686,916
Debt instruments at FVOCI	b	611,879	1,973,099
Debt Instruments at amortised cost	c	1,057,889	98,974
Other assets	e	23,020	4,167
Derivative financial assets	f	40,703	1,964
Financing, advances and others	d	8,462,188	7,859,764
Statutory deposits with BNM		10,500	-
Plant and equipment		10,903	4,363
Deferred tax assets		14,012	10,993
Total assets		13,645,247	11,640,240
Liabilities and Islamic Banking funds			
Deposits from customers	g	5,397,682	5,134,316
Investment accounts due to a designated financial institution	h	3,567,075	2,755,451
Deposits and placements of banks and other financial institutions	i	4,027,838	3,159,928
Bills and acceptances payable		4,526	599
Other liabilities	j	51,302	121,786
Derivative financial liabilities	f	38,407	1,711
Tax payable		24,991	3,154
Total liabilities		13,111,821	11,176,945
Capital fund		450,000	450,000
Reserves		83,426	13,295
Islamic Banking funds	k	533,426	463,295
Total liabilities and Islamic Banking funds		13,645,247	11,640,240
Commitments and contingencies	s	3,970,598	2,780,689

The notes on pages 232 to 252 are integral part of the financial statements.

47. Islamic Banking Operations (Continued)

Statements of profit or loss and other comprehensive income
For the financial year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Income derived from depositors' funds	l	276,091	259,529
Income derived from investment of Islamic Banking funds	m	25,786	26,666
Income derived from investment of investment account funds	n	118,741	65,835
(Allowance for)/write-back of ECL on:			
Financing, advances and others	o	(13,567)	(97,779)
Other financial assets	o	(1,007)	193
Commitments and contingencies	o	1,603	(1,166)
Total attributable income		407,647	253,278
Income attributable to depositors	p	(179,403)	(158,202)
Income attributable to an investment account holder	q	(93,482)	(52,668)
Total net income		134,762	42,408
Other operating expenses	r	(39,565)	(31,933)
Profit for the year before taxation		95,197	10,475
Income tax expense		(22,714)	(2,525)
Profit for the year after taxation		72,483	7,950
Other comprehensive (loss)/income:			
Items that will be reclassified subsequently to statement of profit or loss:			
Net fair value changes in debt instruments at FVOCI		(3,095)	(1,616)
Income tax effect		743	388
Total other comprehensive loss for the year, net of tax		(2,352)	(1,228)
Total comprehensive income for the year		70,131	6,722

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

	2022 RM'000	2021 RM'000
Income derived from depositors' funds	276,091	259,529
Income derived from investment of Islamic Banking funds	25,786	26,666
Income derived from investment of investment account funds	118,741	65,835
Income attributable to depositors	(179,403)	(158,202)
Income attributable to an investment account holder	(93,482)	(52,668)
Net income from Islamic Banking operations reported in the income statements of the Group and the Bank	147,733	141,160

47. Islamic Banking Operations (Continued)

Statements of changes in Islamic Banking funds
For the financial year ended 31 December 2022

	Capital fund RM'000	FVOCI reserve RM'000	Retained profit RM'000	Total RM'000
2022				
Balance as at 1 January	450,000	(966)	14,261	463,295
Profit for the year	-	-	72,483	72,483
Other comprehensive loss	-	(2,352)	-	(2,352)
Total comprehensive (loss)/income	-	(2,352)	72,483	70,131
Balance as at 31 December	450,000	(3,318)	86,744	533,426
2021				
Balance as at 1 January	450,000	262	6,311	456,573
Profit for the year	-	-	7,950	7,950
Other comprehensive loss	-	(1,228)	-	(1,228)
Total comprehensive (loss)/income	-	(1,228)	7,950	6,722
Balance as at 31 December	450,000	(966)	14,261	463,295

47. Islamic Banking Operations (Continued)

Statements of cash flows
For the financial year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before taxation		95,197	10,475
Adjustments for:			
Profit income from financial instruments at FVOCI	l,m	(60,278)	(37,023)
Allowance for/(write-back of) ECL on:			
Financing, advances and others	o	13,567	97,779
Other financial assets	o	1,007	(193)
Commitments and contingencies	o	(1,603)	1,166
Depreciation of plant and equipment	r	848	862
Trading loss/(income)	l,m	610	(3,233)
Operating income before working capital changes		49,348	69,833
Decrease/(increase) in operating assets:			
Financing, advances and others		(615,991)	(1,338,256)
Derivative financial assets		(39,349)	9,998
Other assets		(20,532)	(1,600)
Statutory deposits with BNM		(10,500)	-
		(686,372)	(1,329,858)
Increase/(decrease) in operating liabilities:			
Deposits from customers		263,366	702,240
Investment accounts due to designated financial institution		811,624	1,358,026
Deposits and placements of banks and other financial institutions		867,910	1,070,609
Derivative financial liabilities		36,696	(8,585)
Other liabilities		(68,881)	40,849
Bills and acceptances payable		3,927	(678)
		1,914,642	3,162,461
Cash generated from operations		1,277,618	1,902,436
Tax paid		(3,154)	(4,581)
Net cash generated from operating activities		1,274,464	1,897,855

47. Islamic Banking Operations (Continued)

Statements of cash flows (Continued)
For the financial year ended 31 December 2022 (Continued)

	Note	2022 RM'000	2021 RM'000
Cash flows from investing activities			
Purchase of plant and equipment		(7,388)	(35)
Profit income from financial instruments at FVOCI		60,278	37,023
Net disposal/(purchase) of debt instruments at FVOCI		1,358,441	(1,375,480)
(Purchase)/net disposal of debt instruments on AC		(959,038)	1,000
Net cash generated/(used in) from investing activities		452,293	(1,337,492)
Net increase in cash and cash equivalents		1,726,757	560,363
Cash and cash equivalents at beginning of the year		1,687,902	1,127,539
Cash and cash equivalents at end of the year		3,414,659	1,687,902
Analysis of cash and cash equivalents			
Cash and short-term funds	a	3,414,659	1,687,902
Less: Allowance for ECL	a	(506)	(986)
		3,414,153	1,686,916

(a) Cash and short-term funds

	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	836,859	680,902
Money at call and deposit placements maturing within one month	2,577,800	1,007,000
	3,414,659	1,687,902
Less: Allowance for ECL	(506)	(986)
	3,414,153	1,686,916

47. Islamic Banking Operations (Continued)

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

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

2022	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	986	-	-	986
Allowance made	506	-	-	506
Maturity/settlement/repayment	(1,023)			(1,023)
Foreign translation gain	37	-	-	37
	(480)	-	-	(480)
At 31 December	506	-	-	506

2021	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	1,271	-	-	1,271
Allowance made	1,576	-	-	1,576
Maturity/settlement/repayment	(1,861)	-	-	(1,861)
	(285)	-	-	(285)
At 31 December	986	-	-	986

(b) Debt instruments at fair value through other comprehensive income (FVOCI)

	2022 RM'000	2021 RM'000
Money market instruments		
Government Islamic investments	611,879	1,973,099

47. Islamic Banking Operations (Continued)

(b) Debt instruments at FVOCI (Continued)

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

2022	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	409	-	-	409
Allowance made	93	-	-	93
Maturity/settlement/repayment	(409)	-	-	(409)
	(316)	-	-	(316)
At 31 December	93	-	-	93
2021				
At 1 January	62	-	-	62
Allowance made	425	-	-	425
Maturity/settlement/repayment	(78)	-	-	(78)
	347	-	-	347
At 31 December	409	-	-	409

(c) Debt instruments at amortised cost (AC)

	2022 RM'000	2021 RM'000
Money market instruments		
Government Islamic investment	971,038	-
Less: Allowance for ECL	(147)	-
	970,891	-
Private debt securities of companies incorporated in Malaysia		
Unquoted corporate sukuk	87,000	99,000
Less: Allowance for ECL	(2)	(26)
	86,998	98,974
Total debt instruments at AC	1,057,889	98,974

47. Islamic Banking Operations (Continued)

(c) Debt instruments at AC (Continued)

Movements in the allowance for ECL on debt instruments at AC are as follows:

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	26	-	-	26
Allowance made	147	-	-	147
Maturity/settlement/repayment	(24)	-	-	(24)
	123	-	-	123
At 31 December	149	-	-	149
2021				
At 1 January	279	-	-	279
Allowance made	-	-	-	-
Maturity/settlement/repayment	(253)	-	-	(253)
	(253)	-	-	(253)
At 31 December	26	-	-	26

(d) Financing, advances and others

(i) Financing by type of Shariah contract:

	Sale based contracts			
2022	**Tawarruq RM'000**	**Murabahah RM'000**	**Bai Al-Dayn RM'000**	**Total RM'000**
Term financing and revolving credits:				
- Housing financing	3,441,940	-	-	3,441,940
- Others term financing	5,069,540	-	-	5,069,540
Trust receipt	8,703	-	-	8,703
Claim on customers under acceptance credit	-	114,119	1,130	115,249
Gross financing, advances and others	8,520,183	114,119	1,130	8,635,432
Allowance for ECL on financing, advances and others:				
- Stage 1 - 12-month ECL				(17,786)
- Stage 2 - Lifetime ECL non credit-impaired				(22,752)
- Stage 3 - Lifetime ECL credit-impaired				(132,706)
Net financing, advances and others				8,462,188

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

2021	Sale based contracts Tawarruq RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Total RM'000
Term financing and revolving credits:				
- Housing financing	2,973,323	-	-	2,973,323
- Others term financing	4,921,764	-	-	4,921,764
Trust receipt	-	11,415	-	11,415
Claim on customers under acceptance credit	-	116,844	422	117,266
Gross financing, advances and others	7,895,087	128,259	422	8,023,768
Allowance for ECL on financing, advances and others:				
- Stage 1 - 12-month ECL				(16,663)
- Stage 2 - Lifetime ECL non credit-impaired				(38,497)
- Stage 3 - Lifetime ECL credit-impaired				(108,844)
Net financing, advances and others				7,859,764

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 allowance arising thereon.

As at 31 December 2022, the gross exposure and ECL relating to RSIA financing amounting to RM2,371,390,347 (2021: RM2,149,834,281) and RM17,383,012 (2021: RM21,078,898) respectively.

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

	2022 RM'000	2021 RM'000
Maturing within one year	588,267	647,846
One year to three years	1,154,727	214,329
Three years to five years	1,164,643	1,929,348
Over five years	5,727,795	5,232,245
	8,635,432	8,023,768

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

	2022 RM'000	2021 RM'000
Domestic non-banking financial institutions:		
- Others	1,087,117	1,023,164
Domestic business enterprises:		
- Small and medium enterprises	1,866,517	1,882,666
- Others	1,977,245	1,903,068
Individuals	3,557,518	3,069,894
Foreign entities	147,035	144,976
	8,635,432	8,023,768

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

	2022 RM'000	2021 RM'000
Fixed rate:		
- Fixed rate financing	1,354,008	1,371,877
Variable rate:		
- Base rate/base financing rate-plus	4,922,508	4,362,873
- Cost-plus	2,358,916	2,289,018
	8,635,432	8,023,768

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

	2022 RM'000	2021 RM'000
Agriculture, hunting, forestry and fishing	262,358	321,952
Mining and quarrying	90,251	90,304
Manufacturing	1,059,492	1,162,434
Electricity, gas and water	386,232	250,684
Construction	362,925	461,932
Wholesale, retail trade, restaurants and hotels	943,902	889,588
Transport, storage and communication	161,509	124,830
Finance, takaful and business services	1,271,117	1,201,402
Real estate	305,560	272,041
Community, social and personal services	87,534	33,731
Households:		
- Purchase of residential properties	3,449,434	2,981,304
- Purchase of non-residential properties	194,329	170,194
- Others	60,789	63,372
	8,635,432	8,023,768

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

2022	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	16,663	38,497	108,844	164,004
Transfer from business acquisition	93	531	660	1,284
Transferred to Stage 1	6,889	(21,418)	(2,988)	(17,517)
Transferred to Stage 2	(1,064)	12,198	(850)	10,284
Transferred to Stage 3	(417)	(2,491)	27,529	24,621
Allowance made	10,044	40	9,191	19,275
Maturity/settlement/repayment	(14,422)	(4,605)	(3,717)	(22,744)
Net total (Note (o))	1,030	(16,276)	29,165	13,919
Amounts written-off	-	-	(5,963)	(5,963)
At 31 December	17,786	22,752	132,706	173,244

2021	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	20,975	34,732	20,684	76,391
Transferred to Stage 1	2,642	(19,561)	(28)	(16,947)
Transferred to Stage 2	(3,749)	8,420	(38)	4,633
Transferred to Stage 3	(248)	(1,657)	89,451	87,546
Allowance made	13,430	33,652	4,840	51,922
Maturity/settlement/repayment	(16,387)	(17,089)	(1,242)	(34,718)
Net total (Note (o))	(4,312)	3,765	92,983	92,436
Amount written-off	-	-	(6,786)	(6,786)
Other movements	-	-	1,963	1,963
At 31 December	16,663	38,497	108,844	164,004

47. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

	2022 RM'000	2021 RM'000
At 1 January	200,362	75,903
Transfer from business acquisition	3,304	-
Classified as credit-impaired during the financial year	103,502	141,447
Amount recovered	(24,614)	(9,863)
Reclassified as non credit-impaired	(24,861)	(931)
Amount written-off	(6,350)	(6,194)
Gross credit-impaired financing, advances and others	251,343	200,362
Less: Stage 3 - Lifetime ECL credit-impaired	(132,706)	(108,844)
Net credit-impaired financing, advances and others	118,637	91,518
Ratio of net credit-impaired financing, advances and others to gross financing, advances and others less allowance for ECL on credit-impaired provision	1.4%	1.1%

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

	2022 RM'000	2021 RM'000
Mining and quarrying	81,862	81,750
Manufacturing	7,814	18,733
Construction	31,598	3,595
Wholesale, retail trade, restaurants and hotels	15,759	10,636
Transport, storage and communication	3,317	3,315
Finance, insurance and business services	2,411	682
Community, social and personal services	4,954	-
Households:		
- purchase of residential properties	99,293	80,157
- purchase of non-residential properties	4,114	1,351
- others	221	143
	251,343	200,362

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

	2022 RM'000	2021 RM'000
In Malaysia	251,343	200,362

47. Islamic Banking Operations (Continued)

(e) Other assets

	2022 RM'000	2021 RM'000
Other receivables, deposits and prepayments	10,538	213
Profit receivable	14,165	3,957
Less: Allowance for ECL	(1,683)	(3)
	23,020	4,167

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

	Stage 1	Stage 2	Stage 3	
2022	12-month ECL RM'000	Lifetime ECL non credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	2	1	-	3
Allowance made	1,131	551	-	1,682
Maturity/settlement/repayment	(2)	-	-	(2)
	1,129	551	-	1,680
At 31 December	1,131	552	-	1,683
2021				
At 1 January	3	2	-	5
Maturity/settlement/repayment	(1)	(1)	-	(2)
At 31 December	2	1	-	3

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 financial derivatives are as follows:

2022	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange contracts:			
- Forwards	839,202	33,761	29,765
- Swaps	-	-	2,083
Profit rate related contracts:			
- Swaps	476,500	6,942	6,559
		40,703	38,407

2021	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange contracts:			
- Forwards	392,992	1,964	533
- Swaps	-	-	602
Profit rate related contracts:			
- Profit rate swaps	362,880	-	576
		1,964	1,711

(g) Deposits from customers

(i) By type of deposits:

	2022 RM'000	2021 RM'000
Non-mudharabah fund		
Demand deposits:		
- Qard	665,189	728,088
Savings deposits:		
- Qard	73,393	58,384
Fixed deposits:		
- Tawarruq	4,598,424	3,752,842
Other deposits:		
- Tawarruq	60,676	595,002
	5,397,682	5,134,316

47. Islamic Banking Operations (Continued)

(g) Deposits from customers (Continued)

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

	2022 RM'000	2021 RM'000
Due within six months	2,219,342	1,823,430
Six months to one year	2,369,081	1,757,540
One year to three years	10,001	171,833
Three years to five years	-	39
	4,598,424	3,752,842

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

	2022 RM'000	2021 RM'000
Business enterprises	1,462,398	1,565,711
Individuals	3,672,164	2,676,861
Others	263,120	891,744
	5,397,682	5,134,316

(h) Investment accounts due to a designated financial institution

	2022 RM'000	2021 RM'000
Mudharabah RSIA		
Conventional Banking	3,584,458	2,776,530
Amount receivable from Conventional Banking	(17,383)	(21,079)
	3,567,075	2,755,451

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

	2022 RM'000	2021 RM'000
Non-mudharabah fund		
Other financial institutions	4,027,838	3,159,928

47. Islamic Banking Operations (Continued)

(j) Other liabilities

	2022 RM'000	2021 RM'000
Allowance for ECL on commitments and contingencies	10,745	16,843
Accrued profit payable	28,833	102,279
Accruals and provisions for operational expenses	1,004	776
Other payables and accruals	3,176	1,888
Deferred income	7,544	-
	51,302	121,786

Movements in the allowance for ECL on commitments and contingencies are as follows:

	Stage 1	Stage 2	Stage 3	
2022	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	12,703	4,140	-	16,843
Transferred to Stage 1	3,439	(3,836)	-	(397)
Transferred to Stage 2	(515)	698	-	183
Allowance made	722	814	-	1,536
Maturity/settlement/repayment	(6,608)	(813)	-	(7,421)
Foreign translation gain	1	-	-	1
	(2,961)	(3,137)	-	(6,098)
At 31 December	9,742	1,003	-	10,745
2021				
At 1 January	5,148	2,865	-	8,013
Transferred to Stage 1	669	(2,322)	-	(1,653)
Transferred to Stage 2	(553)	694	-	141
Allowance made	12,946	3,945	-	16,891
Maturity/settlement/repayment	(5,508)	(1,045)	-	(6,553)
Foreign translation gain	1	3	-	4
	7,555	1,275	-	8,830
At 31 December	12,703	4,140	-	16,843

47. Islamic Banking Operations (Continued)

(k) Islamic Banking funds

	2022 RM'000	2021 RM'000
Capital fund	450,000	450,000
FVOCI reserve	(3,318)	(966)
Retained profits	86,744	14,261
	533,426	463,295

(l) Income derived from depositors' funds

	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	192,033	165,379
Money at call and deposit placements with financial institutions	11,873	19,014
FVOCI securities	55,113	33,587
	259,019	217,980
Other operating income/(loss)		
Trading (loss)/income	(531)	2,930
Commission income	6,690	6,012
Fee income	10,756	32,454
Others	157	153
	276,091	259,529

(m) Income derived from investment of Islamic Banking funds

	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	17,970	17,010
Money at call and deposit placements with financial institutions	1,084	1,945
Debt instruments at FVOCI	5,165	3,436
	24,219	22,391
Other operating income/(loss)		
Trading (loss)/income	(79)	303
Commission income	626	620
Fee income	1,005	3,336
Others	15	16
	25,786	26,666

47. Islamic Banking Operations (Continued)

(n) Income derived from investment of investment account funds

	2022 RM'000	2021 RM'000
Financing, advances and others	93,896	59,945
Money at call and deposit placements with financial institutions	24,845	5,890
	118,741	65,835

(o) Allowance for/(write-back of) ECL

	2022 RM'000	2021 RM'000
Financing, advances and others: (Note d(vi))		
- Stage 1 ECL	1,030	(4,312)
- Stage 2 ECL	(16,276)	3,765
- Stage 3 ECL	29,165	92,983
Movement in ECL for RSIA holder*	(799)	5,160
	13,120	97,596
Credit-impaired financing, advances and others		
- written-off	522	205
- recovered	(75)	(22)
	13,567	97,779
Other financial assets:		
- Stage 1 ECL	456	(192)
- Stage 2 ECL	551	(1)
	1,007	(193)
Commitments and contingencies (Note j)		
- Stage 1 ECL	(2,961)	7,555
- Stage 2 ECL	(3,137)	1,275
Movement in ECL for RSIA holder*	4,495	(7,664)
	(1,603)	1,166
	12,971	98,752

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

47. Islamic Banking Operations (Continued)

(p) Income attributable to depositors

	2022 RM'000	2021 RM'000
Income attributable to depositors from non-mudharabah fund	179,403	158,202

(q) Income attributable to investment account holders

	2022 RM'000	2021 RM'000
Income attributable to depositors from mudharabah fund	93,482	52,668

(r) Other operating expenses

	2022 RM'000	2021 RM'000
Personnel expenses	3,801	2,990
Establishment related expenses	6,387	2,993
Promotion and marketing related expenses	424	81
General administrative expenses	28,953	25,869
	39,565	31,933
Personnel expenses:		
- Wages, salaries and bonus	2,961	2,379
- Defined contribution plan	473	381
- Other employee benefits	367	230
	3,801	2,990
Establishment related expenses:		
- Depreciation of plant and equipment	848	862
- Information technology costs	1,422	1,026
- Repair and maintenance	9	5
- Short-term lease expenses	9	-
- Others	4,099	1,100
	6,387	2,993
Promotion and marketing related expenses:		
- Advertisement and publicity	424	81
General administrative expenses:		
- Fees and commissions paid	544	377
- Management fee	27,880	25,147
- Others	529	345
	28,953	25,869

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:

	2022 RM'000	2021 RM'000
Dr. Zaharuddin Bin Abdul Rahman (appointed on 16 May 2022)	58	16
Dr. Samsuri bin Sharif	81	77
Datin Dr. Wan Marhaini Binti Wan Ahmad	74	48
Prof. Dr. Noraini Binti Mohd Ariffin	74	48
Assoc. Prof. Dr. Sharifah Faigah binti Syed Alwi (resigned on 31 March 2021)	-	16
	287	205

(s) Commitments and contingencies

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

2022	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	137,779	137,778	261,648
Transaction-related contingent items	201,412	101,196	163,942
Short-term self-liquidating trade-related contingencies	3,150	2,052	486
Foreign exchange related contracts:			
- not more than one year	834,445	12,836	9,746
- more than one year to less than five years	4,757	283	198
Profit rate related contracts			
- not more than one year	376,500	941	659
- more than one year to less than five years	100,000	1,000	262
Undrawn credit facilities:			
- not more than one year	315,820	12,099	4,232
- more than one year	897,964	635,263	280,511
- unconditionally cancellable	1,098,771	-	-
	3,970,598	903,448	721,684

47. Islamic Banking Operations (Continued)

(s) Commitments and contingencies (Continued)

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

2021	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	146,542	146,542	281,909
Transaction-related contingent items	158,716	79,458	152,484
Short-term self-liquidating trade-related contingencies	1,564	313	178
Foreign exchange related contracts:			
- not more than one year	378,843	6,165	3,699
- more than one year to less than five years	14,149	1,047	733
Profit rate related contracts			
- more than one year to less than five years	362,880	4,629	2,708
Undrawn credit facilities:			
- not more than one year	224,833	7,231	2,534
- more than one year	1,011,585	727,874	353,527
- unconditionally cancellable	481,577	-	-
	2,780,689	973,259	797,772

(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.

	2022 RM'000	2021 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital		
Capital fund	450,000	450,000
Retained profit	86,744	14,261
Other reserves	(3,318)	(966)
Regulatory adjustments applied in the calculation of CET1 Capital	(14,025)	(11,130)
Total CET1/Tier 1 Capital	519,401	452,165
Tier 2 Capital		
Financing loss provision:		
- Surplus eligible provisions over expected losses	18,722	18,426
- General provisions	788	122
Total Tier 2 Capital	19,510	18,548
Total Capital	538,911	470,713

47. Islamic Banking Operations (Continued)

(t) Capital management and capital adequacy (Continued)

(a) The capital adequacy ratios are as follows:

	2022	2021
Before the effects of RSIA		
CET1/Tier 1 Capital	9.521%	8.182%
Total Capital	10.101%	8.766%
After the effects of RSIA		
CET1/Tier 1 Capital	15.221%	13.965%
Total Capital	15.793%	14.538%

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 2022, credit risks related to RSIA assets excluded from the total capital ratio calculation amounting to RM2,043,006,700 (2021: RM2,288,873,000).

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

	2022 RM'000	2021 RM'000
Total RWA for credit risk	3,183,356	3,080,652
Total RWA for market risk	4,847	661
Total RWA for operational risk	224,198	156,436
	3,412,401	3,237,749

47. Islamic Banking Operations (Continued)

(u) Mudharabah RSIA

(i) Movement in the Mudharabah RSIA

	2022 RM'000	2021 RM'000
As at 1 January	2,755,451	1,397,425
Funding inflows/(outflows)		
New placement during the year	909,775	1,394,053
Profit to fund provider	(74,786)	(52,668)
Income from investment	93,482	65,835
Redemption during the year	(101,847)	(33,523)
Share of profit		
Profit distributed to mudarib	(18,696)	(13,167)
Amount receivable from Conventional Banking	3,696	(2,504)
As at 31 December	3,567,075	2,755,451
Investment assets		
Financing and advances	2,371,390	2,149,781
Interbank placement	1,195,685	605,670
	3,567,075	2,755,451

(ii) Profit sharing ratio and rate of return

	Average profit sharing ratio (Depositor: Islamic Banking operations)		Average rate of return (%)	
	2022	2021	2022	2021
Up to 1 year	80:20	80:20	3.12	3.12
Over 5 year	80:20	80:20	3.39	3.58

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.

2022	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	3,414,153	-	-	-	-	3,414,153
Debt instruments at FVOCI	-	251,056	-	365,893	-	616,949
Debt instruments at amortised cost	-	-	-	1,060,081	-	1,060,081
Derivative financial assets	40,703	-	-	-	-	40,703
Financing, advances and others	1,104,838	536,033	1,146,965	2,125,891	7,409,267	12,322,994
Statutory deposits with BNM	-	-	-	-	10,500	10,500
	4,559,694	787,089	1,146,965	3,551,865	7,419,767	17,465,380
Liabilities						
Deposits from customers	2,030,365	1,002,523	2,447,794	10,541	-	5,491,223
Investment accounts due to a designated financial institution	33,743	510,472	102,588	2,809,131	145,879	3,601,813
Deposits and placements of banks and other financial institutions	4,043,932	-	-	-	-	4,043,932
Bills and acceptances payable	4,526	-	-	-	-	4,526
Derivative financial liabilities	38,407	-	-	-	-	38,407
	6,150,973	1,512,995	2,550,382	2,819,672	145,879	13,179,901
Net maturity mismatches	(1,591,279)	(725,906)	(1,403,417)	732,193	7,273,888	
Off-balance sheet liabilities						
Credit and commitments	909,107	103,323	19,482	1,246,861	1,215,326	3,494,099
Net maturity mismatches	909,107	103,323	19,482	1,246,861	1,215,326	3,494,099

47. Islamic Banking Operations (Continued)

(v) Liquidity risk (Continued)

2021	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	1,686,916	-	-	-	-	1,686,916
Debt instruments at FVOCI	399,254	1,244,241	197,204	134,871	-	1,975,570
Debt instruments at amortised cost	-	-	-	-	99,256	99,256
Derivative financial assets	1,964	-	-	-	-	1,964
Financing, advances and others	968,842	519,138	1,072,222	1,956,926	5,943,563	10,460,691
	3,056,976	1,763,379	1,269,426	2,091,797	6,042,819	14,224,397
Liabilities						
Deposits from customers	2,833,480	377,501	1,787,282	185,418	-	5,183,681
Investment accounts due to a designated financial institution	4,413	-	101,971	2,608,695	463,417	3,178,496
Deposits and placements of banks and other financial institutions	3,162,889	-	-	-	-	3,162,889
Bills and acceptances payable	599	-	-	-	-	599
Derivative financial liabilities	1,711	-	-	-	-	1,711
	6,003,092	377,501	1,889,253	2,794,113	463,417	11,527,376
Net maturity mismatches	(2,946,116)	1,385,878	(619,827)	(702,316)	5,579,402	
Off-balance sheet liabilities						
Credit and commitments	252,772	180,636	116,607	1,049,467	818,327	2,417,809
Net maturity mismatches	252,772	180,636	116,607	1,049,467	818,327	2,417,809

48. Acquisition of Consumer Business

On 14 January 2022, the Group proposed acquisition of Citigroup Inc.'s consumer banking businesses comprising its unsecured and secured lending portfolios, wealth management and retail deposit businesses (the "Consumer Business") in Indonesia, Malaysia, Thailand and Vietnam. The acquisition is in accordance with MFRS 3 Business Combinations.

On 1 November 2022, the Group completed the acquisition of the Consumer Business for Malaysia and Thailand. The initial accounting and disclosures below have been prepared on a provisional basis based on a draft purchase price allocation prepared at the end of the reporting period. The completion accounts are still subject to review and agreement.

Goodwill of RM363,140,000 has been recognized on a provisional basis, pending the finalisation of the completion accounts and purchase price allocation and intangible asset valuations. Goodwill is mainly attributable to the synergies expected to arise within the Group after acquisition. Other intangible assets relate to Citi consumer business customer relationships and core deposits.

The aggregated net cash outflows arising from the acquisition of the Consumer Business is as follows:

	Note	Group and Bank RM'000 1 November 2022
Loans to customers		12,980,003
Other assets		255,076
Total assets		13,235,079
Deposits of non-bank customers		(10,087,903)
Other liabilities		(175,786)
Total liabilities		(10,263,689)
Net assets acquired		2,971,390
Goodwill and other intangible assets	17	482,140
Deferred tax liabilities	18	(29,000)
Fair value adjustments		9,860
Cost of acquisition		3,434,390
Less: Net of cash acquired		(17,134)
Acquisition of consumer business		3,417,256

The contribution to revenue and net profit from the progressive consolidation of the acquired portfolio for the financial period from 1 November 2022 to 31 December 2022 was not material.

There were approximately RM615,221,000 one-off transactional costs relating to this business acquisition were included in the operating expenses for the financial year ended 31 December 2022.

Once the completion accounts are agreed, the completion adjustment amount will be paid. The purchase price allocation, the intangible asset valuations and goodwill relating to the acquisition, will be finalised and adjusted for where necessary.

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