UNITED OVERSEAS BANK (MALAYSIA) BHD | Annual Report 2013

Gazing 山 (Mountain)
Tan Rui Rong

United Overseas Bank (Malaysia) Bhd (271809K)

Contents

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

Gazing 山 (Mountain)

by Tan Rui Rong
Oil on Canvas

Mr Tan Rui Rong's Gazing 山 is the design inspiration for this year's UOB Group Annual Report. The painting received the Silver Award in the 2013 UOB Painting of the Year (Singapore) competition.

Mr Tan was moved by the philosophy of Buddhism Master Qing Yuan Wei Xin who said 见山是山 (a mountain is a mountain), 见山不是山 (a mountain is not a mountain), 见山还是山 (a mountain is still a mountain). The saying's deeper meaning reflects the changing perspectives people have as they progress through different stages in their lives.

Referencing Master Qing's philosophy, the artist uses the character 山 to represent the mountain. To the young boy standing at its foot, the immense mountain represents the promise of the future. With knowledge and resilience he will be able to scale its heights. It is a journey that will see him gain the wisdom to seize the many opportunities that will present themselves over time.

The UOB Painting of the Year competition now in its 32nd year, promotes awareness and appreciation of the arts and challenges artists to produce works that inspire audiences across Southeast Asia.

About United Overseas Bank (Malaysia) Bhd

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

UOB has had a presence in Malaysia since 1951. Today, UOB (Malaysia) operates 45 branches throughout the country.

UOB (Malaysia) offers an extensive range of commercial and personal financial services through its branches, subsidiaries and associate companies. Its services include commercial lending, investment banking, treasury services, trade services, home loans, credit cards, wealth management, general insurance and life assurance solutions.

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

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

Our Awards and Accolades in 2013

Global Banking and Finance Review
Global Banking and Finance Review Awards 2013
- Best Commercial Bank Malaysia

Asiamoney
Cash Management Polls 2013
- Best Foreign Cash Management Bank in Malaysia as voted by Small-sized Corporates
- Best Foreign Cash Management Bank in Malaysia as voted by Medium-sized Corporates
- Best Foreign Cash Management Bank in Malaysia as voted by Large-sized Corporates
- Best Overall Domestic Cash Management Services in Malaysia as voted by Small-sized Corporates
- Best Overall Domestic Cash Management Services in Malaysia as voted by Medium-sized Corporates
- Best Overall Cross-border Cash Management Services in Malaysia as voted by Small-sized Corporates

Morningstar
Malaysia Fund Awards 2013
- MYR Allocation
  OSK-UOB KidSave Trust

Rating Agency Malaysia Berhad (RAM)
RAM League Awards 2013
- BluePrint Award for New Structured Finance Benchmark Deal

Visa
Malaysia Bank Awards
- Best Visa Credit Card Launch
  UOB Malaysia Infinite Card
- Highest Payment Volume Growth
  UOB Malaysia Visa Classic

Chairman's Statement

In 2014, we will step up our efforts to grow our business while remaining firmly committed to building and deepening strong customer relationships.

2013 Review

United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) is pleased to report a solid set of results in this financial year despite the challenging external environment. The Bank achieved after-tax profit of RM1,039.5 million, a 12.1 per cent increase over 2012.

Total operating income rose by 8.8 per cent to RM2,322.5 million (2012: RM2,134.8 million), driven by higher net interest income and other operating income. Net interest income increased by 7.3 per cent to RM1,564.1 million (2012: RM1,457.4 million) mainly due to healthy loans growth. Other operating income increased by 12.0 per cent to RM758.4 million (2012: RM677.4 million) largely contributed by fee income and gains from disposal of an associate company and a property.

Total operating expenses increased by 11.0 per cent to RM809.3 million (2012: RM729.0 million) mainly from higher personnel expenses as we continued investing in our people, as well as establishment-related expenses. Overall, expenses were well-paced with a healthy cost-to-income ratio of 34.8 per cent.

Allowance for impairment on loans and advances reduced by 1.0 per cent to RM217.8 million (2012: RM220.0 million). This was mainly due to lower individual impairments by RM73.8 million but was offset by an increase in collective impairment by RM71.5 million, in line with loans growth and business conditions. Asset quality remained healthy with the net non-performing loans ratio at 1.3 per cent during the year.

Gross loans and advances grew by 11.5 per cent to RM62.3 billion (2012: RM55.9 billion) while non-bank deposits increased by 5.6 per cent to RM69.3 billion (2012: RM65.6 billion). Net loans-to-deposit ratio stood at 88.5 per cent.

2014 Outlook

The global economy is likely to see improvements in 2014, with the economic recovery in United States and Europe projected to pick up pace. The Malaysian economy is expected to be supportive of growth, underpinned by domestic demand from the private sector and the government's Economic Transformation Programme projects. Malaysia's Gross Domestic Product is generally projected to grow by about 5.0 per cent to 5.5 per cent in 2014 and the Overnight Policy Rate is expected to remain accommodative to growth.

In 2014, we will step up our efforts to grow our business while remaining firmly committed to building and deepening strong customer relationships.

As part of this, we will continue to grow our loans business selectively and to increase our deposits base in targeted segments. We will also focus on growing our fee income through more cross-selling efforts. In addition, we will continue to diversify into new industry sectors while remaining a key player in the real estate and property sector.

The technology we develop and deploy is important in our continued progress as it helps us to improve the efficiency of our processes and to drive productivity. In 2013, we completed a major exercise to standardise our core banking systems to those of the Group systems. This provides us with a common platform from which to serve our customers' needs in Malaysia and across the region in a seamless and standardised manner.

We recognise that sound risk management is fundamental to ensuring our business success. As the financial landscape continues to evolve, we continue to strengthen our internal risk management and controls, ensuring that they remain appropriate and effective. In 2013, we refined our risk appetite statement to ensure we remain consistent and within the boundaries of our risk appetite.

As always, and in everything that we do, we will continue to act with discipline and prudence as we manage our opportunities, costs and risks.

Acknowledgement

Our achievements in 2013 were made possible through the tireless effort of our dedicated employees. It is their nurturing of customer relationships through good times and bad that continues to see our business go from strength to strength.

With our strong management team and committed employees, grounded by the sound fundamentals of the Bank and continued productivity improvements, we believe we are well-positioned to achieve another year of growth and progress.

I would like to extend my gratitude to Chairman Emeritus, Dr Wee Cho Yaw, for his guidance and advice, as well as to my fellow board members for their active contribution and strong support.

On behalf of the Board of Directors, I would like to thank management and staff for their hard work and dedication, and especially to our customers for their continued support and understanding.

Ong Yew Huat
Chairman

Board of Directors and its Committees

BOARD OF DIRECTORS

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

Ong Yew Huat (Chairman)
Independent non-executive director

Wee Ee Cheong
Non-independent non-executive director

Francis Lee Chin Yong
Non-independent non-executive director

Abdul Latif Bin Yahaya
Independent non-executive director

Datuk Abu Huraira Bin Abu Yazid
Independent non-executive director

Wong Kim Choong
Non-independent executive director

AUDIT COMMITTEE

Abdul Latif Bin Yahaya (Chairman)

Datuk Abu Huraira Bin Abu Yazid

Francis Lee Chin Yong

RISK MANAGEMENT COMMITTEE

Datuk Abu Huraira Bin Abu Yazid (Chairman)

Abdul Latif Bin Yahaya

Francis Lee Chin Yong

REMUNERATION COMMITTEE

Datuk Abu Huraira Bin Abu Yazid (Chairman)

Wee Cho Yaw

Wee Ee Cheong

Francis Lee Chin Yong

NOMINATING COMMITTEE

Abdul Latif Bin Yahaya (Chairman)

Wee Cho Yaw

Wee Ee Cheong

Francis Lee Chin Yong

Datuk Abu Huraira Bin Abu Yazid

Board of Directors' Profiles

Wee Cho Yaw
Chairman Emeritus and Adviser

A banker with more than 50 years' experience, Dr Wee was appointed to the Board on 23 March 1994 and last re-appointed as Director on 13 April 2011. He was conferred the title of Chairman Emeritus and Adviser in 2013 after stepping down as Chairman. A non-independent and non-executive director, Dr Wee is a member of the Remuneration and Nominating Committees.

Dr Wee is the Chairman Emeritus and Adviser of United Overseas Bank Singapore and its subsidiary Far Eastern Bank. He is also Chairman of United Overseas Insurance, United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia and Supervisor of United Overseas Bank (China). In addition, Dr Wee chairs the boards of Haw Par Corporation, UOL Group and its subsidiary, Pan Pacific Hotels Group, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. He is also the Chairman of the Wee Foundation. Between 1973 and December 2013, he was also the Chairman of United International Securities.

Dr Wee was named Businessman of the Year at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. The Asian Banker conferred the Lifetime Achievement Award on him in 2009. Dr Wee is the Pro-Chancellor of the Nanyang Technological University and Honorary President of the Singapore Chinese Chamber of Commerce & Industry, the Singapore Federation of Chinese Clan Associations and the Singapore Hokkien Huay Kuan. He received Chinese high school education and was conferred an Honorary Doctor of Letters by National University of Singapore in 2008. For his outstanding contributions in community work, he was conferred the Distinguished Service Order, Singapore's highest National Day Award in 2011.

Ong Yew Huat
Chairman

Mr Ong was appointed to the Board on 2 January 2013. An independent and non-executive director, he was appointed Chairman on 12 April 2013. He is also a Director of United Overseas Bank Singapore.

A director of Singapore Power, Mr Ong is also Chairman of the National Heritage Board of Singapore and a board member of the Accounting and Corporate Regulatory Authority of Singapore.

He retired in December 2012 as the Executive Chairman of Ernst & Young Singapore after serving 33 years with the firm.

A known supporter of the arts, Mr Ong is Chairman of the Singapore Tyler Print Institute. In 2011, he was awarded the Public Service Medal for his contribution to the arts in Singapore.

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

Wee Ee Cheong

Mr Wee was appointed to the Board on 23 March 1994 and last re-elected as Director on 19 December 2011. A non-independent and non-executive director, Mr Wee is a member of the Remuneration and Nominating Committees.

A career banker, Mr Wee joined United Overseas Bank Singapore in 1979, and is its Deputy Chairman and CEO. He also holds directorships in UOB subsidiaries Far Eastern Bank, United Overseas Insurance and United Overseas Bank (Thai) Public Company. He is the Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Active in regional industry development, Mr Wee serves as a council member of The Association of Banks in Singapore, a Director of The Institute of Banking & Finance and Chairman of the Financial Industry Competency Standards Steering Committee. He is a member of the Board of Governors of Singapore-China Foundation, Visa APCEMEA Senior Client Council and Advisory Board of INSEAD East Asia Council and International Council and an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He had previously served as Deputy Chairman of the Housing & Development Board Singapore and as a Director of the Port of Singapore Authority, UOL Group, Pan Pacific Hotels Group and United International Securities. In 2013, he was awarded the Public Service Star in Singapore for his contributions to the financial industry.

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

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

Francis Lee Chin Yong

Mr Lee was appointed to the Board on 1 September 1998 and last re-elected as Director on 13 April 2011. He is a member of the Audit, Risk Management, Remuneration and Nominating Committees. Mr Lee joined United Overseas Bank Singapore in 1980. He currently leads the Group's consumer and small business retail divisions. Prior to his appointment in Singapore in 2003, he was the CEO of UOB (Malaysia). Between 2003 and 2008, Mr Lee was the head of International and spearheaded the Group's regional expansion. He was also responsible for the Bank's Consumer Banking business in Singapore and the region. He holds a Malaysia Certificate of Education and has more than 30 years of experience in the financial industry.

Wong Kim Choong

Mr Wong was appointed as Director and CEO of UOB (Malaysia) on 1 October 2012. He holds a Bachelor of Commerce from the University of Toronto, Canada. Mr Wong has 29 years of banking experience.

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

Abdul Latif Bin Yahaya

Encik Abdul Latif was appointed to the Board on 19 June 2008 as an independent non-executive director and last re-elected as Director on 18 June 2011. He is the Chairman of the Audit and Nominating Committees and a member of the Risk Management Committee. Encik Abdul Latif also serves on the boards of several other private companies including Semarak Pesona Sdn Bhd, NCL Solutions Sdn Bhd, Riyan Tech (M) Sdn Bhd, Vigorvest Sdn Bhd, Zag T 3 Sdn Bhd and Sumadhura Technologies (M) Sdn Bhd.

He holds a Diploma in Public Administration and Local Government from the then Institute Technology Mara (now UiTM) and a Bachelor of Business Administration awarded by Ohio University. Encik Abdul Latif has wide working experience in the financial services industry and has served in various senior capacities. He began his career as an Administrative Officer with Bank Negara Malaysia from 1971 to 1978 and subsequently joined Orix Leasing Malaysia Berhad. In 1984, Encik Abdul Latif was appointed the Managing Director of Arab Malaysian Credit Berhad, a position he held until 1996. He then became the Managing Director of Arab-Malaysian Assurance Berhad (now known as AmAssurance Berhad) until he left in 1999. From 1999 to 2004, he was the Advisor to the CEO/Vice Chairman of Orix Leasing Malaysia Berhad. In 2008, he assumed the position of Managing Director/CEO of ICB Islamic Bank Ltd., Dhaka, Bangladesh. During his working career, Encik Abdul Latif was the Chairman of the Equipment Leasing Association of Malaysia for seven years and the President of the Asian Leasing Association for two years.

Datuk Abu Huraira Bin Abu Yazid

Datuk Abu was appointed to the Board on 5 February 2010 as an independent non-executive director and last re-elected as Director on 4 February 2013. He is the Chairman of the Bank's Risk Management and Remuneration Committees. He is also a member of the Audit and Nominating Committees. Datuk Abu also serves on the boards of other private companies such as Equinox 8 Sdn Bhd, HY Connections Sdn Bhd, Jalur Salju Sdn Bhd, Kingdom Base Sdn Bhd and iDataMap (M) Sdn Bhd.

He holds a Bachelor of Economics, majoring in Business Management from the University of Malaya. Datuk Abu has wide working experience with a career spanning 33 years in financial, postal and express air cargo industries. He started his career in 1976 as the Head of Maybank card business up to 1986. Thereafter, he joined Chase Manhattan (now known as JP Morgan Chase) until 1988. From 1988 to 2000, Datuk Abu held senior positions in Citibank Malaysia and Public Bank. In 2000, Datuk Abu was appointed the CEO of National Savings Bank, a position he held until 2004. Datuk Abu was also a member of VISA International's Advisor's Debit Group, Commercial Products Planning Committee and the Membership, Rules & Risk Committee.

From 2001 to 2009, he assumed the position of Executive Director of Pos Malaysia Berhad. He served as a member of a three-man Executive Committee at Board level to manage Transmile Berhad from 2007-2009. In 2009, he was appointed Chairman of Social Security Organisation (SOCSO), a position he had held on until todate.

Corporate Information

SENIOR MANAGEMENT

Wong Kim Choong
Chief Executive Officer

Kevin Lam Sai Yoke
Deputy Chief Executive Officer

Annie Tan Huey Ping
Managing Director
Country Head, Personal Financial Services

Alex Por Peng Seong
Executive Director
Country Head, Risk Management

Andre Lee Ean Chye
Executive Director
Country Head, Transaction Banking

Beh Wee Khee
Executive Director
Country Head, Commercial Banking II

Daniel Loke Chee Keen
Executive Director
Country Head, Compliance

David Tan Kok Soon
Executive Director
Country Head, Credit - Corporate and Financial Institutions

Goh Cheng Ean
Executive Director
Country Head, High Networth Banking

Kan Wing Yin
Executive Director
Country Head, Commercial Banking I

Lee Voon Seng
Executive Director
Country Head, Human Resources

Lim Jit Yang
Executive Director
Country Head, Corporate Banking II

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

Low Choon Seong
Executive Director
Country Head, Credit - Middle Market

Lum Chee Onn
Executive Director
Country Head, Technology and Operations

Michael Beh Soo Heng
Executive Director
Country Head, Global Markets and Investment Management

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

Ong Kit Ping
Executive Director
Country Head, Legal and Secretariat

Ong Yee Ben
Executive Director
Country Head, Internal Audit

Raymond Chui Keng Leng
Executive Director
Country Head, Business Banking

Ronnie Yam Soon Lee
Executive Director
Country Head, Finance and Corporate Services
Chief Financial Officer

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

Steven Ng Ling Tee
Executive Director
Country Head, Specialised Financing

Wee Hock Kiong
Executive Director
Country Head, Credit - Retail

Yap Kok Tee
Executive Director
Country Head, Channels

SECRETARY
Ong Kit Ping

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

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

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

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

Branch Network

Federal Territory / Negeri Sembilan

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

Federal Territory

Kuala Lumpur Main Branch
Level 2, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-2692 4511
Fax: 03-2691 3110
Manager: Mona Tan Swee Ling

Jalan Imbi Branch
197-199, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-2143 5722
Fax: 03-2148 9725
Manager: Tan Ah Ng

Jalan Pudu Branch
408-410, Jalan Pudu
55100 Kuala Lumpur
Tel: 03-9222 5135 / 03-9222 9022
Fax: 03-9221 6667
Manager: Lee Kim Thye

Jalan Sultan Ismail Branch
Unit 1-6, Ground Floor
President House
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2142 8828
Fax: 03-2141 1212
Manager: En Chung Teck

Medan Pasar Branch
Bangunan UOB, Medan Pasar
10-12, Medan Pasar
50050 Kuala Lumpur
Tel: 03-2772 8000
Fax: 03-2031 9387 / 03-2070 8058
Manager: Jonathan How Boon Seong

Negeri Sembilan

Seremban Branch
24-26, Jalan Dato' Lee Fong Yee
70000 Seremban
Tel: 06-762 5651 / 06-762 5652
Fax: 06-763 5303
Manager: Chan Chee Peng

Federal Territory / Selangor

Central Area II
2108, Jalan Meru
41050 Klang
Tel: 03-3361 2197
Fax: 03-3342 1135
Area Manager: Kelly Wong Siew Ling

Federal Territory

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

Selangor

Ijok Branch
57, Jalan PPAJ 3/1
Pusat Perdagangan Alam Jaya
42300 Bandar Puncak Alam
Tel: 03-6038 8292
Fax: 03-6038 8289
Manager: Christopher Tan Chor How

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: Oh Seng Hu

Shah Alam Branch
2A, Ground Floor, Wisma SunwayMas
Jalan Tengku Ampuan Zabedah C9/C
Section 9, 40100 Shah Alam
Tel: 03-5891 6213
Fax: 03-5891 6052
Manager: Karen Lee Shek Fern

USJ Taipan Branch
7, Jalan USJ 10/1
USJ Taipan Triangle
47620 UEP Subang Jaya
Tel: 03-5565 2000
Fax: 03-5631 8703
Manager: Kennedy Choo Wei Hong

Selangor

Central Area III
Ground Floor, 1, Jalan SS21/58,
Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7726 2299
Fax: 03-7727 5566
Area Manager: Woon Siew Hoong

Ampang Branch
495, Jalan Lima
Taman Ampang Utama
Jalan Ampang
68000 Ampang
Tel: 03-4264 0288
Fax: 03-4257 8322
Manager: Janny Yew Beng Guay

Cheras Branch
35, Jalan Desa Cahaya 11
Taman Desa Bukit Cahaya
56100 Cheras
Tel: 03-9106 2788
Fax: 03-9105 3281
Manager: Andy Loo Say Chye

Damansara Uptown Branch
Ground Floor, 1, Jalan SS21/58
Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7726 2299
Fax: 03-7727 5566
Manager: Wong Yin Pheng

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

Jalan Tengah Branch
2-6, Jalan Tengah
46200 Petaling Jaya
Tel: 03-7956 9057 / 03-7958 2282
Fax: 03-7955 9110
Manager: Ameena Beevi Bt Mohamed Saleh

Puchong Branch
6, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Tel: 03-8076 8989
Fax: 03-8076 8181
Manager: Georgina Tia Lee Ping

Pahang / Terengganu / Kelantan

East Coast Area
2, Jalan Besar
25000 Kuantan
Tel: 09-516 1820
Fax: 09-513 8266
Area Manager: Liew Chai Kar

Pahang

Kuantan Branch
2, Jalan Besar
25000 Kuantan
Tel: 09-514 4155 / 09-516 1844 / 09-516 4755
Fax: 09-513 8266
Manager: Wong Hip Sai

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

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

Terengganu

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

Kelantan

Kota Bharu Branch
3999, Jalan Tok Hakim
15000 Kota Bharu
Tel: 09-748 2699 / 09-748 3066
Fax: 09-748 4307
Manager: Shaharom Bin Kahar

Perak / Pulau Pinang / Kedah

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

Perak

Ipoh Branch
2, Jalan Dato' Seri Ahmad Said
30450 Ipoh
Tel: 05-254 0008 / 05-254 0200
Fax: 05-254 9092
Manager: Choo Kin Chuan

Pulau Pinang

Bukit Mertajam Branch
1, Jalan Tembikai
Taman Mutiara
14000 Bukit Mertajam
Tel: 04-537 9898 / 04-538 8233
Fax: 04-530 3818
Manager: Tan Yang Cheng

Butterworth Branch
4071 & 4072, Jalan Bagan Luar
12000 Butterworth
Tel: 04-314 8000
Fax: 04-332 4300
Manager: Yeong Ai Vee

Jalan Kelawei Branch
9, Jalan Kelawei
10250 Pulau Pinang
Tel: 04-226 1777
Fax: 04-226 2382
Manager: Lee Ai Pin

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

Kedah

Alor Setar Branch
55 Jalan Gangsa
Kawasan Perusahaan Mergong 2
05150 Alor Setar
Tel: 04-732 1366
Fax: 04-733 0621
Manager: Chang Tow Heng

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

Melaka / Johor

South Area Centre
Bangunan UOB
8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Tel: 07-360 6878 / 07-355 3755
Fax: 07-360 6826
Area Manager: Koh Boon Huat

Melaka

Plaza Mahkota Branch
1, Jalan PM5
Plaza Mahkota
75000 Melaka
Tel: 06-283 8840 / 06-283 8841
Fax: 06-283 8868
Manager: Sneah Thean Keng

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

Johor

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

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

City Square Branch
Lot 1-23, Johor Bahru City Square
106-108, Jalan Wong Ah Fook
80000 Johor Bahru
Tel: 07-219 6300 / 07-224 1344 / 07-224 1388
Fax: 07-224 3706
Manager: Ricky Teo Choh Meng

Kluang Branch
14-16, Jalan Datok Kapt Ahmad
86000 Kluang
Tel: 07-772 1967 / 07-772 5968 / 07-772 1969
Fax: 07-773 0267 / 07-772 1977
Manager: Eric Lin Yok Kong

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

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

Sabah / Sarawak

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

Sabah

Kota Kinabalu Branch
Bangunan UOB
70, Jalan Gaya
88000 Kota Kinabalu
Tel: 088-319 555
Fax: 088-314 888
Manager: Ku Nyet Fan

Sandakan Branch
2nd Avenue
90000 Sandakan
Tel: 089-212 028 / 089-217 833
Fax: 089-225 577
Manager: Soo Shir Li

Tuaran Branch
9 & 10, Jalan Datuk Dusing
89208 Tuaran
Tel: 088-788 567
Fax: 088-788 979
Manager: Ku Nyet Fan

Sarawak

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

Miri Branch
108 & 110, Jalan Bendahara
98000 Miri
Tel: 085-433 322
Fax: 085-422 221
Manager: George Lai Ted Min

Kuching Branch
1-3, Main Bazaar
93000 Kuching
Tel: 082-421 291
Fax: 082-428 546
Manager: Emily Rolanda Yong

Bintulu Branch
207 & 208, Parkcity Commerce Square (Phase III)
Jalan Tun Ahmad Zaidi
97000 Bintulu
Tel: 086-312 232
Fax: 086-338 381
Manager: Tony Tong Yen Ek

Corporate Governance

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

BOARD OF DIRECTORS

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

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

Mr Ong Yew Huat (Chairman)
Independent and non-executive

Mr Wee Ee Cheong
Non-independent and non-executive

Mr Francis Lee Chin Yong
Non-independent and non-executive

Encik Abdul Latif Bin Yahaya
Independent and non-executive

Datuk Abu Huraira Bin Abu Yazid
Independent and non-executive

Mr Wong Kim Choong
Non-independent and executive

Mr Wong Kim Choong, the non-independent executive director and CEO of UOB (Malaysia), is responsible for the day-to-day management of the Bank. All the other directors are non-executive and play a valuable role in monitoring management decisions. The independent non-executive directors enhance the governance of the Bank with their objective perspectives. All directors participate actively in Board deliberations. Where a potential conflict between the duties or interests of a director and a matter which concerns the Bank arises, the director concerned must declare the facts and nature of his interest to the Board and abstain from the deliberation on the matter.

The Board has oversight responsibility for the business and affairs of UOB (Malaysia). It sets the overall business direction and provides guidance to Management on UOB (Malaysia)'s strategic plans. It meets regularly to review UOB (Malaysia)'s business plans and the operating results achieved.

Directors have direct and unrestricted access to Management for information and clarification on matters pertaining to the Bank. They also have access to the Company Secretary whose responsibilities include ensuring that Board procedures are adhered to, and advising the Board on corporate governance issues and applicable legislations and regulations.

Prior to each Board Meeting, directors are provided with timely and complete information to enable them to discharge their responsibilities and make informed decisions.

As a group, the directors have vast and varied experience in banking, finance, business and management, and the skills and expertise relevant to the business of the Bank. The directors also recognise the importance of training and development to keep abreast of prudential requirements and best practices. For the year under review, they attended various training programmes related to their duties as directors of UOB (Malaysia) including financial analysis, governance and risk management practices. Where appropriate, directors may seek independent professional advice on any matter pertaining to UOB (Malaysia), the costs of which are borne by the Bank. New directors appointed by the Board are briefed on UOB (Malaysia)'s objectives, businesses, operations and corporate governance practices upon taking office.

The Board meets at least six times a year. Directors' attendance at Board and Board Committee meetings in 2013 is set out in the table below.

	Number of meetings attended in 2013				
	Board of Directors	**Audit Committee**	**Risk Management Committee**	**Remuneration Committee**	**Nominating Committee**
Dr Wee Cho Yaw	5	N/A	N/A	1	1
Mr Ong Yew Huat	7	N/A	N/A	N/A	N/A
Mr Wee Ee Cheong	6	N/A	N/A	2	2
Mr Francis Lee Chin Yong	6	4	8	3	2
Encik Abdul Latif Bin Yahaya	7	4^	9	N/A	2^
Datuk Abu Huraira Bin Abu Yazid	7	4	9^	3^	1
Mr Wong Kim Choong	6	N/A	N/A	N/A	N/A
Number of meetings held in 2013	7	4	9	3	2

^ *Chairman of Committee.*

BOARD COMMITTEES

The Board has delegated specific responsibilities to four Board Committees, namely the Audit Committee, Risk Management Committee, Remuneration Committee and Nominating Committee. Each committee has written terms of reference which set out its roles and responsibilities. The terms of reference are approved by the Board. The members of the four Board Committees are set out on page 6. Where appropriate, the CEO and other senior executives are in attendance at Board Committee meetings to answer any query from committee members. After each meeting, the chairman of the respective Board Committees reports to the Board on significant issues and concerns discussed, and where applicable, recommendations made during the meetings.

AUDIT COMMITTEE

The Audit Committee (AC) comprises two independent non-executive directors and a non-independent non-executive director. The role of the AC includes assisting the Board to review financial reports, the internal and external audit functions, and the effectiveness and adequacy of the Bank's internal control system.

The AC meets the external auditors to review the annual financial statements, nature and scope of the external audit and audit plan, significant changes in accounting standards and audit issues. In addition, the AC reviews the adequacy of the scope, functions and resources of the internal audit function in performing its duties independently. At least once a year, the AC meets with the external and internal auditors in the absence of Management.

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

RISK MANAGEMENT COMMITTEE

The Risk Management Committee (RMC) comprises two independent non-executive directors and a non-independent non-executive director. It assists the Board in overseeing the establishment and operation of a robust risk management system, policies, processes and procedures to identify, monitor, control and report risks. The RMC also oversees Senior Management's activities in managing credit, market, liquidity, operational, legal and other risks.

REMUNERATION COMMITTEE

The Remuneration Committee (RC) comprises an independent non-executive director and three non-independent non-executive directors. It reviews the remuneration policy of the Bank and the remuneration for directors, the CEO and key senior executives for reasonableness and alignment with UOB (Malaysia)'s strategic objectives and corporate values. It also recommends the remuneration of directors, the CEO and key senior management officers for the full Board's approval.

NOMINATING COMMITTEE

The Nominating Committee (NC) comprises two independent non-executive directors and three non-independent non-executive directors. The main responsibilities of the NC include recommending to the Board suitable candidates for appointment as director and to key senior positions, as well as reviewing the composition of the Board for the appropriate balance of independent and non-independent directors with the right skills, expertise and experience. Each year, the NC assesses the contribution and performance of each director, the Board as a whole and key senior executives.

FINANCIAL REPORTING

In presenting the annual accounts and quarterly announcements, the Board is committed to present a balanced, clear and understandable assessment of the financial position and prospect of the Bank. The Board is assisted by the Audit Committee to oversee the Bank's financial reporting by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness.

The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements of the Bank is set out on page 35.

INTERNAL AUDIT

The Bank has a well-established internal audit function which reports to the Audit Committee (AC) functionally and to the CEO administratively. The primary role of Internal Audit is to provide independent assessment of the adequacy and effectiveness of the Bank's system of risk management, control and governance processes. It operates within the framework defined in its Internal Audit Charter.

Internal Audit reviews and audits the Bank's businesses and operations and the operations of its subsidiaries according to a risk-based audit plan. The plan is reviewed annually and tabled to the AC for approval. Its responsibilities include but are not limited to, the audits of operations, lending practices, financial controls, regulatory compliance, information technology and the risk management process of the Bank.

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 formally tabled to the Board of Directors. In addition, the Chief Internal Auditor also reports key audit findings and other control concerns to the Deputy Chairman and CEO of the Group, as well as the Head of Group Audit monthly.

Pillar 3 Disclosure

United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)), in compliance with the requirements under Bank Negara Malaysia (BNM) Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), various additional quantitative and qualitative disclosures have been included in the annual report under the section 'Pillar 3 Disclosure'. Some of the disclosure requirements are also required under MFRS 7- Financial Instrument Disclosure which became effective on 1st January 2012 for the Bank which also included adoption of revised standards beginning on or after 1st January 2013. These disclosures have been included under 'Notes to the Financial Statements'. The disclosures are to facilitate the understanding of the Bank's risk profile and assessment of the Bank's capital adequacy.

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 associates is accounted for using the equity method from the date the Bank obtains significant influence over the associates until the date such significant influence ceases.

However, for the purpose of computing capital adequacy requirements at the Bank level, investments in a subsidiary that carries out insurance business as an insurer are excluded from the consolidated financial statements of the Bank. In compliance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), such investments are deducted from regulatory capital.

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

All subsidiaries' capital are fully deducted from Tier-2 capital and are consolidated for regulatory purposes.

CAPITAL ADEQUACY

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

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

i) Setting capital targets for UOB (Malaysia). As part of this, we take into account future regulatory changes and stakeholder expectations;
ii) Forecasting capital demand for material risks based on the UOB (Malaysia)'s risk appetite. This is evaluated across all business segments and includes UOB (Malaysia)'s capital position before and after mitigation actions under adverse but plausible stressed conditions; and
iii) 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 UOB (Malaysia) while the Risk and Capital Committee manages the UOB (Malaysia)'s ICAAP and overall risk profile and capital requirements of UOB (Malaysia). Each quarter, the Risk Management Committee and senior management are updated on the UOB (Malaysia)'s capital position. The capital management plan, the contingency capital plan, as well as any capital management actions, are submitted to the senior management team and/or the Board for approval.

The aggregate breakdown of risk weighted assets (RWA) by exposure in each category of the Bank for the current financial period 31st December 2013 are as follows:

RM'000

Item	Exposures Class	Exposures Pre CRM	Exposures Post CRM	RWA	Min Cap. Requirement at 8%
1.0	**Credit Risk**				
1.1	**Exempted Exposures under Standardised Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	24	24	12	1
	Corporates	1,402,853	1,395,961	825,804	66,064
	Other Assets	470,005	470,005	355,497	28,440
	Defaulted Exposures	7,318	7,317	10,976	878
	Total On Balance Sheet Exposure	**1,880,200**	**1,873,307**	**1,192,289**	**95,383**

CAPITAL ADEQUACY (Continued)

The aggregate breakdown of risk weighted assets (RWA) by exposure in each category of the Bank for the current financial period 31st December 2013 are as follows:

RM'000

Item	Exposuse Class	Exposures Pre CRM	Exposures Post CRM	RWA	Min Cap. Requirement at 8%
1.0	**Credit Risk (Continued)**				
1.1	**Exempted Exposures under Standardised Approach (Continued)**				
	Off-Balance Sheet Exposures				
	OTC Derivatives	143,400	143,400	110,874	8,870
	Off Balance sheet exposures other than OTC derivatives or credit derivatives	124,444	117,399	117,399	9,392
	Defaulted Exposures	-	-	-	-
	Total Off Balance Sheet Exposure	**267,843**	**260,799**	**228,273**	**18,262**
	Total On and Off-Balance Sheet Exposures (STD)	**2 ,148,043**	**2,134,106**	**1,420,562**	**113,645**
1.2	**Exposures under FIRB Approach**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	23,259,968	23,259,968	-	-
	Banks, Development Financial Institutions & MDBs	1,094,133	1,094,133	108,643	8,691
	Corporate Exposures	21,719,053	20,089,590	20,051,587	1,604,127
	Equity (Simple Risk Weight)	33,572	33,572	130,350	10,428
	Defaulted Exposures	545,509	532,776	-	-
	Total for On-Balance Sheet Exposures	**46,652,235**	**45,010,038**	**20,290,581**	**1,623,246**
	Off-Balance Sheet Exposures				
	Off Balance sheet exposures other than OTC derivatives or credit derivatives	4,506,825	3,866,862	3,384,722	270,778
	OTC Derivatives	685,309	663,050	312,792	25,023
	Defaulted Exposures	1,962	1,536	-	-
	Total Off-Balance Sheet Exposures	**5,194,097**	**4,531,449**	**3,697,513**	**295,801**
	Total On and Off-Balance Sheet Exposures (FIRB)	**51,846,332**	**49,541,486**	**23,988,095**	**1,919,048**
1.3	**Exposures under AIRB Approach**				
	On-Balance Sheet Exposures				
	Corporate Exposures	38,693	42,138	23,690	1,895
	Residential Mortgages	25,051,349	25,051,349	2,881,675	230,534
	Qualifying Revolving Retail Exposures	1,939,008	1,939,008	915,703	73,256
	Other Retail Exposures	13,027,183	13,027,183	2,808,471	224,678
	Defaulted Exposures	550,376	550,376	442,316	35,385
	Total for On-Balance Sheet Exposures	**40,606,610**	**40,610,055**	**7,071,854**	**565,748**
	Off-Balance Sheet Exposures				
	Off Balance sheet exposures other than OTC derivatives or credit derivatives	2,891,415	2,891,415	474,593	37,967
	OTC Derivatives	1,337	1,337	599	48
	Defaulted Exposures	180	180	304	24
	Total Off-Balance Sheet Exposures	**2,892,932**	**2,892,932**	**475,496**	**38,040**
	Total On and Off-Balance Sheet Exposures (AIRB)	**43,499,542**	**43,502,987**	**7,547,350**	**603,788**

CAPITAL ADEQUACY (Continued)

The aggregate breakdown of risk weighted assets (RWA) by exposure in each category of the Bank for the current financial period 31st December 2013 are as follows:

RM'000

Item	Exposuse Class	Exposures Pre CRM	Exposures Post CRM	RWA	Min Cap. Requirement at 8%
1.3	<u>**Exposures under AIRB Approach (Continued)**</u> **Total (Exempted Exposures and Exposures under IRB Approach)**	**95,345,874**	**93,044,473**	**31,535,444**	**2,522,836**
	Total (Exempted Exposures and Exposures under IRB Approach) after scaling factor			**33,427,571**	**2,674,206**
2.0	Large Exposures Risk Requirement				
3.0	Market Risk	**Long Position**	**Short Position**		
	Interest Rate Risk	**15,336,907**	**8,227,792**	**604,070**	**48,326**
	Foreign Currency Risk	**39,775**	**(29,936)**	**41,805**	**3,344**
	Options Risk	**-**	**-**	**30,717**	**2,457**
4.0	Operational Risk (Basic indicator approach)			**3,916,707**	**313,337**
5.0	Total RWA and Capital Requirements			**39,441,432**	**3,155,315**

RISK MANAGEMENT

The effective management of financial and non-financial risks is integral to the Bank's business success. Our risk management strategy is targeted at ensuring on-going effective risk discovery and achieving effective capital management. Risks are managed within the levels established by the Bank's various senior management committees and approved by the Board and/or its committees.

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

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

This framework is supported by the appropriate Board and senior management committees.

CREDIT RISK

Credit risk policies and processes
Credit policies and processes are in place to manage credit risk in the following key areas:

Credit approval process
To maintain independence and integrity of the credit approval process, the credit approval function has been segregated from that of credit origination. Credit approval authority is delegated through a risk-based Credit Discretionary Limit (CDL) structure where the CDL to approve a credit is scaled to a borrower's rating. The delegation of CDL follows a stringent process that takes into consideration the experience, seniority and track record of the officer. All credit approving officers are guided by credit policies and credit acceptance guidelines that are periodically reviewed to ensure their continued relevance to the Bank's business strategy and the business environment.

Credit risk concentration
A risk-sensitive process is in place to regularly review, manage and report credit concentrations and portfolio quality. This includes monitoring concentration limits and exposures by obligors, portfolios, borrowers and industries. Limits are generally set as a percentage of the Bank's capital base.

Obligor limits ensure that there is no undue concentration to a group of related borrowers that may potentially pose a risk to the Bank.

Portfolio and borrower limits ensure that lending to borrowers with weaker credit ratings is confined to acceptable levels. These limits are generally tiered according to the borrowers' internal ratings.

Industry limits ensure that any adverse effect arising from an industry-specific risk event is confined to acceptable levels.

Country risk

Country risk is managed within an established framework that includes setting of limits for each country based on the country's risk rating as well as the Bank's business strategy.

Credit stress test

The Bank incorporates credit stress testing as an integral part of its credit portfolio management process. Stress testing is conducted periodically and allows the Bank to assess the potential losses arising from unlikely but plausible adverse events.

Credit exposures from foreign exchange and derivatives

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

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

As at 31 December 2013, in the event of a two-notch downgrading of UOB (Malaysia)'s credit rating, UOB (Malaysia) would not be required to post additional collateral with its counterparties.

For Internal Ratings-Based (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.

Delinquency monitoring

An account is considered as delinquent when payment is not received on due date. Any delinquent accounts, including a revolving credit facility (such as an overdraft) with limit excesses, is closely monitored and managed through a robust process by officers from business units and risk management. Where appropriate, these accounts are also subject to more frequent credit reviews.

Classification and loan loss impairment

The Bank classifies its credit portfolios according to the borrower's ability to repay the credit facility from their normal source of income. Any account which is in delinquent or (for revolving credit facility such as an overdraft) in excess for more than 90 days will automatically be categorised as "Non-Performing".

All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with Bank's Policy.

Upgrading and declassification of a Non-Performing account to 'Pass' or 'Special Mention' status shall be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. The Bank must also be satisfied that once the account is declassified, the account is unlikely to be classified again in the near future.

A restructured account is categorised as Non-Performing and 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 restructured terms. A restructured account must comply fully with the restructured terms before it can be declassified.

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

Bank Special Asset Management

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

Write-off Policy

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

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

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

Risk Weights	2013 Net Exposures
	RM'million
0% to 50%	872
51% to 100%	1,255
101% and above	7
Total	2,134

Risk Weights	2012 Net Exposures
	RM'million
0% to 50%	956
51% to 100%	6,170
101% and above	56
Total	7,182

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.

			2013
	Standardised*	FIRB	AIRB
	RM'million	RM'million	RM'million
Total Credit Exposures	2,148	51,846	43,500

			2012
	Standardised*	FIRB	AIRB
	RM'million	RM'million	RM'million
Total Credit Exposures	7,528	43,735	31,691

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

UOB (Malaysia) had on 7th January 2010 received approval from BNM to migrate directly to the Internal Ratings Basel Approach for credit risk beginning January 2010 as per the Risk-Weighted Capital Adequacy Framework.

Internal rating system

The Bank's internal rating system consists of statistical and expert judgment models.

A statistical model is one whereby the risk factors and their risk weights are determined using a statistical method (for example, logistic regression). Such models are developed for portfolios with sufficient internal historical loss data such as the SME portfolio.

An expert judgement model is one whereby the risk factors and their risk weights are determined judgementally by credit experts. Such models are developed for portfolios with limited or no internal historical loss data, such as the Bank and Sovereign asset classes.

All rating models are subjected to annual reviews conducted by model owners to ensure that the chosen risk factors measure appropriately the risks in the respective portfolios. The models are independently validated by Risk Analytics Division before they are implemented.

The Probability of Default (PD) is an estimate of the likelihood that an obligor will default within the next 12 months. An obligor is considered to have defaulted if:

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

The Bank's internal corporate risk rating process provides a PD-based credit assessment of a borrower over a one-year time horizon.

The rating represents the Bank's assessment of the borrower's ability and willingness to contractually perform despite adverse economic conditions or the occurrence of unexpected events. Therefore, the Bank uses a longer time horizon in the rating assignment process, although the time horizon used in PD estimation is one year.

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

Corporate asset class
The Bank has developed models to rate exposures in the Large Corporate and SME asset class. The rating structure consists of two dimensions:

i) Risk of borrower default: Customer Risk Rating (CRR) is the standalone rating of a borrower's credit risk based on financial (quantitative) and non-financial (qualitative) factors. This is derived from a comprehensive assessment of the borrower's financial strength, quality of management, business risks, and the industry in which it operates.
ii) Transaction-specific factors: Expected Loss Rating is the rating of a facility's risk based on the borrower's CRR, facility and collateral-specific factors such as the type and structure of the facility, availability and type of collateral, and seniority of the exposure.

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

Specialised Lending asset sub-class
Within the corporate asset class, the Bank has three sub-classes for Specialised Lending: Income Producing Real Estate (IPRE), Commodities Finance (CF), and Project Finance (PF). Specialised Lending exposures are treated separately from normal corporate exposures. Such exposures generally possess the following attributes either in legal form or economic substance:

i) The exposure is typically to an entity (often a special purpose entity) which is created specifically to finance and/or operate physical assets;
ii) The borrowing entity has little or no other material assets or activities, and therefore little or no independent capacity to repay the obligation besides the income that it receives from the asset(s) being financed;
iii) The terms of the obligation give the Bank a substantial degree of control over the asset(s) and the income that it generates; and
iv) The primary source of repayment of the obligation is the income generated by the asset(s), rather than the independent capacity of a broader commercial enterprise.

Income Producing Real Estate (IPRE)
The Bank has developed the IPRE model to rate exposures in this asset sub-class. The internal risk grades are derived based on a comprehensive assessment of the project's financial and non-financial risk factors. The rating grade structure follows that of the corporate asset class and consists of 16 pass grades and four default grades.

Commodities Finance (CF) and Project Finance (PF)
The Bank has CF and PF scorecards to rate exposures in this asset sub-class. The internal risk grades are derived based on financial and non-financial risk factors. The internal risk grades are then mapped to five prescribed supervisory categories, each of which is associated with a specific risk weight. The five categories are 'Strong', 'Good', 'Satisfactory', 'Weak' and 'Default'.

Sovereign asset class
The Bank has an internal Sovereign scorecard to rate exposures in this asset class. As there is insufficient internal default data, the scorecard takes into account external default data from ECAIs. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Bank asset class
The Bank has an internal Bank scorecard to rate exposures in this asset class. As there is insufficient internal default data, the scorecard takes into account external default data from ECAIs. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Equity asset class
The Bank adopts the following approaches for its equity investments:

i) Simple Risk Weight (SRW) Method for its equity investment portfolio; and
ii) Probability of Default/Loss Given Default (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 Bank scorecard.

Retail asset class
For Retail exposures under the AIRB Approach, PD, LGD and Exposure At Default (EAD) parameters are estimated using internal loss data covering a mix of economic conditions, including downturns. A key principle of the PD, LGD and EAD models is that the model outputs are calibrated to reflect a long-run, cycle-neutral average. Where internal loss data does not cover an appropriate mix of economic conditions and/or are insufficient to provide robust risk estimates, the PD, LGD and EAD models may incorporate internal and/or external proxies, and where necessary, may be augmented with appropriate margins of conservatism.

Probability of Default (PD)
PD is estimated using the long-run average of one-year default

rates for obligors in a pool. Where internal default data used for estimation do not cover a mix of economic conditions (including downturns), internal and/or external proxies are used to adjust default rates to reflect a long-run, cycle-neutral average.

Loss Given Default (LGD)

LGD measures the long-run default-weighted average rate of economic loss associated with a facility/pool should default occur. The definition of default in the LGD model is identical to that of the PD model. Loss rates are estimated from historical workout experiences, taking into account the timing and uncertainty of recovery cash flows, direct and indirect costs associated with workouts, as well as the various post-default outcomes, such as cures, full recoveries and liquidations.

Where there are significant adverse dependencies between default and recovery rates, LGD estimates are calibrated to reflect economic downturns. In the event that internal workout data are insufficient to fully reflect loss rates during economic downturns, internal and/or external proxies are used to adjust the loss rates accordingly.

Exposure At Default (EAD)

EAD measures the expected gross exposure of a facility upon default. The definition of default in the EAD model is identical to that of the PD model. EAD comprises:

i) the amount currently drawn; and
ii) an estimate of future drawings of available but unutilised credit up to and after the time of default, known as the Credit Conversion Factor (CCF).

Since the amount currently drawn is known, the estimation of EAD involves the estimation of the CCF using realised CCF of all defaulted facilities for a given risk pool, covering a sufficiently long period of time and different economic conditions. Where there are significant adverse dependencies between default rates and CCFs, CCF estimates are calibrated to reflect economic downturns.

Residential Mortgage asset sub-class

Residential Mortgage asset sub-class includes any credit facility (for example, housing loan, term loan and overdraft) secured against a mortgage of a residential property or properties which meet the following criteria stipulated by BNM:

i) The borrower is an individual person/s;
ii) The residential properties are or will be occupied by the borrower, or are rented;
iii) The loan is secured by first and subsequent legal charges, deeds of assignment or strata titles on the property; and
iv) The property has been completed and a certificate of fitness has been issued by the relevant authority.

Such exposures include term loans and revolving home equity lines of credit.

Residential Mortgage exposures are assessed and managed using the Bank's framework of credit policies, procedures and the retail segmentation model that integrates the PD, LGD and CCF models to discriminate exposures according to their borrower and transaction risks.

Qualifying Revolving Retail Exposures asset sub-class

Qualifying Revolving Retail Exposures (QRRE) asset sub-class includes credit card exposures and unsecured credit lines that meet the following criteria stipulated by BNM:

i) The exposure is revolving, unsecured, and uncommitted both contractually and in practice;
ii) The exposure is to an individual and the aggregate QRRE exposure to the same individual in the sub-portfolio is RM500,000 or less;
iii) Given the asset correlation assumptions for the QRRE risk weight function are markedly below those for the other retail risk weight function at low PD values, the banking institution must demonstrate that exposures identified as QRRE correspond to portfolios with low volatility of loss rates, relative to the average volatility of loss rates of portfolios within the low PD bands;

QRRE are assessed and managed using a combination of application and behavioral scorecards, PD, LGD and CCF models, as well as internal credit policies and procedures.

Other Retail asset sub-class

Other Retail asset sub-class includes commercial properties, share financing and any other retail exposures not classified as Residential Mortgage or QRRE. These exposures fulfill the following criteria stipulated by BNM:

i) The exposure is to an individual; or
ii) Loans extended to small businesses and managed as retail exposures, provided that the total exposure of the banking group to the small business borrower (on a consolidated basis, where applicable) is less than RM5 million. Small business loans extended through or guaranteed by an individual are subject to the same exposure threshold. Small businesses may include sole proprietorships, partnerships or small and medium-sized enterprises (SMEs); and
iii) The specific exposure must be part of a large group of exposures, which are managed by the banking institution on a pooled basis.

Other Retail exposures are assessed and managed using the Bank's framework of credit policies, procedures and the Retail segmentation model which integrates the PD, LGD and CCF models to discriminate exposures according to their borrower and transaction risks.

Use of internal estimates

Internal ratings are used pervasively by the Bank in the areas of credit approval, credit review and monitoring, credit stress test, limits setting, pricing and collections.

Credit exposures subject to supervisory risk weight under IRB approach

The following credit exposures are subject to supervisory risk weight under the IRB approach:

i) Equity investment (under Simple Risk Weight (SRW) method); and
ii) Specialised Lending (Commodities Finance (CF) and Project Finance (PF)) exposures.

Credit exposure subject to standardised approach

For exposures subject to the Standardised Approach, approved ECAI ratings and prescribed risk weights based on asset class are used in the computation of regulatory capital. The ECAI used by the Bank are Rating Agency Malaysia, Fitch Ratings, Moody's Investors Service, Malaysian Rating Corporation Berhad and Standard & Poor's. ECAI ratings are mapped to a common credit quality grade prescribed by BNM.

Credit risk profile

The following tables show the breakdown of exposures by risk-weighted asset (RWA) and EAD for the Bank using the respective internal rating scale for the model applicable to the asset classes:

2013

Large Corporate, SME and Specialised Lending (IPRE) Exposures

CRR band	Credit RWA RM'million	EAD RM'million
1-16	23,377	25,927
Defaulted	-	548
Total	**23,377**	**26,475**

Sovereign Exposures

CRR band	Credit RWA RM'million	EAD RM'million
1-16	-	23,260
Total	**-**	**23,260**

Bank Exposures

CRR band	Credit RWA RM'million	EAD RM'million
1-16	510	2,143
Total	**510**	**2,143**

Retail (Residential Mortgage) Exposures

PD band	Credit RWA RM'million	EAD RM'million
0.00% to 2.00%	1,346	20,618
2.01% to 99.99%	1,576	5,107
Defaulted	206	352
Total	**3,128**	**26,077**

Retail (QRRE) Exposures

PD band	Credit RWA RM'million	EAD RM'million
0.00% to 2.00%	133	1,224
2.01% to 99.99%	842	1,072
Defaulted	80	24
Total	**1,055**	**2,320**

2012

Large Corporate, SME and Specialised Lending (IPRE) Exposures

CRR band	Credit RWA RM'million	EAD RM'million
1-16	19,918	22,424
Defaulted	-	504
Total	**19,918**	**22,928**

Sovereign Exposures

CRR band	Credit RWA RM'million	EAD RM'million
1-16	-	18,770
Total	**-**	**18,770**

Bank Exposures

CRR band	Credit RWA RM'million	EAD RM'million
1-16	529	1,888
Total	**529**	**1,888**

Retail (Residential Mortgage) Exposures

PD band	Credit RWA RM'million	EAD RM'million
0.00% to 2.00%	1,196	17,867
2.01% to 99.99%	1,323	4,339
Defaulted	142	350
Total	**2,661**	**22,556**

Retail (QRRE) Exposures

	2012 (Continued)	
PD band	Credit RWA RM'million	EAD RM'million
0.00% to 2.00%	126	1,134
2.01% to 99.99%	816	1,057
Defaulted	64	23
Total	**1,006**	**2,214**

Actual loss by asset class

Actual loss consists of impairment loss allowance and write-off to the Bank's income statement for the financial year ended 31 December 2013.

Comparison of actual loss and expected loss by asset class

	Actual Loss (as at 31 December 2013) RM'million	Expected loss (as at 31 December 2012) RM'million	Actual Loss (as at 31 December 2012) RM'million
Total	**45**	**373**	**113**

The actual loss in 2013 is lower than in 2012 due to exceptional recovery in 2013.

Expected Loss (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 2012 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.
ii) EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

Credit risk mitigation

As a fundamental credit principle, the Bank generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Bank are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

In extending credit facilities to small and medium enterprises (SMEs), personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors. For IRB purpose, the Bank does not recognise personal guarantees as an eligible credit risk protection.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit.

To recognise the effects of guarantees under the FIRB Approach, the Bank adopts the PD substitution approach whereby an exposure guaranteed by an eligible guarantor will use the PD of the guarantor for the purpose of computing the capital requirement.

In general, the following eligibility criteria must be met before collateral can be accepted for IRB purposes:

i) Legal certainty: The documentation must be legally binding and enforceable (on an on-going basis) in all relevant jurisdictions.
ii) No material positive correlation: The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness.
iii) Third-party custodian: The collateral that is held by a third-party custodian must be segregated from the custodian's own assets.

The credit risk mitigation of the bank for the current financial year are as follows:

		2013 RM'million
	Exposures Covered by Guarantees / Credit Derivatives	**Exposures Covered by Financial/ Other Eligible Collateral**
Total	**1,238**	**2,299**

		2012 RM'million
	Exposures Covered by Guarantees / Credit Derivatives	**Exposures Covered by Financial/ Other Eligible Collateral**
Total	**774**	**2,781**

MARKET RISK

Market risk is governed by the Bank Asset and Liability Committee (ALCO), which meets monthly to review and provide directions on market risk matters. The Market Risk Management (MRM) of the Risk Management Division (RMD) supports the EXCO and the ALCO with independent assessment of the market risk profile of the Bank.

The Bank's market risk framework comprises market risk policies and practices, the validation of valuation and risk models, which is performed by Head Office in Singapore, the control structure with appropriate delegation of authority and market risk limits. In addition, robust risk architecture as well as a new Product/Service Programme process ensures that market risk issues identified are adequately addressed prior to the launch of products and services. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

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

Standardised Approach

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

Internal Model Approach

The Bank adopts a daily Value-at-Risk (VaR) to estimate market risk within a 99.0 per cent confidence interval using the historical simulation method. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements.

VaR estimates are backtested against profit or loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtest exceptions are tabled at ALCO with recommended actions and resolutions.

The new Basel market risk measures, Stressed VaR and Incremental Risk Charge (IRC), have also been implemented as part of the controls and incorporated in the market risk measures and controls. The Stressed VaR estimates the ten day holding period 99.0 per cent confidence level potential loss, using stressed market prices observed during the subprime crisis. The IRC measures the migration and default risks of the corporate bonds warehoused in the trading book at the 99.9 per cent confidence level over a one-year period.

To complement the VaR measure, stress and scenario tests are performed to identify the Bank's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses to facilitate proactive management of market risks. The Bank daily VaR on 31 December 2013 was RM 0.86 million.

	Year end RM'million	High RM'million	Low RM'million	Average RM'million
2013				
Total Diversified VAR	0.86	6.79	0.72	2.26
2012				
Total Diversified VAR	1.76	6.18	0.72	2.14

DISCLOSURE FOR INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRR/RORBB)

Interest Rate Risk in Banking Book

The ALCO, under delegated authority from the Board, oversees the management of balance sheet risk exposure. RMD supports the ALCO in monitoring the interest rate risk profile of the banking book. At a tactical level, the Bank's Global Markets and Investment Management (GMIM) Division is responsible for the effective management of balance sheet risk in accordance with approved balance sheet risk management policies.

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

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

In the dynamic simulation process, both the Net Interest Income (NII) and Economic Value of Equity (EVE) approaches are applied to assess interest rate risk. The potential effects of interest rate change on NII are estimated by simulating the possible future course of interest rates, expected changes in business activities over time. NII simulation is performed to quantify a forward looking impact on NII for the next 12 months under various interest rate scenarios to assess the impact of interest rate movements on income.

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

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest 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 rate risks in an environment of rapid financial market changes.

The EVE sensitivity at 100 and 200 basis points parallel interest rate shocks to EVE and NII.

The reported figures are based on the upward and downward parallel movement of the yield curve. The repricing profile of loans 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.

Liquidity Risk

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

Liquidity risk is managed in accordance with a framework of policies, controls and limits which are also adequate to meet the requirements under BNM's New Liquidity Framework. These policies, controls and limits enable the Bank to monitor and manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. These include minimising excessive funding concentrations by diversifying the sources and terms of funding as well as maintaining a portfolio of high quality and marketable liquid assets.

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

The distribution of deposits is managed actively to ensure a balance between cost effectiveness, continued accessibility to funds, and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Bank's core deposits and the maintenance of customer confidence. Core deposits are generally stable non-bank deposits, such as current accounts, savings accounts and fixed deposits. The Bank monitors the stability of its core deposits by analysing their volatility over time.

Liquidity risk is aligned with the regulatory liquidity risk management framework, and is measured and managed on a projected cash flow basis. The Bank's liquidity is monitored under various scenarios and subjected to various time band limits. Cash flow mismatch limits are established to limit the Bank's liquidity exposure.

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

The policy of the Bank is to be self-sufficient in its funding capabilities, although it has the support of Group's Head Office in Singapore.

The table in Note 38 to the financial statements on page 98 - Bank presents the maturity mismatch analysis of the Bank's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Bank's activities. Behavioral adjustments were made on significant balance sheet items that had actual maturity dates that differed substantially from the Bank's contractual profile.

Operational Risk

Operational risk is managed through a framework of policies, processes and procedures where business units and branches identify, measure, mitigate and monitor their operational risks. The key operational risk toolkits implemented to facilitate business/support units and branches to manage operational risks in their business activities include Operational Risk Self-Assessment (ORSA) and Key Risk Indicators (KORI):

i) ORSA involves identifying and assessing, inherent risks, as well as evaluating the effectiveness of controls to mitigate the identified risks. Action plans to address operational risk issues are documented and monitored via Operational Risk Action Plans.
ii) KORIs are statistical data collected and monitored by business, support units and branches on an on-going basis to facilitate early detection of potential operational control weaknesses. Trend analysis is carried out to identify systemic issues that need to be addressed.

A database of operational risk events and losses has been established to facilitate the analysis of loss trends and root causes of loss events. The analysis helps to strengthen the internal control environment.

A Bank-wide Insurance Programme, complemented by a Group Insurance Programme, is in place to mitigate the risk of high impact operational losses.

A Product/Service Programme ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to product launch and is subject to periodic reviews. The Group Product Programme Committee ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to launch. The Product Sales Committee in Group Office also reviews product suitability, product risk disclosures and reputation issues associated with the distribution of retail investment products.

With the increasing need to outsource for cost and operational efficiency, the Bank's Outsourcing Policy ensures that outsourcing risks are adequately identified and managed prior to entering into any new outsourcing arrangements. Annual reviews of these outsourcing arrangements through risk assessment and due diligence are also carried out to re-assess the adequacy of internal controls, performance measurements, financial position and operational readiness including contingency plan of the service providers.

Effective business continuity and crisis management strategies and plans have been developed and tested to ensure prompt recovery of critical business functions in the event of major business and/or system disruptions.

Legal risk is part of operational risk. Legal risk arises from unenforceable, unfavourable, defective or unintended contracts, lawsuits or claims, developments in laws and regulations, or non-compliance with applicable law and regulations. Business units and branches work with the Bank's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

Reputation risk is the adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion on the Bank's business practices, activities and financial condition. The Bank already has a framework in place for managing reputation risk.

The Bank currently adopts the Basic Indicator Approach (BIA) for Operational Risk Reporting.

Equities (Disclosures for Banking Book position)

The Bank holds equities in its Banking Book mainly for the purpose of Investment in associates and for other long term investment purpose.

Investments in associates are accounted for using the equity method of accounting. Other equities classified under available-for-sale (AFS) are measured at fair value.

	Bank 2013		**Bank 2012**	
Types of Equities	**Exposures RM'million**	**RWA RM'million**	**Exposures RM'million**	**RWA RM'million**
Publicly Traded Equity Exposures ** mainly acquired via loan restructuring activities*	**4**	**12**	**3**	**9**
All Other Equity Exposures	**30**	**119**	**23**	**93**
Investment in Associates	**120**	**^**	**123**	**491**
	154	**131**	**149**	**593**

^ Investment in associates is eligible for capital deduction, in accordance with Basel III, effective Jan 2013.

	Bank 2013 RM'million	**Bank 2012 RM'million**
Realised gains/(losses) arising from sales and liquidation	41	5
Unrealised gains/(losses) included in fair value reserve	21	14

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2013.

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

Results

	Group RM'000	Bank RM'000
Profit before taxation	1,341,905	1,303,899
Income tax expense	(302,387)	(311,913)
Profit for the year	1,039,518	991,986

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

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

Dividends
The amount of dividends paid by the Bank since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012 as reported in the directors' report for that year, a final single-tier dividend of 68.3%, on 470 million ordinary shares was paid on 24 April 2013	**320,775**

At the forthcoming Annual General Meeting, a final single-tier dividend of 73.9 per cent in respect of the financial year ended 31 December 2013 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM347,195,000 will be proposed for shareholders' approval . The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

Directors
The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Wee Cho Yaw
Ong Yew Huat
Wee Ee Cheong
Francis Lee Chin Yong
Abdul Latif Bin Yahaya
Datuk Abu Huraira Bin Abu Yazid
Wong Kim Choong

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

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

UOB Restricted Shares and Share Appreciation Rights Plan (the Plans)
Following a review of the remuneration strategy across UOB and its subsidiaries (UOB Group), UOB implemented the Plans on 28 September 2007, with a view to align the interests of participating employees with that of shareholders and the UOB Group by fostering a culture of ownership and enhancing the competitiveness of the UOB Group's remuneration for selected employees.

Employees with a minimum of one-year service may be selected to participate in the Plans based on factors such as market-competitive practices, job level, individual performance, leadership skills and potential. Generally granted on an annual basis, the Remuneration Committee of UOB will determine the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting.

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

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

Subject to the achievement of pre-determined return on equity (ROE) targets of the UOB Group, 50.0 per cent of the 2010 and subsequent grants will vest after two years and the remainder after three years from the dates of grant.

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

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

Directors' Interests

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

		Number of ordinary shares of S$1 each				
		1.1.2013	**Acquired**	**Disposed**	**Forfeited**	**31.12.2013**
Ultimate holding company: **United Overseas Bank Limited**						
Wee Cho Yaw	- Direct	18,820,027	-	-	-	18,820,027
	- Indirect	262,395,874	1,000,000	-	-	263,395,874
Wee Ee Cheong	- Direct	3,047,878	-	-	-	3,047,878
	- Indirect	156,432,870	1,000,000	-	-	157,432,870
Wong Kim Choong	- Direct	9,000	-	-	-	9,000
	- Indirect	32,151	15,483	2,151	-	45,483
Francis Lee Chin Yong	- Direct	-	30,911	-	-	30,911

		Number of preference shares of S$100 each				
		1.1.2013	**Acquired**	**Redeemed**	**Forfeited**	**31.12.2013**
Ultimate holding company: **United Overseas Bank Limited**						
Wee Cho Yaw	- Indirect	167,700	-	167,700	-	-
Wee Ee Cheong	- Direct	20,000	-	20,000	-	-
	- Indirect	167,700	-	167,700	-	-

		Number of options over ordinary shares of S$1 each under UOB Restricted Shares Plan				
		1.1.2013	**Granted**	**Vested**	**Forfeited**	**31.12.2013**
Ultimate holding company: United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	65,675	25,011	30,911	-	59,775
Wong Kim Choong	- Direct	31,275	10,908	15,483	-	26,700

		Number of options over ordinary shares of S$1 each under UOB Share Appreciation Rights Plan				
		1.1.2013	**Granted**	**Vested**	**Forfeited**	**31.12.2013**
Ultimate holding company: United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	238,650	106,253	96,828	-	248,075
Wong Kim Choong	- Direct	112,775	46,203	48,428	-	110,550

		Number of options over ordinary shares of S$1 each under UOB Vested Share Appreciation Rights Plan				
		1.1.2013	**Vested**	**Exercised/ lapsed**	**Forfeited**	**31.12.2013**
Ultimate holding company: United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	111,663	96,828	51,213	-	157,278
Wong Kim Choong	- Direct	97,207	48,428	77,207	-	68,428

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

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

Holding Companies

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

Business strategy for the financial year ended 31 December 2013

During the year, the Bank delivered a solid set of financial results despite the challenging global economic conditions.

We continued to strengthen our balance sheet with increased customer deposits while growing customer loans selectively. At the same time, we capitalised on cross-selling momentum to grow our non-interest income.

In consumer banking, our income growth from loans was balanced with an increase in income from credit cards, retail deposits and Wealth Banking. Our market share in credit cards and retail deposits improved again this year.

To meet the needs of our affluent and high net-worth customers, we continued to invest in our Wealth Banking and Privilege Banking propositions through enhancements such as specialised advisory services. This year, we remained one of the leading bancassurance partners of Prudential Assurance Malaysia Berhad and maintained our position as one of the top unit trust distributors in Malaysia.

Our business banking segment, which focuses on retail small and medium-sized enterprises (SME), grew through the introduction of new targeted loan and deposit products such as BizMoney and BizCA+.

In our large SME and corporate segments, we continued to fund projects related to the Government's Economic Transformation Programme (ETP) and Public-Private Partnership related projects. We remained a key player in the real estate and property sector but continue to diversify into other industry sectors.

Given the increasing intra-regional trade flows into Malaysia, we set up a Foreign Direct Investment (FDI) advisory unit to help foreign companies which are expanding their business into Malaysia. The unit will provide assistance ranging from company incorporation or further expansion into Malaysia, access to UOB's full suite of corporate and personal banking products to borderless financial services through the Bank's regional network. Through this advisory unit, the Bank aims to double its corporate loans to foreign companies investing in Malaysia in the next three years.

The Bank's cash management business continued to grow in an increasingly competitive market. We won six cash management awards in the Asiamoney Polls 2013 for our ability to deliver tailored solutions to our customers. The awards included best foreign cash management bank, best overall domestic cash management services for the small and medium-sized companies and best in overall cross-border cash management for small-sized companies in Malaysia.

The Bank also won the Blueprint Award for New Structured Finance Benchmark Deal at the Ratings Agency of Malaysia (RAM) League Awards 2013 for its issuance of a RM220 million Private Financing Initiatives Bond for a client.

In October 2013, we marked a major milestone when we successfully standardised and aligned our operating systems and processes with UOB Group's regional systems. This is in line with the Group's objective to build a common operating platform across all its banking subsidiaries in the region.

Our people remain our most valuable asset. During the year, we identified a strong pool of key talents as part of the organisation's succession planning programme. We continue to invest in training and development programmes to help our people meet their full potential.

Outlook

The emerging signs of recovery in the United States and Europe are expected to support overall global growth in 2014. The Malaysian economy is expected to remain on its steady growth trajectory, with gross domestic product projected to grow between 5 and 5.5 per cent. Domestic demand from the private sector and the government pump priming measures on the ETP projects will continue to be the main drivers of growth. The Overnight Policy Rate is expected to remain accommodative to growth.

In 2014, we will continue to invest in building competencies to support our customers' expanding needs. We will maximise opportunities between customer segments and product development to serve our customers and in the process, increase cross-selling initiatives to boost non-interest income.

Barring any unforeseen circumstances, the Bank expects to achieve satisfactory results in the coming financial year.

Rating by external rating agencies

Rating Agency Malaysia (RAM) reaffirmed the Bank's long term Financial Institution Rating (FIR) at AAA and short term rating at P1. Concurrently, RAM also reaffirmed the issue rating of the Bank's RM500 million Subordinated Bonds (2010/2020) at AA1.

An 'AAA' FIR rating is defined by RAM as having a superior capacity to meet its financial obligations and a 'P1' rating as having a strong capacity to meet it's short term financial obligations. An 'AA' issue rating is defined as being able to offer high safety for timely repayment of financial obligations. The subscript 1 for both categories of ratings indicates the higher end of 'P' and 'AA' category.

Other statutory information

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

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

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:
  (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Bank inadequate to any substantial extent; and
  (ii) the values attributed to current assets in the financial statements of the Group and the Bank misleading.

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

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

(e) As at the date of this report, there does not exist:
  (i) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
  (ii) any contingent liability in respect of the Group and the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and the Bank.

(f) In the opinion of the directors:
  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations when they fall due; and
  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Bank for the financial year in which this report is made.

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 March 2014.

Ong Yew Huat **Wong Kim Choong**

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Ong Yew Huat and Wong Kim Choong, being two of the directors of United Overseas Bank (Malaysia) Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 37 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Bank as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 March 2014.

Ong Yew Huat **Wong Kim Choong**

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Wong Kim Choong, being the director primarily responsible for the financial management of United Overseas Bank (Malaysia) Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 109 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Wong Kim Choong
at Kuala Lumpur in the Federal Territory
on 25 March 2014 **Wong Kim Choong**

Before me,

Kapt. (B) Jasni Bin Yusoff
Commissioner for Oaths

Independent auditors' report to the member of United Overseas Bank (Malaysia) Bhd (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of United Overseas Bank (Malaysia) Bhd, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Bank, and the 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 a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 109.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view 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 Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Bank as of 31 December 2013 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, 1965 in Malaysia.

Report on other legal and regulatory requirements

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Yeo Beng Yean
No. 3013/10/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
25 March 2014

Statements of Financial Position

As at 31 December 2013

		Group		Bank	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Cash and short-term funds	3	**15,104,134**	7,247,301	**15,104,134**	7,247,301
Securities purchased under resale agreements	4	**2,149,113**	-	**2,149,113**	-
Deposits and placements with financial institutions	5	**2,802,804**	60,990	**2,802,804**	60,990
Financial assets at fair value through profit or loss	6	**1,709,534**	3,239,208	**1,709,534**	3,239,208
Available-for-sale (AFS) securities	7	**3,092,372**	11,580,541	**3,092,372**	11,580,541
Loans and advances	8	**61,308,278**	54,997,275	**61,479,326**	55,193,389
Derivative financial assets	21	**320,123**	154,077	**320,123**	154,077
Other assets	9	**707,528**	545,955	**711,322**	550,278
Statutory deposits with Bank Negara Malaysia	10	**1,925,500**	1,758,800	**1,925,500**	1,758,800
Investment in subsidiaries	11	**-**	-	**50**	50
Investment in associates	12	**273,518**	244,366	**119,728**	122,733
Property, plant and equipment	13	**399,202**	375,283	**170,156**	144,017
Deferred tax assets	14	**212,053**	232,474	**214,224**	239,925
Total assets		**90,004,159**	80,436,270	**89,798,386**	80,291,309
Liabilities and equity					
Deposits from customers	15	**69,287,474**	65,587,850	**69,290,205**	65,607,074
Deposits and placements of banks and other financial institutions	16	**9,923,281**	4,354,662	**9,923,698**	4,355,088
Bills and acceptances payable		**1,734,677**	2,706,726	**1,734,677**	2,706,726
Derivative financial liabilities	21	**256,175**	183,980	**256,175**	183,980
Other liabilities	17	**1,506,305**	1,461,475	**1,504,716**	1,460,204
Tax payable		**25,135**	73,469	**25,187**	73,460
Subordinated bonds	18	**999,564**	499,258	**999,564**	499,258
Total liabilities		**83,732,611**	74,867,420	**83,734,222**	74,885,790
Equity attributable to equity holders of the Bank					
Share capital	19	**470,000**	470,000	**470,000**	470,000
Reserves	20	**5,801,548**	5,098,850	**5,594,164**	4,935,519
Total equity		**6,271,548**	5,568,850	**6,064,164**	5,405,519
Total liabilities and equity		**90,004,159**	80,436,270	**89,798,386**	80,291,309
Commitments and contingencies	34	**54,142,224**	42,933,869	**54,142,224**	42,933,869

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

Income Statements

For the financial year ended 31 December 2013

		Group		Bank	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating revenue	23	4,368,125	3,935,234	4,416,027	3,945,992
Interest income	24	3,632,706	3,276,086	3,639,740	3,283,165
Interest expense	25	(2,068,606)	(1,818,690)	(2,068,812)	(1,818,716)
Net interest income		1,564,100	1,457,396	1,570,928	1,464,449
Other operating income	26	758,447	677,425	792,633	681,277
Operating income		2,322,547	2,134,821	2,363,561	2,145,726
Other operating expenses	27	(809,334)	(729,011)	(819,871)	(739,077)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and provision for commitments and contingencies		1,513,213	1,405,810	1,543,690	1,406,649
Allowance for impairment on loans and advances	29	(217,780)	(220,029)	(217,780)	(220,029)
Impairment loss on AFS securities		(21,244)	(8,991)	(21,244)	(8,991)
Net (provision for)/write back of provision for commitments and contingencies	17 (i)	(767)	5,085	(767)	5,085
		1,273,422	1,181,875	1,303,899	1,182,714
Share of net profit of associates		68,483	40,941	-	-
Profit before taxation		1,341,905	1,222,816	1,303,899	1,182,714
Income tax expense	30	(302,387)	(295,783)	(311,913)	(296,774)
Profit for the year attributable to equity holders of the Bank		1,039,518	927,033	991,986	885,940
Basic earnings per share (sen)	31	221.2	197.2		
Dividends per share (sen)	32	73.9	68.3		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2013

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the year	**1,039,518**	**927,033**	**991,986**	**885,940**
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on revaluation of AFS securities	(16,754)	9,312	(16,754)	9,312
Income tax effect	4,188	(2,328)	4,188	(2,328)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(12,566)	6,984	(12,566)	6,984
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Revaluation surplus of land & buildings	-	41,959	-	-
Income tax effect	-	(7,471)	-	-
Over provision of tax in prior year	282	-	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	282	34,488	-	-
Other comprehensive income for the year, net of tax	(12,284)	41,472	(12,566)	6,984
Total comprehensive income for the year attributable to equity holders of the Bank	**1,027,234**	**968,505**	**979,420**	**892,924**

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

Statements of Changes in Equity

For the financial year ended 31 December 2013

Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Revaluation Reserve RM'000	Net Unrealised Reserve On AFS Securities RM'000	Retained Profits RM'000	Total RM'000
		◄ Non-distributable ►					Distributable	
2013								
Balance as at 1 January 2013		**470,000**	**322,555**	**470,000**	**107,494**	**7,292**	**4,191,509**	**5,568,850**
Profit for the year		-	-	-	-	-	1,039,518	1,039,518
Other comprehensive income		-	-	-	282	(12,566)	-	(12,284)
Total comprehensive income		-	-	-	282	(12,566)	1,039,518	1,027,234
Reversal of revaluation reserve upon disposal of land and buildings		-	-	-	(3,761)	-	-	(3,761)
Transactions with owners:								
Dividends paid:								
-final dividend for the financial year ended 31 December 2012	32	-	-	-	-	-	(320,775)	(320,775)
Balance as at 31 December 2013		**470,000**	**322,555**	**470,000**	**104,015**	**(5,274)**	**4,910,252**	**6,271,548**

Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Revaluation Reserve RM'000	Net Unrealised Reserve On AFS Securities RM'000	Retained Profits RM'000	Total RM'000
		◄ Non-distributable ►					Distributable	
2012								
Balance as at 1 January 2012		**470,000**	**322,555**	**470,000**	**73,006**	**308**	**3,528,851**	**4,864,720**
					-			
Profit for the year		-	-	-	-	-	927,033	927,033
Other comprehensive income		-	-	-	34,488	6,984	-	41,472
Total comprehensive income		-	-	-	34,488	6,984	927,033	968,505
Transactions with owners:								
Dividends paid:								
-final dividend for the financial year ended 31 December 2011	32	-	-	-	-	-	(264,375)	(264,375)
Balance as at 31 December 2012		**470,000**	**322,555**	**470,000**	**107,494**	**7,292**	**4,191,509**	**5,568,850**

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

Bank	Note	◄ Non-distributable Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Net Unrealised Reserve On AFS Securities RM'000 ►	Distributable Retained Profits RM'000	Total RM'000
2013							
Balance as at 1 January 2013		**470,000**	**322,555**	**470,000**	**7,292**	**4,135,672**	**5,405,519**
Profit for the year		-	-	-	-	991,986	991,986
Other comprehensive income		-	-	-	(12,566)	-	(12,566)
Total comprehensive income		-	-	-	(12,566)	991,986	979,420
Transactions with owners:							
Dividends paid:							
-final dividend for the financial year ended 31 December 2012	32	-	-	-	-	(320,775)	(320,775)
Balance as at 31 December 2013		**470,000**	**322,555**	**470,000**	**(5,274)**	**4,806,883**	**6,064,164**

Bank	Note	◄ Non-distributable Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Net Unrealised Reserve On AFS Securities RM'000 ►	Distributable Retained Profits RM'000	Total RM'000
2012							
Balance as at 1 January 2012		**470,000**	**322,555**	**470,000**	**308**	**3,514,107**	**4,776,970**
Profit for the year		-	-	-	-	885,940	885,940
Other comprehensive income		-	-	-	6,984	-	6,984
Total comprehensive income		-	-	-	6,984	885,940	892,924
Transactions with owners:							
Dividends paid:							
-final dividend for the financial year ended 31 December 2011	32	-	-	-	-	(264,375)	(264,375)
Balance as at 31 December 2012		**470,000**	**322,555**	**470,000**	**7,292**	**4,135,672**	**5,405,519**

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

Statements of Cash Flows

For the financial year ended 31 December 2013

	Group		Bank	
	2013 **RM'000**	**2012** **RM'000**	**2013** **RM'000**	**2012** **RM'000**
Cash flows from operating activities				
Profit before taxation	**1,341,905**	1,222,816	**1,303,899**	1,182,714
Adjustments for:				
Share of net profit of associates	**(68,483)**	(40,941)	**-**	-
Gain on disposal of property, plant and equipment	**(7,053)**	(529)	**(371)**	(529)
Provision for dimunition in value of property	**-**	217	**-**	-
Depreciation of property, plant and equipment	**33,467**	32,035	**27,354**	26,731
Allowance for impairment on loans and advances	**217,780**	220,029	**217,780**	220,029
Allowance for impairment on available-for-sale securities	**21,244**	8,991	**21,244**	8,991
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	**9,769**	(2,125)	**9,769**	(2,125)
Net provision for/(write back of) provision for commitments and contingencies	**767**	(5,085)	**767**	(5,085)
Dividend income	**(875)**	(1,131)	**(18,997)**	(5,021)
Interest income from available-for-sale securities	**(182,250)**	(311,581)	**(182,250)**	(311,581)
Gain from sale/recovery of available-for-sale securities	**(14,449)**	(17,263)	**(14,449)**	(17,263)
Unrealised foreign exchange gain	**(111,796)**	(2,879)	**(111,796)**	(2,879)
Gain from sale of financial assets at fair value through profit or loss	**(2,792)**	(13,167)	**(2,792)**	(13,167)
Loss from trading derivatives	**19,862**	48,977	**19,862**	48,977
Unrealised gain from trading derivatives	**(21,430)**	(26,495)	**(21,430)**	(26,495)
Gain from sale of precious metals	**(6,024)**	(3,220)	**(6,024)**	(3,220)
Gain on disposal of an associate	**(17,384)**	-	**(40,118)**	-
Amortisation of subordinated bonds	**306**	356	**306**	356
Amortisation of premium less accretion of discount from:				
- financial assets at fair value through profit or loss	**214**	738	**214**	738
- available-for-sale securities	**9,606**	5,789	**9,606**	5,789
Operating profit before working capital changes	**1,222,384**	1,115,532	**1,212,574**	1,106,960
(Increase)/decrease in operating assets:				
Loans and advances	**(6,528,783)**	(8,236,410)	**(6,503,717)**	(8,248,673)
Financial assets at fair value through profit or loss	**1,522,483**	(750,147)	**1,522,483**	(750,147)
Securities purchased under resale agreements	**(2,149,113)**	-	**(2,149,113)**	-
Statutory deposits with Bank Negara Malaysia	**(166,700)**	(395,800)	**(166,700)**	(395,800)
Derivative financial assets	**(166,046)**	102,783	**(166,046)**	102,783
Other assets	**(158,588)**	(42,903)	**(158,059)**	(43,209)
	(7,646,747)	(9,322,477)	**(7,621,152)**	(9,335,046)

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

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Increase/(decrease) in operating liabilities:				
Deposits from customers	**3,699,624**	12,944,768	**3,683,131**	12,952,009
Deposits and placements of banks and other financial institutions	**5,568,619**	(2,174,111)	**5,568,610**	(2,174,112)
Bills and acceptances payables	**(972,049)**	(137,061)	**(972,049)**	(137,061)
Derivative financial liabilities	**73,763**	(186,450)	**73,763**	(186,450)
Other liabilities	**155,859**	320,561	**155,541**	321,084
	8,525,816	10,767,707	**8,508,996**	10,775,470
Cash generated from operations	**2,101,453**	2,560,762	**2,100,418**	2,547,384
Taxation paid	**(330,360)**	(346,056)	**(330,297)**	(345,980)
Net cash generated from operating activities	**1,771,093**	2,214,706	**1,770,121**	2,201,404
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**6,505**	1,947	**428**	1,947
Purchase of property, plant and equipment	**(60,599)**	(66,455)	**(53,550)**	(53,153)
Interest income from available-for-sale securities	**185,289**	286,144	**185,289**	286,144
Net sale/(purchase) of available-for-sale securities	**8,455,014**	(8,743,609)	**8,455,014**	(8,743,609)
Net proceeds from disposal of an associate	**43,123**	-	**43,123**	-
Dividend received	**18,997**	5,022	**18,997**	5,022
Net cash generated from/(used in) investing activities	**8,648,329**	(8,516,951)	**8,649,301**	(8,503,649)
Cash flows from financing activities				
Net proceeds from issuance of subordinated bonds	**500,000**	-	**500,000**	-
Dividends paid	**(320,775)**	(264,375)	**(320,775)**	(264,375)
Net cash generated from/(used in) financing activities	**179,225**	(264,375)	**179,225**	(264,375)
Net increase/(decrease) in cash and cash equivalents	**10,598,647**	(6,566,620)	**10,598,647**	(6,566,620)
Cash and cash equivalents at beginning of the year	**7,308,291**	13,874,911	**7,308,291**	13,874,911
Cash and cash equivalents at end of the year	**17,906,938**	7,308,291	**17,906,938**	7,308,291
Analysis of cash and cash equivalents				
Cash and short term funds	**15,104,134**	7,247,301	**15,104,134**	7,247,301
Deposits and placements with financial institutions	**2,802,804**	60,990	**2,802,804**	60,990
	17,906,938	7,308,291	**17,906,938**	7,308,291

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

Adoption of new, amended Malaysian Financial Reporting Standards (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 MFRSs, amendments to MFRSs and IC Interpretations beginning on or after 1 January 2013

MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits (revised)
MFRS 127 Consolidated and Separate Financial Statements (revised)
MFRS 128 Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11 Joint Arrangements: Transition Guidance
Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
IC Interpretation 2 Amendment to IC Interpretation 2 (Annual Improvements 2009-2011 Cycle)

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

2.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following amendments and IC Interpretations have been issued by the Malaysian Accounting Standards Boards (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 2014

Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities
Amendments to MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards issued but not yet effective (Continued)

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 2 Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)
Amendments to MFRS 8 Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 13 Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)
Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
Amendments to MFRS 124 Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 138 Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 140 Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

Effective date to be announced by MASB

MFRS 9 Financial Instruments (2009)
MFRS 9 Financial Instruments (2010)
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)
Amendments to MFRS 7 Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 9 (Financial Instruments - Mandatory Date of MFRS 9 and Transition Disclosures)

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

MFRS 132 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. It will be necessary to assess the impact to the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the International Accounting Standards 32 (IAS 32) offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Bank as to where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. As the impact of the adoption depends on the Bank’s examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

These amendments become effective for annual periods beginning on or after 1 January 2014.

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual period beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will not have an impact on classification and measurements of the Group’s financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

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

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.

(ii) Basis of consolidation

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 the reviews the procedure used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the cost of acquisition, then the gain is recognised immediately in profit or loss.

(b) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes, when applicable, in the statement of changes in equity. In applying the equity method, unrealised gains and 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 additional impairment loss with respect to the Group's net investment in the associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the differences between the recoverable amount of the associate as its carrying value, then recognised the loss as 'share of profit of an associate' in the profit or loss. The associate is equity accounted for from the date the

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(b) Associates (Continued)

Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

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

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

In the Bank's separate financial statements, investments in associates 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.

(c) Goodwill

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

(d) Recognition of interest income

Interest income is recognised using the effective interest method. Interest income includes the amortisation of premium or accretion of discount. The effective interest 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, securities at fair value through profit or loss and available-for-sale securities are recognised on a declared basis.

(f) Repurchase agreements

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

(g) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit or loss

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;

- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, except where such derivative does not significantly modify the cash flows of the instrument.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Bank have the intention and ability to hold the assets until maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Financial assets and financial liabilities (Continued)

(i) Classification (Continued)

Loans and receivables

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

Available-for-sale

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

Non-trading liabilities

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

(ii) Measurement

Initial measurement

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

Subsequent measurement

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

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

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

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

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

(iii) Offsetting of financial instruments

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

(iv) Recognition and derecognition

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

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

(v) Classification of impaired loans and advances

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

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

- where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan or advance exhibits weaknesses that render a classification appropriate according to the banking institution's credit risk grading framework.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Financial assets and financial liabilities (Continued)

(v) Classification of impaired loans and advances (Continued)

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

(vi) Write-off policy

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

(vii) Impairment

Individual impairment

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

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

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

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

Collective impairment

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

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

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

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

(h) Impairment of non-financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

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

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

(i) Financial derivatives

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

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

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

(j) Property, plant and equipment, and depreciation

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

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

Freehold land, leasehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses.

Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Freehold land and capital work-in-progress are not depreciated as these assets are not yet available for use. Certain leasehold lands and buildings are depreciated over the period of the respective leases which range from 38 years to 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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

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

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

(k) Leases

(i) Finance leases

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(k) Leases (Continued)

(i) Finance leases (Continued)

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

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

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

(ii) Operating leases

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

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

(l) Fair value measurement

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

(m) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements 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 tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(n) Income tax (Continued)

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

(o) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits - Defined contribution plans

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

(p) Share based payment

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

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

Upon settlement and expiry of options/rights, the amount due to ultimate holding company is reversed.

(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 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 or both to holders of the debt securities and that the Group and the Bank are contractually obligated to settle the financial instrument in cash.

(u) Share capital and share issuance expenses

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

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

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) Fair value estimation for financial assets at fair value through profit or loss and securities available-for-sale

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

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

(b) Deferred tax assets

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

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

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

(c) Allowances for losses on loans and advances

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

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

The amount of allowances for losses on loans and advances recognised by the Group and the Bank is as disclosed in Note 8.

(d) Impairment of assets

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

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

(e) Revaluation of property, plant and equipment

The Group carries its property, plant and equipment at fair value, with changes in fair value being recognised in the profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income.

The key assumptions used to determine the fair value of property, plant and equipment are further explained in Note 13.

3. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	2013	**2012**
	RM'000	**RM'000**
Cash and balances with banks and other financial institutions	568,619	512,503
Money at call and deposit placements maturing within one month	14,535,515	6,734,798
	15,104,134	7,247,301

4. SECURITIES PURCHASED UNDER RESALE AGREEMENTS (REVERSE REPOS)

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

	Group and Bank	
	2013 RM'000	**2012 RM'000**
Assets received for Reverse Repo transactions, at amortised cost	2,149,113	-

5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	2013 RM'000	**2012 RM'000**
Licensed banks	2,804	990
Bank Negara Malaysia	2,800,000	-
Other financial institutions	-	60,000
	2,802,804	60,990

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	2013 RM'000	**2012 RM'000**
Held-for-trading securities		
At fair value:		
Malaysian Government treasury bills	156,609	56,369
Malaysian Government Securities	178,292	462,026
Bank Negara Malaysia Bills	520,776	2,277,004
Bankers' acceptances and Islamic accepted bills	155,272	76,188
Private debt securities	20,046	-
Total held-for-trading securities	1,030,995	2,871,587

	Group and Bank	
	2013 RM'000	**2012 RM'000**
Designated as fair value through profit or loss		
In Malaysia but denominated in United States Dollar		
Private debt securities	678,539	367,621
Total financial assets at fair value through profit or loss	1,709,534	3,239,208

7. AVAILABLE-FOR-SALE (AFS) SECURITIES

	Group and Bank	
	2013 RM'000	**2012 RM'000**
At fair value:		
Money market instruments:		
Malaysian Government treasury bills	-	118,806
Malaysian Government Securities	2,019,524	2,452,165
Bank Negara Malaysia Bills	-	8,184,944
Cagamas bonds	708,571	457,474
	2,728,095	11,213,389
Private debt securities of companies incorporated:		
In Malaysia:		
Quoted corporate bonds	360,664	349,756
Impairment loss	(30,235)	(8,991)
	330,429	340,765
Quoted securities:		
Shares of corporations outside Malaysia	17,363	10,895
Shares of corporations in Malaysia	3,937	2,944
	21,300	13,839
At cost:		
Unquoted securities:		
Shares	12,272	12,272
Private debt securities	276	276
	12,548	12,548
Total AFS securities	3,092,372	11,580,541

8. LOANS AND ADVANCES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Overdrafts #	2,805,718	2,857,897	2,805,856	2,858,059
Term loans and revolving credits				
Housing loans	22,798,703	20,351,883	22,798,703	20,351,883
Syndicated term loans	465,207	495,269	465,207	495,269
Factoring	16,675	-	16,675	-
Other term loans*	27,463,553	23,828,990	27,634,463	24,024,942
Credit cards receivable	2,108,922	1,869,576	2,108,922	1,869,576
Bills receivable	187,714	132,067	187,714	132,067
Trust receipts	1,519,341	1,205,287	1,519,341	1,205,287
Claims on customers under acceptance credits	4,929,703	5,108,232	4,929,703	5,108,232
Staff loans	56,270	61,985	56,270	61,985
Others	1,916	3,421	1,916	3,421
	62,353,722	55,914,607	62,524,770	56,110,721
Unearned interest	(43,083)	(45,890)	(43,083)	(45,890)
Gross loans and advances	62,310,639	55,868,717	62,481,687	56,064,831
Allowances for losses on loans and advances				
- Individual impairment	(274,857)	(317,731)	(274,857)	(317,731)
- Collective impairment	(727,504)	(553,711)	(727,504)	(553,711)
Net loans and advances	61,308,278	54,997,275	61,479,326	55,193,389

 # As at 31 December 2013, included in overdrafts is an amount due from a subsidiary, UOB Properties (KL) Bhd of RM138,200 (2012: RM162,200).

* Other term loans include the following:

	Group 2013	Group 2012	Bank 2013	Bank 2012
Loans to subsidiaries:				
UOB Properties Bhd	-	-	150,787	175,831
UOB Properties (KL) Bhd	-	-	20,123	20,122
	-	-	170,910	195,953
Loan to a related company:				
UOB Centre of Excellence (M) Sdn Bhd	11,810	12,800	11,810	12,800

(i) By maturity structure:

	Group 2013	Group 2012	Bank 2013	Bank 2012
Maturing within one year	15,705,753	15,079,884	15,705,891	15,080,046
One year to three years	2,396,913	1,721,352	2,567,823	1,917,304
Three years to five years	3,733,183	3,251,262	3,733,183	3,251,262
Over five years	40,474,790	35,816,219	40,474,790	35,816,219
	62,310,639	55,868,717	62,481,687	56,064,831

8. LOANS AND ADVANCES (Continued)

	Group 2013 RM'000	Group 2012 RM'000	Bank 2013 RM'000	Bank 2012 RM'000
(ii) By type of customer:				
Domestic non-bank financial institutions				
- Stockbroking companies	5,397	34	5,397	34
- Others	120,874	119,017	120,874	119,017
Domestic business enterprises				
- Small medium enterprises	13,758,174	12,506,684	13,758,174	12,506,684
- Others	13,212,480	12,304,248	13,383,528	12,500,362
Individuals	30,293,603	26,584,384	30,293,603	26,584,384
Other domestic entities	-	72	-	72
Foreign entities	4,920,111	4,354,278	4,920,111	4,354,278
	62,310,639	55,868,717	62,481,687	56,064,831
(iii) By interest rate sensitivity:				
Fixed rate				
- Housing loans	40,570	47,046	40,570	47,046
- Other fixed rate loans	3,253,444	3,072,442	3,253,444	3,072,442
Variable rate				
- Base lending rate-plus	56,166,422	50,108,650	56,166,560	50,108,811
- Cost-plus	2,023,306	1,919,914	2,194,216	2,115,866
- Other variable rates	826,897	720,665	826,897	720,666
	62,310,639	55,868,717	62,481,687	56,064,831
(iv) By economic sector:				
Agriculture, hunting, forestry and fishing	1,254,389	1,101,105	1,254,389	1,101,105
Mining and quarrying	122,989	131,908	122,989	131,908
Manufacturing	6,339,559	6,280,758	6,339,559	6,280,758
Electricity, gas and water	16,064	27,921	16,064	27,921
Construction	5,518,212	4,609,804	5,518,212	4,609,804
Wholesale, retail trade, restaurants and hotels	7,458,621	7,442,566	7,458,621	7,442,566
Transport, storage and communication	709,611	583,656	709,611	583,656
Finance, insurance and business services	2,203,172	2,245,269	2,203,172	2,245,269
Real estate	3,792,459	2,700,043	3,963,507	2,896,157
Community, social and personal services	187,501	176,234	187,501	176,234
Households of which:				
- purchase of residential properties	23,562,824	21,270,423	23,562,824	21,270,423
- purchase of non residential properties	6,317,319	4,821,014	6,317,319	4,821,014
- others	4,827,919	4,386,417	4,827,919	4,386,417
Others	-	91,599	-	91,599
	62,310,639	55,868,717	62,481,687	56,064,831

8. LOANS AND ADVANCES (Continued)

	Group and Bank	
	2013 RM'000	2012 RM'000
(v) Movements in impaired loans and advances are as follows:		
At beginning of the financial year	994,171	833,396
Classified as impaired during the financial year	775,570	707,381
Amounts recovered	(311,933)	(265,107)
Reclassified as non-impaired	(250,695)	(181,544)
Amounts written off	(133,138)	(99,955)
At end of the financial year	1,073,975	994,171
Individual impairment	(274,857)	(317,731)
Net impaired loans and advances	799,118	676,440
Ratio of net impaired loans and advances to net loans and advances	1.3%	1.2%

(vi) Movements in allowance for losses on loans and advances are as follows:

	2013 RM'000	2012 RM'000
Collective impairment		
Balance as at 1 January	553,711	451,451
Allowance made during the financial year	173,793	102,260
Balance as at 31 December	727,504	553,711
Individual impairment		
Balance as at 1 January	317,731	249,315
Allowance made during the financial year	265,748	307,627
Amounts written back in respect of recoveries	(174,890)	(119,568)
Amounts written off	(139,088)	(108,794)
Interest recognised on impaired loans	6,791	(3,658)
Transferred to debt restructuring	(1,435)	(7,191)
Balance as at 31 December	274,857	317,731

8. LOANS AND ADVANCES (Continued)

	Group and Bank	
	2013 RM'000	2012 RM'000
(vii) Impaired loans according to economic sectors are as follows:		
Agriculture, hunting, forestry and fishing	164	216
Manufacturing	281,825	318,562
Construction	198,229	117,252
Wholesale, retail trade, restaurants and hotels	125,429	100,718
Transport, storage and communication	1,909	5,503
Finance, insurance and business services	22,976	19,987
Real estate	16,709	22,733
Community, social and personal services	904	1,068
Households of which:		
- purchase of residential properties	320,463	314,356
- purchase of non residential properties	37,862	34,721
- others	67,505	59,055
	1,073,975	994,171
(viii) Impaired loans and advances analysed by geographical distribution are as follows:		
In Malaysia	1,073,975	994,171

9. OTHER ASSETS

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables, deposits and prepayments (Note (i))	187,714	128,488	191,390	132,517
Accrued interest receivable	91,159	72,970	91,159	72,970
Amount due from subsidiaries	-	-	118	294
Precious metal accounts (Note (ii))	428,655	344,497	428,655	344,497
	707,528	545,955	711,322	550,278

(i) The Bank has an equity interest in House Network Sdn Bhd (HOUSe), where the Bank holds RM1 paid up ordinary share capital, which is included in other receivables, deposits and prepayments. The principal activities of HOUSe are that of management and administrative services for the shared Automated Teller Machine network amongst its member banks. The other three partners of HOUSe are HSBC Bank Malaysia Berhad, OCBC Bank Malaysia Berhad and Standard Chartered Bank Malaysia Berhad.

(ii) Precious metal accounts relate to precious metals on-loan to customers of the Bank and borrowed from the ultimate holding company. Precious metals on-loan to customers of the Bank are borrowed from the ultimate holding company on a back-to-back basis.

At 31 December 2013, the net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM53,504,000 (2012: RM67,240,000) net of cash collateral received from the customers of RM42,891,000 (2012: RM50,594,000). The amount due to ultimate holding company for precious metals borrowed is classified as other accruals and provisions in other liabilities (Note 17). As at 31 December 2013, precious metals borrowed from the ultimate holding company is RM163,220,000 (2012: RM139,099,000).

The gross amounts loaned to customers, the amount due to the ultimate holding company and precious metals borrowed from the ultimate holding company are marked-to-market based on the prevailing prices of the respective precious metals as quoted by the ultimate holding company. Gains or losses arising from the marked-to-market are recognised in profit or loss.

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

11. INVESTMENT IN SUBSIDIARIES

	Group and Bank	
	2013	**2012**
	RM'000	**RM'000**
Unquoted shares in Malaysia, at cost	50	50

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

	Paid-up capital	Group's effective interest		Principal activities
		31-Dec-13	31-Dec-12	
	RM	%	%	
UOB Smart Solutions Sdn Bhd	10,000	100	100	Outsourcing services
UOB Properties (KL) Bhd* (held directly by UOB Properties Bhd)	2	100	100	Property investment holding and property management company
UOB Properties Bhd	7	100	100	Property holding company
UOBM Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
United Overseas Nominees (Tempatan) Sdn Bhd	20	100	100	Nominee services
United Overseas Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
UOB Credit Bhd	2	100	100	Leasing company
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	100	100	Dormant
UOB 2006 Nominees (Asing) Sdn Bhd	10,000	100	100	Dormant

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

All of the subsidiaries are audited by Ernst & Young.

12. INVESTMENT IN ASSOCIATES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost	119,728	122,733	119,728	122,733
Share of post-acquisition reserves	153,790	121,633	-	-
	273,518	244,366	119,728	122,733

The associates, all of which are incorporated in Malaysia, are as follows:

	Group's effective interest 2013 %	Group's effective interest 2012 %	Principal activities	Accounting model applied
RHB Asset Management Sdn Bhd (formerly known as OSK-UOB Investment Management Berhad)	-	30	Management of unit trust funds	Equity
Uni.Asia Capital Sdn Bhd	49	49	Investment holding company	Equity

The financial statements of the above associates are coterminous with those of the Group except for Uni.Asia Capital Sdn Bhd, which has its financial year end at 31 March to conform with its holding company's financial year end.

The summarised financial information of the associates are as follows:

	2013 RM'000	2012 RM'000
Assets and liabilities		
Current assets	1,587,192	1,505,434
Non-current assets	2,036,098	2,151,838
Total assets	3,623,290	3,657,272
Current liabilities	1,302,369	1,352,518
Non-current liabilities	1,529,585	1,527,278
Total liabilities	2,831,954	2,879,796
Results		
Revenue	907,005	933,952
Profit before taxation	162,938	117,594
Profit for the year	132,836	88,156

At 31 December 2013, the amount of goodwill included within the Group's carrying amount of investment in associates is RM19,755,000 (2012: RM19,755,000).

12. INVESTMENT IN ASSOCIATES (Continued)

Disposal of an associate

During the financial year, the Group disposed of its 30 per cent equity interest in RHB Asset Management Sdn Bhd (formerly known as OSK-UOB Investment Management Berhad) on 23 October 2013 for a total cash consideration of RM43,123,000. The disposal had the following effects on the financial results of the Group and the Bank:

	Group RM'000	Bank RM'000
Total disposal proceeds	43,123	43,123
Less: cost of investment in an associate	(3,005)	(3,005)
Less: post acquisition reserves	(22,734)	-
Gain on disposal of an associate	17,384	40,118

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor Vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2013								
Cost or valuation								
At 1 January	-	-	-	169,263	271,692	6,913	49,073	496,941
At valuation	49,452	62,374	169,142	-	-	-	-	280,968
	49,452	62,374	169,142	169,263	271,692	6,913	49,073	777,909
Additions	-	-	-	7,016	14,643	1,483	38,658	61,800
Transfer	-	-	-	(41)	(119)	-	(1,041)	(1,201)
Disposals	(1,520)	-	(4,201)	(4,893)	(986)	(1,004)	-	(12,604)
At 31 December	47,932	62,374	164,941	171,345	285,230	7,392	86,690	825,904
Representing:								
At cost	-	-	-	171,345	285,230	7,392	86,690	550,657
At valuation	47,932	62,374	164,941	-	-	-	-	275,247
At 31 December	47,932	62,374	164,941	171,345	285,230	7,392	86,690	825,904

13. 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
2013 (continued)								
Accumulated depreciation and impairment								
At 1 January	-	11,017	63,385	113,258	211,751	3,215	-	402,626
Depreciation charge	-	850	5,337	9,660	16,600	1,152	-	33,599
Transfer	-	-	-	(13)	(119)	-	-	(132)
Disposals	-	-	(2,801)	(4,634)	(952)	(1,004)	-	(9,391)
At 31 December	-	11,867	65,921	118,271	227,280	3,363	-	426,702
Net carrying amount								
At cost	-	-	-	53,074	57,950	4,029	86,690	201,743
At valuation	47,932	50,507	99,020	-	-	-	-	197,459
At 31 December	47,932	50,507	99,020	53,074	57,950	4,029	86,690	399,202
2012								
Cost or valuation								
At 1 January	-	-	-	148,540	252,824	6,733	29,837	437,934
At valuation	37,472	50,013	150,893	-	-	-	-	238,468
	37,472	50,013	150,893	148,540	252,824	6,733	29,837	676,402
Additions	-	-	758	21,394	23,585	1,482	20,001	67,220
Transfer	-	-	-	-	-	-	(765)	(765)
Revaluation surplus	11,980	12,361	17,618	-	-	-	-	41,959
Provision for diminution in value	-	-	(217)	-	-	-	-	(217)
Disposals	-	-	-	(671)	(4,717)	(1,302)	-	(6,690)
At 31 December	49,452	62,374	169,142	169,263	271,692	6,913	49,073	777,909
Representing:								
At cost	-	-	-	169,263	271,692	6,913	49,073	496,941
At valuation	49,452	62,374	169,142	-	-	-	-	280,968
At 31 December	49,452	62,374	169,142	169,263	271,692	6,913	49,073	777,909
Accumulated depreciation and impairment								
At 1 January	-	10,340	58,826	105,016	198,142	3,539	-	375,863
Depreciation charge	-	677	4,559	8,908	16,913	978	-	32,035
Disposals	-	-	-	(666)	(3,304)	(1,302)	-	(5,272)
At 31 December	-	11,017	63,385	113,258	211,751	3,215	-	402,626

13. 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
2012 (continued)								
Net carrying amount								
At cost	-	-	-	56,005	59,941	3,698	49,073	168,717
At valuation	49,452	51,357	105,757	-	-	-	-	206,566
At 31 December	49,452	51,357	105,757	56,005	59,941	3,698	49,073	375,283

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
2013								
Cost								
At 1 January	-	-	-	168,260	271,931	6,913	24,692	471,796
Additions	-	-	-	6,902	14,626	1,483	30,539	53,550
Disposals	-	-	-	(4,294)	(986)	(1,004)	-	(6,284)
At 31 December	-	-	-	170,868	285,571	7,392	55,231	519,062
Accumulated depreciation and impairment								
At 1 January	-	-	-	112,772	211,792	3,215	-	327,779
Depreciation charge	-	-	-	9,606	16,596	1,152	-	27,354
Disposals	-	-	-	(4,271)	(952)	(1,004)	-	(6,227)
At 31 December	-	-	-	118,107	227,436	3,363	-	348,906
Net carrying amount								
At 31 December	-	-	-	52,761	58,135	4,029	55,231	170,156

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Bank (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
2012								
Cost								
At 1 January	-	-	-	147,535	253,067	6,733	17,996	425,331
Additions	-	-	-	21,394	23,581	1,482	6,696	53,153
Disposals	-	-	-	(669)	(4,717)	(1,302)	-	(6,688)
At 31 December	-	-	-	168,260	271,931	6,913	24,692	471,796
Accumulated depreciation and impairment								
At 1 January	-	-	-	104,593	198,186	3,539	-	306,318
Depreciation charge	-	-	-	8,843	46,910	978	-	26,731
Disposals	-	-	-	(664)	(3,304)	(1,302)	-	(5,270)
At 31 December	-	-	-	112,772	211,792	3,215	-	327,779
Net carrying amount								
At 31 December	-	-	-	55,488	60,139	3,698	24,692	144,017

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

	Group	
	2013 RM'000	**2012 RM'000**
Freehold	18,508	18,700
Freehold building	10,878	11,617
Long leasehold building	26,904	27,905
	56,290	58,222

Land and buildings were revalued on 27 December 2012 by Knight Frank, Ooi & Zaharin Sdn Bhd, an independent qualified valuer, by using the comparison method. The investment method is also used as a check against the comparison method.

Under the comparison method, fair value is estimated by considering the sale of similar or substitute properties and related market data, and establishes a value estimate by adjustments made in factors that affect value. The property being valued is compared with the sale of similar property transacted in the open market. Listings and offers may be considered. The investment method considers the income and expense data relating to the properties being valued and estimates value through capitalisation process by converting an income amount into a value estimate. This process may consider direct relationships including yield and discount rates (reflecting measures of return on investment).

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The updated preliminary assessment by Knight Frank, Ooi & Zaharin Sdn Bhd on 31 December 2013 revealed that there have no significant changes in the value reported as per previous revaluation report on 27 December 2012. The preliminary assessment was conducted based on limited available information.

Area	Significant unobservable valuation input	Range
Central	Price per square metre	RM2,135 - RM6,318
North	Price per square metre	RM1,346 - RM3,839
South	Price per square metre	RM1,201 - RM7,845
East Coast	Price per square metre	RM1,651 - RM1,676
East Malaysia	Price per square metre	RM2,212 - RM4,244

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

Fair value hierarchy disclosures for land and buildings have been provided in Note 22.

Reconciliation of fair value:

	Group	
	2013 RM'000	**2012 RM'000**
Balance as at 1 January	206,566	169,302
Re-measurement:		
- recognised in other comprehensive income	-	41,959
- recognised in income statements	-	(217)
Additions	-	758
Disposals	(2,920)	-
Depreciation (recognised in other operating expenses)	(6,187)	(5,236)
Balance as at 31 December	197,459	206,566

14. DEFERRED TAX ASSETS

	Group		Bank	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At 1 January	232,474	290,595	239,925	290,655
Recognised in the income statements (Note 30)	(24,891)	(48,323)	(29,889)	(48,402)
Recognised in other comprehensive income	4,470	(9,798)	4,188	(2,328)
At 31 December	212,053	232,474	214,224	239,925
An analysis of the Group and the Bank's deferred tax position, prior to offsetting, is as follows:				
- Deferred tax assets	237,841	261,844	232,539	261,769
- Deferred tax liabilities	(25,788)	(29,370)	(18,315)	(21,844)
	212,053	232,474	214,224	239,925

14. DEFERRED TAX ASSETS (Continued)

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

Deferred tax assets

	Group				Bank			
	Collective impairment for losses on loans and advances RM'000	Net unrealised reserves on AFS securities RM'000	Others RM'000	Total RM'000	Collective impairment for losses on loans and advances RM'000	Net unrealised reserves on AFS securities RM'000	Others RM'000	Total RM'000
At 1 January 2012	180,392	-	127,754	308,146	180,392	-	127,754	308,146
Charged to income statements	(41,575)	-	(4,727)	(46,302)	(41,575)	-	(4,802)	(46,377)
At 31 December 2012	138,817	-	123,027	261,844	138,817	-	122,952	261,769
Charged to income statements	-	-	(26,042)	(26,042)	-	-	(30,987)	(30,987)
Recognised in other comprehensive income	-	1,757	282	2,039	-	1,757	-	1,757
At 31 December 2013	138,817	1,757	97,267	237,841	138,817	1,757	91,965	232,539

Deferred tax liabilities

	Group			Bank		
	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000
At 1 January 2012	17,447	103	17,550	17,388	103	17,491
Charged to income statements	2,021	-	2,021	2,025	-	2,025
Recognised in other comprehensive income	7,471	2,328	9,799	-	2,328	2,388
At 31 December 2012	26,939	2,431	29,370	19,413	2,431	21,844
Charged to income statements	(1,151)	-	(1,151)	(1,098)	-	(1,098)
Recognised in other comprehensive income	-	(2,431)	(2,431)	-	(2,431)	(2,431)
At 31 December 2013	25,788	-	25,788	18,315	-	18,315

	Group	
	2013 RM'000	2012 RM'000
Unutilised tax losses	131	31,422
Unabsorbed capital allowances	11,069	11,069
	11,200	42,491

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

15. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Demand deposits #	16,435,460	10,306,906	16,437,099	10,325,066
Savings deposits	1,175,726	3,234,645	1,175,726	3,234,645
Fixed deposits #	40,082,790	35,047,213	40,083,882	35,048,277
Negotiable instruments of deposits	466,963	2,901,472	466,963	2,901,472
Others	11,126,535	14,097,614	11,126,535	14,097,614
	69,287,474	65,587,850	69,290,205	65,607,074

Demand deposits and fixed deposits include the following:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Demand deposit from a subsidiary:				
UOB Properties Bhd	-	-	1,639	18,160
Demand deposit from a related company:				
UOB Centre of Excellence(M) Sdn Bhd	4,045	4,123	4,045	4,123
Fixed deposit from a subsidiary:				
UOB Properties Bhd	-	-	1,092	1,064

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

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Due within six months	29,397,720	27,155,471	29,398,812	27,156,535
Six months to one year	10,556,700	10,672,533	10,556,700	10,672,533
One year to three years	592,009	116,233	592,009	116,233
Three years to five years	3,324	4,448	3,324	4,448
	40,549,753	37,948,685	40,550,845	37,949,749

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

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Business enterprises				
- Subsidiaries	-	-	2,731	19,224
- Others	29,832,835	29,156,395	29,832,835	29,156,395
Individuals	32,969,314	29,066,701	32,969,314	29,066,701
Others	6,485,325	7,364,754	6,485,325	7,364,754
	69,287,474	65,587,850	69,290,205	65,607,074

16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Licensed banks in Malaysia	201,265	383,905	201,265	383,905
Bank Negara Malaysia	1,748,559	1,674,061	1,748,559	1,674,061
Other financial institutions outside Malaysia	7,973,457	2,296,696	7,973,874	2,297,122
	9,923,281	4,354,662	9,923,698	4,355,088

17. OTHER LIABILITIES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Provision for commitments and contingencies (Note (i))	932	165	932	165
Accrued interest payable	418,688	409,253	417,640	408,313
Accruals and provisions for operational expenses	140,110	134,297	139,608	133,998
Other accruals and provisions (Note (ii))	650,638	604,582	650,599	604,550
Deferred income (Note (iii))	295,937	313,178	295,937	313,178
	1,506,305	1,461,475	1,504,716	1,460,204

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

At 1 January	165	5,250	165	5,250
Provision made during the year	1,309	1,457	1,309	1,457
Amount written back in respect of recoveries	(542)	(6,542)	(542)	(6,542)
At 31 December	932	165	932	165

(ii) At 31 December 2013, included in other accruals and provisions is an amount due to the ultimate holding company of RM53,504,000 (2012: RM67,240,000) in relation to precious metals on loan to customers of the Bank as disclosed in Note 9 and RM163,220,000 (2012: RM139,099,000) for precious metals borrowed from the ultimate holding company.

(iii)The deferred income is mainly from the upfront cash payment from a Bancassurance partnership signed in 2011 for a 12 year period until 2023.

18. SUBORDINATED BONDS

	Group and Bank	
	2013 RM'000	2012 RM'000
RM500 million subordinated bonds 2010/2020, at par (Note (i))	500,000	500,000
RM500 million subordinated bonds 2013/2023, at par (Note (ii))	500,000	-
Unamortised expenses relating to issue of subordinated bonds	(436)	(742)
	999,564	499,258

18. SUBORDINATED BONDS (Continued)

(i) On 29 March 2010, the Bank issued RM500 million 10 year subordinated bonds due in 2020 callable with step-up in 2015 (the Bonds 1).

The Bonds 1 bear interest at the rate of 4.88 per cent per annum from 29 March 2010 to 29 March 2015 and thereafter, at the rate of 5.88 per cent per annum from 30 March 2015 to the date of early redemption in full of such Bonds or maturity date of the Bonds 1 (whichever is earlier).

The Bonds 1 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 March 2015 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 29 March and 29 September each year commencing 29 September 2010.

The Bonds 1 have been rated AA1 (2012: AA1) by Rating Agency Malaysia Bhd and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

(ii) On 30 August 2013, the Bank issued RM500 million Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) (the Bonds 2).

The Bonds 2 bear interest at the rate of 4.55 per cent per annum from 30 August 2013 to 30 August 2018 and thereafter, the rate of interest will be reset to a fixed rate per annum equal to the Initial Spread (1.05 per cent) plus the prevailing 5 years Malaysian Government Securities Rate.

The Bonds 2 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 August 2018 or at any interest payment date thereafter.

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

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

19. SHARE CAPITAL

	Group and Bank	
	2013 **RM'000**	**2012** **RM'000**
Authorised:		
2,000,000,000 ordinary shares of RM1 each, at the beginning and end of the financial year	2,000,000	2,000,000
Issued and fully paid-up:		
470,000,000 ordinary shares of RM1 each, at the beginning and end of the financial year	470,000	470,000

20. RESERVES

	Note	Group 2013 RM'000	Group 2012 RM'000	Bank 2013 RM'000	Bank 2012 RM'000
Non-distributable					
Share premium		322,555	322,555	322,555	322,555
Statutory reserve	(i)	470,000	470,000	470,000	470,000
Revaluation reserve		104,015	107,494	-	-
Net unrealised reserve on AFS securities		(5,274)	7,292	(5,274)	7,292
		891,296	907,341	787,281	799,847
Distributable					
Retained profits	(ii)	4,910,252	4,191,509	4,806,883	4,135,672
Total reserves		5,801,548	5,098,850	5,594,164	4,935,519

(i) The statutory reserve is maintained in compliance with Section 12 and section 47(2)(f) of the Financial Services Act 2013 (FSA) (2012: Banking Financial Institutional Act 1989, Section 36) and is not distributable as dividends.

(ii) The Bank may distribute dividends out of its entire retained profit as at 31 December 2013 and 31 December 2012 under the single tier system.

21. FINANCIAL DERIVATIVES

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

The fair values of the derivatives are as follows:

	Group and Bank Contract or underlying principal amount RM'000	Group and Bank Positive fair value RM'000	Group and Bank Negative fair value RM'000
2013			
Foreign exchange contracts			
- forwards	7,172,580	106,612	52,315
- swaps	7,235,948	83,977	29,180
- options	1,456,045	16,628	12,739
Interest rate related contracts			
- swaps	17,435,054	106,927	156,244

21. FINANCIAL DERIVATIVES (Continued)

	Group and Bank		
	Contract or underlying principal amount RM'000	**Positive fair value RM'000**	**Negative fair value RM'000**
2013 (Continued)			
Equity related contracts			
- swaps	196,010	4,433	4,125
- options	588,596	1,508	1,508
Commodity related contracts			
- swaps	7,926	18	26
- future	7,836	20	38
		320,123	256,175
2012			
Foreign exchange contracts			
- forwards	3,484,309	15,779	16,824
- swaps	3,583,731	19,204	20,862
- options	1,444,833	6,034	7,773
Interest rate related contracts			
- swaps	17,574,575	113,060	138,521
		154,077	183,980

The table above analyses the principal amounts and the positive and negative fair values of the Group and Bank's financial derivatives. The notional amounts of these instruments indicate the volume 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.

22. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Determination of fair value and fair value hierarchy

Presented below are the Group and the Bank's assets and liabilities carried at fair value in accordance with the following fair value measurement hierarchy:
Level 1 - Unadjusted quoted prices in active market for identical financial instrument
Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
Level 3 - Inputs that are not based on observable market data

22. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

(a) Determination of fair value and fair value hierarchy (continued)

Group

	2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at fair value through profit or loss	1,030,995	678,539	-	1,709,534
Available-for-sale securities	2,749,395	330,429	-	3,079,824
Derivative financial assets	-	320,123	-	320,123
Precious metal accounts	428,655	-	-	428,655
Land and buildings	-	-	197,459	197,459
Total	4,209,045	1,329,091	197,459	5,735,595
Liabilities				
Derivative financial liabilities	-	256,175	-	256,175
Total	-	256,175	-	256,175

	2012			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at fair value through profit or loss	2,871,587	367,621	-	3,239,208
Available-for-sale securities	11,227,228	340,765	-	11,567,993
Derivative financial assets	-	154,077	-	154,077
Precious metal accounts	344,497	-	-	344,497
Land & buildings	-	-	206,566	206,566
Total	14,443,312	862,463	206,566	15,512,341
Liabilities				
Derivative financial liabilities	-	183,980	-	183,980
Total	-	183,980	-	183,980

22. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

(a) Determination of fair value and fair value hierarchy (continued)

Bank

	2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at fair value through profit or loss	1,030,995	678,539	-	1,709,534
Available-for-sale securities	2,749,395	330,429	-	3,079,824
Derivative financial assets	-	320,123	-	320,123
Precious metal accounts	428,655	-	-	428,655
Total	4,209,045	1,329,091	-	5,538,135
Liabilities				
Derivative financial liabilities	-	256,175	-	256,175
Total	-	256,175	-	256,175

	2012			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at fair value through profit or loss	2,871,587	367,621	-	3,239,208
Available-for-sale securities	11,227,228	340,765	-	11,567,993
Derivative financial assets	-	154,077	-	154,077
Precious metal accounts	344,497	-	-	344,497
Total	14,443,312	862,463	-	15,305,775
Liabilities				
Derivative financial liabilities	-	183,980	-	183,980
Total	-	183,980	-	183,980

22. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

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

Where available, quoted and observable market prices are used as the measure of fair values, such as for government treasury bills and securities and quoted securities. Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones being as follows:

(i) Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of unquoted equity securities are estimated using a number of methods, including net tangible assets, earnings ratios and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) For financial derivatives, where quoted and observable market prices are not available, fair values are arrived at using internal pricing models. As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

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

Included in the available-for-sale assets as at 31 December 2013 were investment equity securities of RM12,548,000 (2012: RM12,548,000) of the Group and the Bank that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long term investment purpose.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Group and the Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant.

(c) Fair value of financial instruments carried at cost or amortised cost

For cash and short term funds, securities purchased under resale agreements, deposits and placements with/of banks and other financial institutions, deposits from customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts in the statement of financial position due to short term maturity.

For loans and advances, the estimated fair values of the Group's and the Bank's loans and advances as at 31 December 2013 would only be 0.28 per cent lower than the carrying amounts reported in the statements of financial position. This estimate, made for disclosure purposes only, is computed based on the discounted cash flow method using current market discount rates (Level 2 in the fair value hierarchy).

For subordinated bonds issued, fair value is determined based on quoted market prices and approximates the carrying amount in the statements of financial position.

23. OPERATING REVENUE

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

24. INTEREST INCOME

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income from loans and advances	2,873,876	2,589,688	2,880,910	2,596,767
Interest income from impaired loans and advances	74,673	63,832	74,673	63,832
Money at call and deposit placements with financial institutions	451,550	221,903	451,550	221,903
Financial assets at fair value through profit or loss	60,177	94,431	60,177	94,431
Available-for-sale securities	182,250	311,581	182,250	311,581
Others	-	1,178	-	1,178
	3,642,526	3,282,613	3,649,560	3,289,692
Amortisation of premium less accretion of discount on:				
- financial assets at fair value through profit or loss	(214)	(738)	(214)	(738)
- available-for-sale securities	(9,606)	(5,789)	(9,606)	(5,789)
	3,632,706	3,276,086	3,639,740	3,283,165

25. INTEREST EXPENSE

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits from customers	1,825,961	1,680,571	1,826,167	1,680,597
Deposits and placements of banks and other financial institutions	164,678	93,550	164,678	93,550
Subordinated bonds	32,452	24,805	32,452	24,805
Others	45,515	19,764	45,515	19,764
	2,068,606	1,818,690	2,068,812	1,818,716

26. OTHER OPERATING INCOME

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fee income				
- Commission	209,012	177,783	209,012	177,783
- Guarantee fees	57,994	56,564	57,994	56,564
- Service charges and fees	199,011	180,738	199,131	180,859
- Commitment fee	26,186	23,944	26,195	23,955
- Arrangement and participation fee	24,031	24,290	24,031	24,290
	516,234	463,319	516,363	463,451

26. OTHER OPERATING INCOME (Continued)

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trading and investment income				
- Gain from sale of financial assets at fair value through profit or loss	2,792	13,167	2,792	13,167
- Loss from trading derivatives	(19,862)	(48,977)	(19,862)	(48,977)
- Unrealised gain from trading derivatives	21,430	26,495	21,430	26,495
- Gain from sale of precious metals	6,024	3,220	6,024	3,220
- Gain from sale/recovery of available-for-sale securities	14,449	17,263	14,449	17,263
- Unrealised (loss)/gain on financial assets at fair value through profit or loss	(9,769)	2,125	(9,769)	2,125
- Gross dividends from:				
- available-for-sale securities quoted in Malaysia	875	1,131	875	1,131
- an associate	-	-	18,122	3,890
	15,939	14,424	34,061	18,314
Other income				
- Foreign exchange gain				
- realised	68,852	173,509	68,852	173,509
- unrealised	111,796	2,879	111,796	2,879
- Rental income from operating leases, other than those from investment properties	192	153	75	60
- Rental income from investment properties	-	250	-	-
- Gain on disposal of property, plant and equipment	7,053	529	371	529
- Gain from disposal of an associate	17,384	-	40,118	-
- Other operating income	5,022	4,614	5,022	4,614
- Others	15,975	17,748	15,975	17,921
	226,274	199,682	242,209	199,512
	758,447	677,425	792,633	681,277

27. OTHER OPERATING EXPENSES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Personnel expenses	528,426	478,275	525,390	474,699
Establishment related expenses	134,832	118,758	148,488	131,672
Promotion and marketing related expenses	37,259	31,043	37,359	32,372
General administrative expenses	108,817	100,935	108,634	100,334
	809,334	729,011	819,871	739,077

27. OTHER OPERATING EXPENSES (Continued)

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Personnel expenses				
- Wages, salaries and bonus	413,436	380,684	410,790	377,834
- Defined contribution plan	65,906	54,023	65,526	53,580
- Other employee benefits	49,084	43,568	49,074	43,285
	528,426	478,275	525,390	474,699
Establishment related expenses				
- Depreciation of property, plant and equipment	33,599	32,035	27,354	26,731
- Provision for diminution in value of property	-	217	-	-
- Hire of equipment	375	59	375	59
- Information technology costs	13,130	14,233	13,102	14,233
- Repair and maintenance	19,973	17,353	19,781	17,125
- Rental of premises	13,393	13,004	31,368	28,659
- Others	54,362	41,857	56,508	44,865
	134,832	118,758	148,488	131,672
Promotion and marketing related expenses				
- Advertising and publicity	18,956	18,976	18,952	18,968
- Others	18,303	12,067	18,407	13,404
	37,259	31,043	37,359	32,372
General administrative expenses				
- Fees and commissions paid	44,746	48,432	44,606	47,990
- Auditors' remuneration				
- Statutory audit	479	455	460	437
- Assurance related services	85	185	85	185
- Other	3,900	-	3,900	-
	4,464	640	4,445	622
- Others	59,607	51,863	59,583	51,722
	108,817	100,935	108,634	100,334

28. CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

Remuneration in aggregate for all directors paid for the year is as follows:

	Group and Bank	
	2013 RM'000	**2012 RM'000**
Chief Executive Officer (CEO)		
- Salary and other remuneration	1,196	2,103
- Fees	60	40
- Bonus	812	680
- Benefits-in-kind	8	10
Non-executive directors		
- Fees	310	368
	2,386	3,201

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	
	2013	**2012**
Executive directors:		
RM1 to RM1,000,000	1	1
RM1,000,001 to RM2,500,000	1	1
Non-executive directors:		
RM1 to RM50,000	1	3
RM50,001 to RM100,000	4	4

The total remuneration (including benefits-in-kind) of the directors of the Bank is as follows:

	Remuneration received from the Bank				
2013	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Executive directors:					
Wong Kim Choong	1,196	20	190	8	1,414
Chan Kok Seong (resigned on 1 September 2012)	-	40	622	-	662
Non-executive directors:					
Wee Cho Yaw	-	70	-	-	70
Datuk Abu Huraira Bin Abu Yazid	-	67	-	-	67
Abdul Latif Bin Yahaya	-	63	-	-	63
Francis Lee Chin Yong	-	60	-	-	60
Wee Ee Cheong	-	50	-	-	50
	1,196	370	812	8	2,386

28. CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (Continued)

	Remuneration received from the Bank				
	Salary RM'000	Fees RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
2012					
Executive directors:					
Chan Kok Seong (resigned on 1 September 2012)	1,688	40	608	2	2,410
Wong Kim Choong (appointed on 1 October 2012)	415	-	-	8	423
Non-executive directors:					
Wee Cho Yaw	-	70	-	-	70
Datuk Abu Huraira Bin Abu Yazid	-	68	-	-	68
Abdul Latif Bin Yahaya	-	63	-	-	63
Francis Lee Chin Yong	-	60	-	-	60
Wee Ee Cheong	-	50	-	-	50
Ng Kee Wei (retired on 8 April 2011)	-	30	-	-	30
Lim Kean Chye (retired on 8 April 2011)	-	27	-	-	27
	2,103	408	608	10	3,201

29. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Allowance for impaired loans and advances				
(a) individual impairment				
- made in the financial year	265,748	307,627	265,748	307,627
- written back in the financial year	(174,890)	(119,568)	(174,890)	(119,568)
(b) collective impairment				
- made in the financial year	173,793	102,260	173,793	102,260
Impaired loans and advances				
- written off/(back)	180	(7,748)	180	(7,748)
- recovered	(47,051)	(62,542)	(47,051)	(62,542)
	217,780	220,029	217,780	220,029

30. INCOME TAX EXPENSE

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax:				
Malaysian income tax in respect of current financial year	279,254	291,850	283,782	292,752
Over provision in prior financial years	(1,758)	(44,390)	(1,758)	(44,380)
	277,496	247,460	282,024	248,372
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	26,244	4,918	31,234	7,463
(Over)/under provision in prior financial years	(1,353)	43,405	(1,345)	40,939
	24,891	48,323	29,889	48,402
	302,387	295,783	311,913	296,774

Domestic income tax is calculated at the Malaysian statutory tax rate of 25 per cent (2012: 25 per cent) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and Bank is as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	1,341,905	1,222,816	1,303,899	1,182,714
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	335,476	305,704	325,975	295,679
Effects of income not subject to tax	(10,300)	(261)	(14,706)	(261)
Effects of expenses not deductible for tax purposes	5,172	4,024	3,747	4,797
Effects of share of associates' post-tax profit included in Group's profit before taxation	(17,121)	(10,235)	-	-
Over provision of tax expense in prior years	(1,758)	(44,390)	(1,758)	(44,380)
(Over)/under provision of deferred tax in prior years	(1,353)	43,405	(1,345)	40,939
Utilisation of previously unrecognised tax losses	(2,866)	(2,464)	-	-
Recognition of previously unrecognised tax losses	(4,863)	-	-	-
Tax expenses for the year	302,387	295,783	311,913	296,774

31. EARNINGS PER SHARE

The basic earnings per ordinary share of the Group has been calculated based on the profit for the year attributable to ordinary shareholders of the Group of RM1,039,518,000 (2012: RM927,033,000) and on the number of ordinary shares of RM1 each in issue during the year of 470,000,000 (2012: 470,000,000).

32. DIVIDENDS

	Group and Bank 2013		Group and Bank 2012	
	Net dividend per share sen	Amout of dividend, net of tax RM'000	Net dividend per share sen	Amout of dividend, net of tax RM'000
Final dividend recognised in the year (in respect of the previous financial year)	68.3	320,775	56.3	264,375
Proposed final dividend	73.9	347,195	68.3	320,775

At the forthcoming Annual General Meeting, a final single-tier dividend of 73.9 per cent in respect of the financial year ended 31 December 2013 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM347,195,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of and their relationship with the Bank (other than those disclosed in Notes 11 and 12 of the financial statements) are as follows:

Related parties	Relationship
United Overseas Bank Limited	Ultimate holding company
Chung Khiaw Bank (Malaysia) Bhd	Holding company
Chung Khiaw Realty Limited	Other related parties
UOB Centre of Excellence (M) Sdn Bhd	Other related parties
UOB Asset Management (Malaysia) Berhad	Other related parties

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank includes non-executive directors of the Bank and certain members of senior management of the Bank.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These significant related party transactions were carried out on commercial terms and at market rates. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	Ultimate holding company RM'000	Subsidiaries RM'000	Associates RM'000	Key management personnel RM'000	Other related parties RM'000
For year ended 31 December 2013					
Income					
- Interest on placements, loans and advances	199	7,026	1,599	158	443
- Commission income	138	17	3,644	-	-
- Dividend income	-	-	18,122	-	-
- Service charges income	-	120	-	-	-
	337	7,163	23,365	158	443
Expenditure					
- Interest on deposits	77,166	206	2,304	731	1,145
- Rental expense	-	18,243	-	-	679
- Other expenses	3,740	4,758	3,913	-	-
	80,906	23,207	6,217	731	1,824
As at 31 December 2013					
Amount due from					
- Cash and short-term funds	368,127	-	-	-	3,445
- Loans and advances	-	171,048	6,248	4,421	11,810
- Other assets	418,042	118	-	-	-
	786,169	171,166	6,248	4,421	15,255
Amount due to					
- Deposits from customers	-	2,731	-	32,160	4,045
- Deposits and placements of banks and other financial institutions	7,919,245	417	129,635	-	53,366
- Other liabilities	76,150	-	-	-	-
	7,995,395	3,148	129,635	32,160	57,411
For year ended 31 December 2012					
Income					
- Interest on placements, loans and advances	691	7,078	1,626	156	361
- Commission income	92	10	-	-	-
- Dividend income	-	-	3,890	-	-
- Service charges income	507	121	-	-	-
	1,290	7,209	5,516	156	361
Expenditure					
- Interest on deposits	53,208	26	685	688	1,728
- Rental expense	-	15,966	-	-	595
- Other expenses	1,958	6,685	3,639	-	-
	55,166	22,677	4,324	688	2,323

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

As at 31 December 2012	Ultimate holding company RM'000	Subsidiaries RM'000	Associates RM'000	Key management personnel RM'000	Other related parties RM'000
Amount due from					
- Cash and short-term funds	69,030	-	-	-	1,990
- Loans and advances	-	196,115	25,938	4,852	12,800
- Other assets	327,851	293	-	-	-
	396,881	196,408	25,938	4,852	14,790
Amount due to					
- Deposits from customers	-	19,224	-	35,109	4,123
- Deposits and placements of banks and other financial institutions	2,189,561	426	19,074	-	51,454
- Other liabilities	88,695	-	-	-	-
	2,278,256	19,650	19,074	35,109	55,577

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

	Group and Bank	
	2013 RM'000	2012 RM'000
Short-term employee benefits	20,092	20,088
Post employment benefits: Defined contribution plan	2,592	2,817
Share based payment*	3,795	4,720
	26,479	27,625

**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 and Share Appreciation Rights Plan. As at 31 December 2013 the number of options held by key management personnel under these two plans were 64,200 (2012: 77,500) and 280,150 (2012: 257,450) respectively.*

34. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2013			
Direct credit substitutes	2,438,929	2,438,883	1,742,235
Transaction-related contingent items	3,422,435	1,690,834	1,165,257
Short-term self-liquidating trade-related contingencies	287,869	74,871	39,893
Foreign exchange related contracts			
- less than one year	13,190,156	304,352	111,503
- more than one year to less than five years	366,997	53,343	53,343
Interest rate related contracts			
- less than one year	2,985,298	14,802	11,969
- more than one year to less than five years	14,146,871	542,114	310,408
- five years and above	341,234	29,264	25,922
Equity related contracts			
- less than one year	653,281	26,001	10,033
- more than one year to less than five years	33,320	2,489	683
Undrawn credit facility			
- less than one year	8,154,523	598,899	136,404
- more than one year	707,051	558,416	509,399
- unconditionally cancellable	7,414,260	2,023,651	268,720
Total	54,142,224	8,357,919	4,385,769
2012			
Direct credit substitutes	1,827,459	1,827,458	1,065,306
Transaction-related contingent items	2,831,763	1,415,882	815,881
Short-term self-liquidating trade-related contingencies	308,146	61,629	37,405
Foreign exchange related contracts			
- less than one year	6,308,248	107,590	33,552
- more than one year to less than five years	318,141	16,730	16,106
Interest rate related contracts			
- less than one year	5,182,221	17,310	5,870
- more than one year to less than five years	10,949,435	366,195	202,047
- five years and above	1,398,464	114,753	88,333
Equity related contracts			
- less than one year	95,013	3,885	2,496
- more than one year to less than five years	75,446	1,639	447
Undrawn credit facility			
- less than one year	7,444,068	4,197	2,071
- more than one year	1,345	405	367
- unconditionally cancellable	6,194,120	1,242,033	173,049
Total	42,933,869	5,179,706	2,442,930

34. COMMITMENTS AND CONTINGENCIES (Continued)

The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia's guidelines.

Foreign exchange and interest rate related contracts for the Group and the Bank are subject to market risk and credit risk.

The Bank had implemented the Basel II Framework - Risk-weighted Assets effective from June 2010.

35. CAPITAL COMMITMENTS

	Group and Bank	
	2013	**2012**
	RM'000	**RM'000**
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	19,267	29,977

36. LEASE COMMITMENTS

The Group and the Bank have non-cancellable long term lease commitments in respect of related premises and equipment on hire, all of which are classified as operating leases.

A summary of the non-cancellable long term commitments, net of sub-leases is as follows:

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum rental payments:				
Not later than 1 year	8,127	6,795	26,240	24,908
Later than 1 year and not later than 5 years	6,393	6,633	24,506	42,859
	14,520	13,428	50,746	67,767

37. FINANCIAL RISK MANAGEMENT

The Bank's business activities involve the use of financial instruments, including derivatives. These activities expose the Bank to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk and liquidity risk.

37. FINANCIAL RISK MANAGEMENT (Continued)

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, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Executive Committee (EXCO) and/or Board of Directors. The Risk Management Division assumes the independent oversight of risks undertaken by the Bank, and takes the lead in the formulation and approval of risk policies, controls and processes. The Market Risk Control Unit within the Risk Management Division enforces Global Markets and Investment Management's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the Bank's Internal Audit Department.

The main financial risks that the Bank is exposed to and how they are being managed are set out below:

(a) Credit risk

Credit risk is defined as the risk of loss arising from any failure by a borrower or a counterparty to fulfill its financial obligations as and when they fall due.

The Executive Committee is delegated the authority by the Board of Directors to oversee all credit matters. It also oversees the implementation of the Bank's Basel II Internal Ratings-Based Approach (IRBA) framework and the respective IRBA models and risk estimates.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all impaired and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked and analysed by business and product lines. Significant trends are reported to the Credit Management Committee and EXCO.

(i) Credit exposure

Group	2013 RM'000	2012 RM'000
Cash and short-term funds	15,104,134	7,247,301
Securities purchased under resale agreements	2,149,113	-
Deposits and placements with financial institutions	2,802,804	60,990
Financial assets at fair value through profit or loss	1,709,534	3,239,208
Available-for-sale securities	3,092,372	11,580,541
Loans and advances	61,308,278	54,997,275
Derivative financial assets	320,123	154,077
Other assets	91,159	72,970
Statutory deposits with BNM	1,925,500	1,758,800
	88,503,017	79,111,162
Other assets not subject to credit risk	1,501,142	1,325,108
	90,004,159	80,436,270
Commitments and contigencies	54,142,224	42,933,869

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit exposure (Continued)

Bank	2013 RM'000	2012 RM'000
Cash and short-term funds	15,104,134	7,247,301
Securities purchased under resale agreements	2,149,113	-
Deposits and placements with financial institutions	2,802,804	60,990
Financial assets at fair value through profit or loss	1,709,534	3,239,208
Available-for-sale securities	3,092,372	11,580,541
Loans and advances	61,479,326	55,193,389
Derivative financial assets	320,123	154,077
Other assets	91,159	72,970
Statutory deposits with BNM	1,925,500	1,758,800
	88,674,065	79,307,276
Other assets not subject to credit risk	1,124,321	984,033
	89,798,386	80,291,309
Commitments and contigencies	54,142,224	42,933,869

As a fundamental credit principle, the Group and the Bank generally do not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

In extending credit facilities to small and medium enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit.

Master agreements such as International Swaps and Derivatives Association agreements and Credit Support Annex are established with active counterparties to manage credit risk arising from foreign exchange and derivative activities. Such agreements allow the Group and the Bank to cash-settle transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

	Short-term funds, securities purchased under resale agreements and placements with finanacial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Group								
2013								
Agriculture, hunting, forestry and fishing	-	-	-	1,254,389	(28,675)	-	1,225,714	388,764
Mining and quarrying	-	-	-	122,989	(1,611)	-	121,378	339,660
Manufacturing	-	-	-	6,339,559	(292,872)	-	6,046,687	5,565,709
Electricity, gas and water	-	-	-	16,064	(281)	-	15,783	158,518
Construction	-	20,046	19,020	5,518,212	(100,348)	-	5,456,930	5,702,828
Wholesale, retail trade, restaurants and hotels	-	-	-	7,458,621	(121,095)	-	7,337,526	5,455,007
Transport, storage, and communication	-	185,168	32,752	709,611	(10,388)	-	917,143	397,037
Finance, insurance, and business services	20,056,051	1,010,950	2,760,175	2,203,172	(74,274)	2,336,782	28,292,856	30,938,085
Real estate	-	-	585	3,792,459	(58,635)	-	3,734,409	623,944
Community, social and personal services	-	-	-	187,501	(2,132)	-	185,369	37,326
Households of which:	-	-	-	34,708,062	(312,050)	-	34,396,012	3,569,969
-purchase of residential properties	-	-	-	23,562,824	(121,694)	-	23,441,130	-
-purchase of non residential properties	-	-	-	6,317,319	(51,667)	-	6,265,652	-
-others	-	-	-	4,827,919	(138,689)	-	4,689,230	3,569,969
Others	-	493,370	279,840	-	-	-	773,210	965,377
	20,056,051	1,709,534	3,092,372	62,310,639	(1,002,361)	2,336,782	88,503,017	54,142,224
Other assets not subject to credit risk	-	-	-	-	-	1,501,142	1,501,142	-
	20,056,051	1,709,534	3,092,372	62,310,639	(1,002,361)	3,837,924	90,004,159	54,142,224

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

	Short-term funds, securities purchased under resale agreements and placements with finanacial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Group (Continued)								
2012								
Agriculture, hunting, forestry and fishing	-	-	-	1,101,105	(20,815)	-	1,080,290	368,035
Mining and quarrying	-	-	-	131,908	(1,391)	-	130,517	171,163
Manufacturing	-	-	-	6,280,758	(317,068)	-	5,963,690	4,698,717
Electricity, gas and water	-	-	-	27,921	(289)	-	27,632	109,527
Construction	-	-	36,930	4,609,804	(72,439)	-	4,574,295	4,497,526
Wholesale, retail trade, restaurants and hotels	-	-	-	7,442,566	(118,506)	-	7,324,060	4,351,918
Transport, storage, and communication	-	178,724	31,400	583,656	(13,458)	-	780,322	785,629
Finance, insurance, and business services	7,308,291	2,871,588	11,238,002	2,245,269	(56,701)	1,985,847	25,592,296	23,595,711
Real estate	-	-	1,013	2,700,043	(49,255)	-	2,651,801	457,743
Community, social and personal services	-	-	-	176,234	(2,580)	-	173,654	250,733
Households of which:	-	-	-	30,477,854	(217,225)	-	30,260,629	3,264,505
-purchase of residential properties	-	-	-	21,270,423	(94,516)	-	21,175,907	-
-purchase of non residential properties	-	-	-	4,821,014	(17,283)	-	4,803,731	-
-others	-	-	-	4,386,417	(105,426)	-	4,280,991	3,264,505
Others	-	188,896	273,196	91,599	(1,715)	-	551,976	382,662
	7,308,291	3,239,208	11,580,541	55,868,717	(871,442)	1,985,847	79,111,162	42,933,869
Other assets not subject to credit risk	-	-	-	-	-	1,325,108	1,325,108	-
	7,308,291	3,239,208	11,580,541	55,868,717	(871,442)	3,310,955	80,436,270	42,933,869

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

	Short-term funds, securities purchased under resale agreements and placements with finanacial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Bank								
2013								
Agriculture, hunting, forestry and fishing	-	-	-	1,254,389	(28,675)	-	1,225,714	388,764
Mining and quarrying	-	-	-	122,989	(1,611)	-	121,378	339,660
Manufacturing	-	-	-	6,339,559	(292,872)	-	6,046,687	5,565,709
Electricity, gas and water	-	-	-	16,064	(281)	-	15,783	158,518
Construction	-	20,046	19,020	5,518,212	(100,348)	-	5,456,930	5,702,828
Wholesale, retail trade, restaurants and hotels	-	-	-	7,458,621	(121,095)	-	7,337,526	5,455,007
Transport, storage, and communication	-	185,168	32,752	709,611	(10,388)	-	917,143	397,037
Finance, insurance, and business services	20,056,051	1,010,950	2,760,175	2,203,172	(74,274)	2,336,782	28,292,856	30,938,085
Real estate	-	-	585	3,963,507	(58,635)	-	3,905,457	623,944
Community, social and personal services	-	-	-	187,501	(2,132)	-	185,369	37,326
Households of which:	-	-	-	34,708,062	(312,050)	-	34,396,012	3,569,969
-purchase of residential properties	-	-	-	23,562,824	(121,694)	-	23,441,130	-
-purchase of non residential properties	-	-	-	6,317,319	(51,667)	-	6,265,652	-
-others	-	-	-	4,827,919	(138,689)	-	4,689,230	3,569,969
Others	-	493,370	279,840	-	-	-	773,210	965,377
	20,056,051	1,709,534	3,092,372	62,481,687	(1,002,361)	2,336,782	88,674,065	54,142,224
Other assets not subject to credit risk	-	-	-	-	-	1,124,321	1,124,321	-
	20,056,051	1,709,534	3,092,372	62,481,687	(1,002,361)	3,461,103	89,798,386	54,142,224

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

	Short-term funds, securities purchased under resale agreements and placements with finanacial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Bank (Continued)								
2012								
Agriculture, hunting, forestry and fishing	-	-	-	1,101,105	(20,815)	-	1,080,290	368,035
Mining and quarrying	-	-	-	131,908	(1,391)	-	130,517	171,163
Manufacturing	-	-	-	6,280,758	(317,068)	-	5,963,690	4,698,717
Electricity, gas and water	-	-	-	27,921	(289)	-	27,632	109,527
Construction	-	-	36,930	4,609,804	(72,439)	-	4,574,295	4,497,526
Wholesale, retail trade, restaurants and hotels	-	-	-	7,442,566	(118,506)	-	7,324,060	4,351,918
Transport, storage, and communication	-	178,724	31,400	583,656	(13,458)	-	780,322	785,629
Finance, insurance, and business services	7,308,291	2,871,588	11,238,002	2,245,269	(56,701)	1,985,847	25,592,296	23,595,711
Real estate	-	-	1,013	2,896,157	(49,255)	-	2,847,915	457,743
Community, social and personal services	-	-	-	176,234	(2,580)	-	173,654	250,733
Households of which:	-	-	-	30,477,854	(217,225)	-	30,260,629	3,264,505
-purchase of residential properties	-	-	-	21,270,423	(94,516)	-	21,175,907	-
-purchase of non residential properties	-	-	-	4,821,014	(17,283)	-	4,803,731	-
-others	-	-	-	4,386,417	(105,426)	-	4,280,991	3,264,505
Others	-	188,896	273,196	91,599	(1,715)	-	551,976	382,662
	7,308,291	3,239,208	11,580,541	56,064,831	(871,442)	1,985,847	79,307,276	42,933,869
Other assets not subject to credit risk	-	-	-	-	-	984,033	984,033	-
	7,308,291	3,239,208	11,580,541	56,064,831	(871,442)	2,969,880	80,291,309	42,933,869

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit quality of gross loans and debt securities

Gross loans as graded in accordance with BNM Guidelines are follows:

	2013		2012	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Pass	60,769,648	60,940,696	54,570,652	54,766,766
Special mention	467,016	467,016	303,894	303,894
Substandard	815,339	815,339	686,946	686,946
Doubtful	26,237	26,237	65,557	65,557
Loss	232,399	232,399	241,668	241,668
	62,310,639	62,481,687	55,868,717	56,064,831

Gross impaired debt securities of the Group and the Bank as at 31 December 2013 were RM179,640,000 (2012:RM179,640,000) and allowance for impairment of RM30,235,000 (2012:RM8,891,000) was made for these securities.

(iv) Ageing analysis of past due but not impaired and impaired assets

	2013		2012	
Group and Bank	Past due but not impaired RM'000	Impaired RM'000	Past due but not impaired RM'000	Impaired RM'000
Current	-	225,471	-	74,916
Within 90 days	3,161,540	134,163	2,516,229	158,700
Over 90 to 180 days	-	120,885	-	175,769
Over 180 days	-	593,456	-	584,786
	3,161,540	1,073,975	2,516,229	994,171

(v) Past due but not impaired and impaired assets analysed by industry

	2013			2012		
Group and Bank	Past due but not impaired RM'000	Impaired RM'000	Individual impairment RM'000	Past due but not impaired RM'000	Impaired RM'000	Individual impairment RM'000
Agriculture, hunting, forestry and fishing	-	164	164	3,124	216	216
Mining and quarrying	713	-	-	-	-	-
Manufacturing	239,338	281,825	151,152	253,545	318,562	190,552
Electricity, gas and water	170	-	-	314	-	-
Construction	348,008	198,229	20,464	324,326	117,252	23,880
Wholesale, retail trade, restaurants and hotels	219,443	125,429	41,605	241,028	100,718	38,306

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Past due but not impaired and impaired assets analysed by industry (continued)

Group and Bank	2013 Past due but not impaired RM'000	2013 Impaired RM'000	2013 Individual impairment RM'000	2012 Past due but not impaired RM'000	2012 Impaired RM'000	2012 Individual impairment RM'000
Transport, storage, and communication	24,311	1,909	124	12,428	5,503	3,159
Finance, insurance, and business services	27,185	22,976	10,342	102,668	19,987	10,049
Real estate	280,124	16,709	1,732	77,477	22,733	2,057
Community, social and personal services	3,575	904	186	5,111	1,068	234
Households of which:	2,018,673	425,830	49,088	1,496,208	408,132	49,278
-purchase of residential properties	1,385,638	320,463	24,344	1,117,550	314,356	24,553
-purchase of non residential properties	265,163	37,862	6,667	178,003	34,721	7,832
-others	367,872	67,505	18,077	200,655	59,055	16,893
	3,161,540	1,073,975	274,857	2,516,229	994,171	317,731

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(vi) Effects of holding collaterals

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group and the Bank are cash, marketable securities, real estate, equipment, inventory and receivable. Policies and processes are in place to monitor collateral concentration.

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

Effects of holiding collaterals on impaired loans and advances

All impaired loans and advances are subject to individual assessment impairment review as at the current and previous financial year end. The collateral mitigates credit risk and would reduce the extent of impairment allowance for the assets subject to impairment review.

	Financial effect RM'000	Maximum exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
2013			
Impaired loans and advances	769,244	1,073,975	304,731
2012			
Impaired loans and advances	645,181	994,171	348,990

For loans and advances, individual assessment allowance as at the date of the statement of financial position would have been higher by approximately RM769,244,000 (2012: RM645,181,000) without the collateral held.

(vii) Repossessed collaterals

These are assets obtained by taking possession of collaterals held as security against loans and advances.

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 2013 and 2012, there were no repossessed collaterals.

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(viii) Credit exposure analysed by geography

Group 2013	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	14,438,782	665,352	15,104,134
Securities purchased under resale agreements	2,149,113	-	2,149,113
Deposits and placements with financial institutions	2,801,124	1,680	2,802,804
Financial assets at fair value through profit or loss	1,709,534	-	1,709,534
Available-for-sale securities	3,075,009	17,363	3,092,372
Loans and advances	61,213,582	94,696	61,308,278
Derivative financial assets	312,184	7,939	320,123
Other assets	91,159	-	91,159
Statutory deposits with BNM	1,925,500	-	1,925,500
	87,715,987	787,030	88,503,017
Commitments and contingencies	51,631,440	2,510,784	54,142,224

2012	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	6,790,747	456,554	7,247,301
Deposits and placements with financial institutions	60,990	-	60,990
Financial assets at fair value through profit or loss	3,239,208	-	3,239,208
Available-for-sale securities	11,569,637	10,904	11,580,541
Loans and advances	54,997,275	-	54,997,275
Derivative financial assets	139,975	14,102	154,077
Other assets	72,970	-	72,970
Statutory deposits with BNM	1,758,800	-	1,758,800
	78,629,602	481,560	79,111,162
Commitments and contingencies	41,203,058	1,730,811	42,933,869

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(viii) Credit exposure analysed by geography (Continued)

Bank 2013	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	14,438,782	665,352	15,104,134
Securities purchased under resale agreements	2,149,113	-	2,149,113
Deposits and placements with financial institutions	2,801,124	1,680	2,802,804
Financial assets at fair value through profit or loss	1,709,534	-	1,709,534
Available-for-sale securities	3,075,009	17,363	3,092,372
Loans and advances	61,384,630	94,696	61,479,326
Derivative financial assets	312,184	7,939	320,123
Other assets	91,159	-	91,159
Statutory deposits with BNM	1,925,500	-	1,925,500
	87,887,035	787,030	88,674,065
Commitments and contingencies	51,631,440	2,510,784	54,142,224

2012	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	6,790,747	456,554	7,247,301
Deposits and placements with financial institutions	60,990	-	60,990
Financial assets at fair value through profit or loss	3,239,208	-	3,239,208
Available-for-sale securities	11,569,637	10,904	11,580,541
Loans and advances	55,193,389	-	55,193,389
Derivative financial assets	139,975	14,102	154,077
Other assets	72,970	-	72,970
Statutory deposits with BNM	1,758,800	-	1,758,800
	78,825,716	481,560	79,307,276
Commitments and contingencies	41,203,058	1,730,811	42,933,869

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of financial instruments arising from adverse fluctuations in foreign exchange rates, caused by fundamental and economic factors.

The Group and the Bank's foreign exchange exposures arise mainly from its foreign exchange position-taking, proprietary business, and customer facilitation business. To mitigate foreign currency risk, the Group and the Bank predominately uses foreign currency outright forward and swap contracts to hedge its foreign exchange exposures.

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk is managed through market risk processes, risk limits and policies as approved by the Executive Committee. The limits, procedures and policies, such as the level of exposure by currency in total for both overnight and intra-day positions, are independently monitored by Market Risk Control.

At the reporting date, the Group and the Bank's foreign exchange exposure have no significant impact to the financial position of the Group and the Bank.

(ii) Interest rate risk

Interest rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest rates.

Interest rate 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 interest rate risk management process which is conducted in accordance with the Bank's policies as approved by the Board.

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative RM15 million and RM24 million (2012: negative RM62 million and RM116 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 and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

(iii) Value-at-risk

The Bank adopts a daily Value-at-Risk (VaR) to estimate market risk within a 99.0 per cent confidence interval using the historical simulation method. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. The level of VaR is dependent on the exposures, as well as market prices and volatilities. The table below shows the VaR profile by risk classes.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2013				
Interest rate	796	2,645	328	1,072
Foreign exchange	645	2,780	184	1,144
Basis swap spread	471	5,038	471	1,704
Commodities	8	1,093	-	65
Total diversified VaR	862	6,785	719	2,258
2012				
Interest rate	1,051	2,118	389	901
Foreign exchange	1,416	6,270	184	1,200
Basis swap spread	2,407	2,752	126	1,245
Total diversified VaR	1,756	6,180	718	2,144

38. LIQUIDITY RISK

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

The Group and the Bank manage liquidity risk in accordance with the liquidity framework approved by the Asset and Liability Committee (ALCO) and which are also adequate to meet the requirements under Bank Negara Malaysia's New Liquidity Framework. 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 is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

The following table shows the maturity analysis of the Group 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 historically a stable source of long-term funding for the Bank.

Group 2013	**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	15,137,065	-	-	-	-	15,137,065
Securities purchased under resale agreements	2,152,865	-	-	-	-	2,152,865
Deposits and placements with financial institutions	2,819,114	-	-	-	-	2,819,114
Financial assets at fair value through profit or loss	461,503	222,267	361,619	613,522	63,638	1,722,549
Available-for-sale securities	51,651	134,240	137,564	3,012,917	314,758	3,651,130
Loans and advances	14,976,594	2,806,939	3,336,033	18,190,642	50,849,270	90,159,478
Derivative financial assets	121,146	39,026	33,968	117,193	8,790	320,123
Statutory deposits with BNM	-	-	-	-	1,925,500	1,925,500
	35,719,938	3,202,472	3,869,184	21,934,274	53,161,956	117,887,824
Liabilities						
Deposits from customers	52,284,518	6,222,705	11,007,630	619,069	-	70,133,922
Deposits and placements of banks and other financial institutions	4,637,376	3,582,501	57,845	330,283	1,335,320	9,943,325
Bills and acceptances payables	1,642,474	92,203	-	-	-	1,734,677
Derivative financial liabilities	69,569	30,212	32,024	119,430	4,940	256,175
Subordinated bonds	23,575	-	23,575	1,103,229	-	1,150,379
	58,657,512	9,927,621	11,121,074	2,172,011	1,340,260	83,218,478
Net maturity mismatches	(22,937,574)	(6,725,149)	(7,251,890)	19,762,263	51,821,696	
Off balance sheet liabilities						
Credit and commitments	11,946,490	2,484,583	13,569,587	8,309,668	358,491	36,668,819
Derivatives	5,878	15,042	5,782	(753)	-	25,949
Net maturity mismatches	11,952,368	2,499,625	13,575,369	8,308,915	358,491	36,694,768

38. LIQUIDITY RISK (Continued)

Group (Continued) 2012	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	7,256,703	-	-	-	-	7,256,703
Deposits and placements with financial institutions	61,230	-	-	-	-	61,230
Financial assets at fair value through profit or loss	1,236,122	1,014,212	209,865	674,342	215,400	3,349,941
Available-for-sale securities	7,946,763	497,190	131,470	3,143,394	496,200	12,215,017
Loans and advances	11,714,684	2,891,567	3,963,142	15,111,279	51,138,048	84,818,720
Derivative financial assets	23,778	12,194	16,034	63,377	38,694	154,077
Statutory deposits with BNM	-	-	-	-	1,758,800	1,758,800
	28,239,280	4,415,163	4,320,511	18,992,392	53,647,142	109,614,488
Liabilities						
Deposits from customers	49,951,682	5,206,753	11,119,077	147,402	-	66,424,914
Deposits and placements of banks and other financial institutions	1,740,440	966,266	55,631	288,584	1,309,425	4,360,346
Bills and acceptances payables	2,690,312	16,414	-	-	-	2,706,726
Derivative financial liabilities	34,254	13,119	6,332	82,198	48,077	183,980
Subordinated bonds	12,149	-	12,367	536,500	-	561,016
	54,428,837	6,202,552	11,193,407	1,054,684	1,357,502	74,236,982
Net maturity mismatches	(26,189,557)	(1,787,389)	(6,872,896)	17,937,708	52,289,640	
Off balance sheet liabilities						
Credit and commitments	8,586,754	4,130,687	6,936,890	2,364,702	218,942	22,237,975
Derivatives	(843)	1,140	1,453	11,431	1,826	15,007
Net maturity mismatches	8,585,911	4,131,827	6,938,343	2,376,133	220,768	22,252,982

Bank 2013	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	15,137,065	-	-	-	-	15,137,065
Securities purchased under resale agreements	2,152,865	-	-	-	-	2,152,865
Deposits and placements with financial institutions	2,819,114	-	-	-	-	2,819,114
Financial assets at fair value through profit or loss	461,503	222,267	361,619	613,522	63,638	1,722,549
Available-for-sale securities	51,651	134,240	137,564	3,012,917	314,758	3,651,130
Loans and advances	14,976,765	2,806,939	3,336,033	18,190,642	50,849,270	90,159,649
Derivative financial assets	121,146	39,026	33,968	117,193	8,790	320,123
Statutory deposits with BNM	-	-	-	-	1,925,500	1,925,500
	35,720,109	3,202,472	3,869,184	21,934,274	53,161,956	117,887,995

38. LIQUIDITY RISK (Continued)

Bank 2013 (Continued)	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	52,287,249	6,222,705	11,007,630	619,069	-	70,136,653
Deposits and placements of banks and other financial institutions	4,638,210	3,582,501	57,845	330,283	1,335,320	9,944,159
Bills and acceptances payables	1,642,474	92,203	-	-	-	1,734,677
Derivative financial liabilities	69,569	30,212	32,024	119,430	4,940	256,175
Subordinated bonds	23,575	-	23,575	1,103,229	-	1,150,379
	58,661,077	9,927,621	11,121,074	2,172,011	1,340,260	83,222,043
Net maturity mismatches	(22,940,968)	(6,725,149)	(7,251,890)	19,762,263	51,821,696	
Off balance sheet liabilities						
Credit and commitments	11,946,490	2,484,583	13,569,587	8,309,668	358,491	36,668,819
Derivatives	5,878	15,042	5,782	(753)	-	25,949
Net maturity mismatches	11,952,368	2,499,625	13,575,369	8,308,915	358,491	36,694,768

Bank 2012	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	7,256,703	-	-	-	-	7,256,703
Deposits and placements with financial institutions	61,230	-	-	-	-	61,230
Financial assets at fair value through profit or loss	1,236,122	1,014,212	209,865	674,342	215,400	3,349,941
Available-for-sale securities	7,946,763	497,190	131,470	3,143,394	496,200	12,215,017
Loans and advances	11,910,636	2,891,567	3,963,142	15,111,279	51,138,048	84,014,672
Derivative financial assets	23,778	12,194	16,034	63,377	38,694	154,077
Statutory deposits with BNM	-	-	-	-	1,758,800	1,758,800
	28,435,232	4,415,163	4,320,511	18,992,392	53,647,142	109,810,440
Liabilities						
Deposits from customers	49,970,906	5,206,753	11,119,077	147,402	-	66,444,138
Deposits and placements of banks and other financial institutions	1,740,866	966,266	55,631	288,584	1,309,425	4,360,772
Bills and acceptances payables	2,690,312	16,414	-	-	-	2,706,726
Derivative financial liabilities	34,254	13,119	6,332	82,198	48,077	183,980
Subordinated bonds	12,149	-	12,367	536,500	-	561,016
	54,448,487	6,202,552	11,193,407	1,054,684	1,357,502	74,256,632
Net maturity mismatches	(26,013,255)	(1,787,389)	(6,872,896)	17,937,708	52,289,640	
Off balance sheet liabilities						
Credit and commitments	8,586,754	4,130,687	6,936,890	2,364,702	218,942	22,237,975
Derivatives	(843)	1,140	1,453	11,431	1,826	15,007
Net maturity mismatches	8,585,911	4,131,827	6,938,343	2,376,133	220,768	22,252,982

38. LIQUIDITY RISK (Continued)

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 34. These have been incorporated in the net off-balance sheet position for the financial years ended 31 December 2013 and 31 December 2012. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table shows an analysis of when the Group and the Bank's assets and liabilities are expected to be recovered or settled.

Group 2013	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	15,104,134	-	15,104,134
Securities purchased under resale agreement	2,149,113	-	2,149,113
Deposits and placements with financial institutions	2,802,804	-	2,802,804
Financial assets at fair value through profit or loss	832,657	876,877	1,709,534
Available-for-sale securities	170,553	2,921,819	3,092,372
Loans and advances	18,844,366	42,463,912	61,308,278
Derivative financial assets	194,140	125,983	320,123
Other assets	675,813	31,715	707,528
Statutory deposits with BNM	-	1,925,500	1,925,500
Investment in associates	-	273,518	273,518
Property, plant and equipment	-	399,202	399,202
Deferred tax assets	-	212,053	212,053
Total assets	40,773,580	49,230,579	90,004,159
Liabilities			
Deposits from customers	68,692,141	595,333	69,287,474
Deposits and placements of banks and other financial institutions	8,257,678	1,665,603	9,923,281
Bills and acceptances payables	1,734,677	-	1,734,677
Derivative financial liabilities	131,805	124,370	256,175
Other liabilities and tax payable	1,277,946	253,494	1,531,440
Subordinated bonds	47,150	952,414	999,564
Total liabilities	80,141,397	3,591,214	83,732,611
Net mismatch	(39,367,817)	45,639,365	6,271,548

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

Group (Continued) **2012**	**Within 12 months RM'000**	**After 12 months RM'000**	**Total RM'000**
Assets			
Cash and short-term funds	7,247,301	-	7,247,301
Deposits and placements with financial institutions	60,990	-	60,990
Financial assets at fair value through profit or loss	2,409,562	829,646	3,239,208
Available-for-sale securities	8,439,147	3,141,394	11,580,541
Loans and advances	17,713,834	37,283,441	54,997,275
Derivative financial assets	52,006	102,071	154,077
Other assets	517,355	28,600	545,955
Statutory deposits with BNM	-	1,758,800	1,758,800
Investment in associates	-	244,366	244,366
Property, plant and equipment	-	375,283	375,283
Deferred tax assets	-	232,474	232,474
Total assets	36,440,195	43,996,075	80,436,270
Liabilities			
Deposits from customers	65,444,996	142,854	65,587,850
Deposits and placements of banks and other financial institutions	2,765,653	1,589,009	4,354,662
Bills and acceptances payables	2,690,312	16,414	2,706,726
Derivative financial liabilities	53,705	130,275	183,980
Other liabilities and tax payable	1,251,909	283,035	1,534,944
Subordinated bonds	24,516	474,742	499,258
Total liabilities	72,231,091	2,636,329	74,867,420
Net mismatch	(35,790,896)	41,359,746	5,568,850

Bank **2013**	**Within 12 months RM'000**	**After 12 months RM'000**	**Total RM'000**
Assets			
Cash and short-term funds	15,104,134	-	15,104,134
Securities purchased under resale agreement	2,149,113	-	2,149,113
Deposits and placements with financial institutions	2,802,804	-	2,802,804
Financial assets at fair value through profit or loss	832,657	876,877	1,709,534
Available-for-sale securities	170,553	2,921,819	3,092,372
Loans and advances	19,015,414	42,463,912	61,479,326
Derivative financial assets	194,140	125,983	320,123
Other assets	675,899	35,423	711,322
Statutory deposits with BNM	-	1,925,500	1,925,500
Investment in subsidiaries	-	50	50
Investment in associates	-	119,728	119,728
Property, plant and equipment	-	170,156	170,156
Deferred tax assets	-	214,224	214,224
Total assets	40,944,714	48,853,672	89,798,386

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

Bank **2013 (Continued)**	**Within 12 months RM'000**	**After 12 months RM'000**	**Total RM'000**
Liabilities			
Deposits from customers	68,694,872	595,333	69,290,205
Deposits and placements of banks and other financial institutions	8,258,094	1,665,604	9,923,698
Bills and acceptances payables	1,734,677	-	1,734,677
Derivative financial liabilities	131,805	124,370	256,175
Other liabilities and tax payable	1,276,409	253,494	1,529,903
Subordinated bonds	47,150	952,414	999,564
Total liabilities	80,143,007	3,591,215	83,734,222
Net mismatch	(39,198,293)	45,262,457	6,064,164

Bank **2012**	**Within 12 months RM'000**	**After 12 months RM'000**	**Total RM'000**
Assets			
Cash and short-term funds	7,247,301	-	7,247,301
Deposits and placements with financial institutions	60,990	-	60,990
Financial assets at fair value through profit or loss	2,409,562	829,646	3,239,208
Available-for-sale securities	8,439,147	3,141,394	11,580,541
Loans and advances	17,909,948	37,283,441	55,193,389
Derivative financial assets	52,006	102,071	154,077
Other assets	517,360	32,918	550,278
Statutory deposits with BNM	-	1,758,800	1,758,800
Investment in subsidiaries	-	50	50
Investment in associates	-	122,733	122,733
Property, plant and equipment	-	144,017	144,017
Deferred tax assets	-	239,925	239,925
Total assets	36,636,314	43,654,995	80,291,309
Liabilities			
Deposits from customers	65,464,220	142,854	65,607,074
Deposits and placements of banks and other financial institutions	2,757,079	1,589,009	4,355,088
Bills and acceptances payables	2,690,312	16,414	2,706,726
Derivative financial liabilities	53,705	130,275	183,980
Other liabilities and tax payable	1,250,629	283,035	1,533,664
Subordinated bonds	24,516	474,742	499,258
Total liabilities	72,240,461	2,645,329	74,885,790
Net mismatch	(35,604,147)	41,009,666	5,405,519

40. 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 to assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that it provides:

Retail

The Retail segment covers Consumer, Privilege, Business and Private Banking. Consumer Banking serves the individual customers, while Business Banking serves small enterprises with a wide range of products and services, including deposits, loans, investments, credit and debit cards and insurance products. Privilege Banking provides an extended range of financial services, including wealth management, and restricted products such as structured notes, funds of hedge funds, and insurance plans to the wealthy and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning.

Institutional Financial Services (IFS)

The IFS segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group (FIG), Corporate Finance and Debt Capital Markets. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies, and FIG serves financial institutions. Commercial Banking, Corporate Banking and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, ship finance, trade finance, structured finance, cash management and cross-border payments. Corporate Finance provides services that include lead managing and underwriting equity offerings and corporate advisory services. Debt Capital Markets specialises in solution-based structures to meet clients' financing requirements in structuring, underwriting and arranging syndicated loans for general corporate needs, leveraged buy-outs, project and structured finance, and underwriting and lead managing bond issues.

Global Markets and Investment Management (GMIM)

The GMIM segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, gold products, as well as an array of structured products. It is a player in Malaysia Ringgit treasury instruments as well as a provider of banknote services in the region. It also engages in asset management, proprietary investment activities and management of excess liquidity and capital funds.

Others

The other segments includes property-related activities and income and expenses not attributable to other operating segments. It also includes equity, which being the source of fund for the bank, will receive the corresponding funds credit or income to reflect its economic contribution.

40. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Group 2013	Retail RM'000	IFS RM'000	GMIM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Operating income	1,206,430	792,434	117,367	267,258	2,383,489	(60,942)	2,322,547
Other operating expenses	(548,071)	(155,602)	(51,756)	(77,134)	(832,563)	23,229	(809,334)
Allowance for impairment on loans and advances	(148,128)	(69,681)	-	29	(217,780)	-	(217,780)
Impairment loss on available -for-sales (AFS) securities	-	-	(21,244)	-	(21,244)	-	(21,244)
Net provision for commitments and contingencies	(2)	(713)	-	(52)	(767)	-	(767)
Share of profit of associate (net of tax)	-	-	-	68,483	68,483	-	68,483
Profit before taxation	510,229	566,438	44,367	258,584	1,379,618	(37,713)	1,341,905
Income tax expense							(302,387)
							1,039,518
Segment assets							
Gross loans	40,757,790	21,332,864	-	391,033	62,481,687	(171,048)	62,310,639
Unallocated assets							27,693,520
Total assets							90,004,159
Segment liabilities							
Deposits from customers	40,185,880	28,880,738	561,645	(338,058)	69,290,205	(2,731)	69,287,474
Unallocated liabilities							14,445,137
Total liabilities							83,732,611
Other information							
Inter-segment operating income	38,092	92,974	(361,446)	291,322	60,942	(60,942)	-
Depreciation of property, plant and equipment	5,329	557	1,305	26,515	33,706	(107)	33,599

40. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Group 2012	Retail RM'000	IFS RM'000	GMIM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Operating income	1,060,961	742,350	149,351	209,684	2,162,346	(27,525)	2,134,821
Other operating expenses	(486,938)	(146,414)	(40,522)	(78,153)	(752,027)	23,016	(729,011)
Allowance for impairment on loans and advances	(124,919)	(96,759)	-	1,649	(220,029)	-	(220,029)
Impairment loss on available-for-sales (AFS) securities	-	-	(8,991)	-	(8,991)	-	(8,991)
Net write back of provision for commitments and contingencies	-	5,085	-	-	5,085	-	5,085
Share of profit of associate (net of tax)	-	-	-	40,941	40,941	-	40,941
Profit before taxation	449,104	504,262	99,838	174,121	1,227,325	(4,509)	1,222,816
Income tax expense							(295,783)
							927,033
Segment assets							
Gross loans	36,229,064	19,526,277	241,190	68,301	56,064,832	(196,115)	55,868,717
Unallocated assets							24,567,553
Total assets							80,436,270
Segment liabilities							
Deposits from customers	34,411,207	30,964,752	190,413	40,702	65,607,074	(19,224)	65,587,850
Unallocated liabilities							9,279,570
Total liabilities							74,867,420
Other information							
Inter-segment operating income	(100,020)	43,700	(144,317)	228,362	27,525	(27,525)	-
Depreciation of property, plant and equipment	5,204	501	962	25,514	32,181	(146)	32,035

	Group 2013 RM'000	Group 2012 RM'000
Reconciliation of profit before taxation		
Segment profit	**1,379,618**	**1,227,325**
Eliminations		
Interest income:		
Interest income from loans and advances	(7,342)	(7,264)
Money at call and deposit placements with financial institutions	(206)	(26)

40. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Group	
	2013	**2012**
	RM'000	**RM'000**
Reconciliation of profit before taxation (Continued)		
Interest expense:		
Deposits from customers	206	26
Deposits and placements of banks and other financial institutions	6,310	6,510
Fee income:		
Service charges and fees	(1,071)	(3,260)
Commitment fees	(9)	(11)
Trading and investment income:		
Changes in post acquisition reserve arising from disposal of an associate	(22,734)	-
Gross dividends from an associate	(18,122)	(3,890)
Other income:		
Rental income from operating leases, other than those from investment properties	(22,050)	(19,610)
Gain on disposal of property, plant and equipment	4,076	-
	(60,942)	(27,525)
Personnel expenses		
Other employee benefits	189	167
Establishment related expenses:		
Depreciation of property, plant and equipment	107	146
Rental of premises	18,054	15,806
Others	4,726	4,563
Promotion and marketing related expenses:		
Others	153	2,316
General administrative expenses:		
Fees and commissions paid	-	18
	23,229	23,016
Profit before taxation	1,341,905	1,222,816
Reconciliation of total assets		
Segment assets	62,481,687	56,064,832
Eliminations		
Gross loans and advances	(171,048)	(196,115)
Unallocated assets	27,693,520	24,567,553
Total assets	90,004,159	80,436,270

40. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Group	
	2013 RM'000	**2012 RM'000**
Reconciliation of total liabilities		
Segment liabilities	69,290,205	65,607,074
Eliminations		
Deposits from customers	(2,731)	(19,224)
Unallocated liabilities	14,445,137	9,279,570
Total liabilities	83,732,611	74,867,420

41. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The Group and 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 and 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 Bank compute capital adequacy ratios in accordance with Bank Negara Malaysia's guidelines.

	Group		Bank	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits - audited	4,910,252	4,191,509	4,806,883	4,135,672
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	113,793	129,837	(5,274)	7,292
Regulatory adjustments applied in the calculation of CET1 Capital	(343,300)	(365,943)	(226,563)	(251,009)
Total CET1 / Tier 1 Capital	5,943,300	5,217,958	5,837,601	5,154,510
Tier 2 Capital				
Tier 2 capital instruments	950,000	500,000	950,000	500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	193,348	80,847	198,014	84,208
- Collective impairment provisions	34,322	91,195	29,656	87,834
Regulatory adjustments applied in the calculation of Tier 2 Capital	(66,219)	(67,659)	(119,778)	(122,783)
Total Tier 2 Capital	1,111,451	604,383	1,057,892	549,259
Total Capital	7,054,751	5,822,341	6,895,493	5,703,769

41. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (Continued)

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

	Group		Bank	
	2013	**2012**	**2013**	**2012**
CET1/ Tier 1 Capital	14.980%	14.120%	14.801%	14.038%
Total Capital	17.781%	15.755%	17.483%	15.534%
CET1/ Tier 1 Capital (net of proposed dividends)	14.105%	13.252%	13.920%	13.164%
Total Capital (net of proposed dividends)	16.906%	14.887%	16.603%	14.660%

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is effective from 1 January 2013 and Basel II – Risk-weighted Assets.

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

	Group		Bank	
	2013 RM,000	**2012 RM,000**	**2013 RM,000**	**2012 RM,000**
Total RWA for credit risk	35,082,686	32,264,452	34,848,132	32,027,944
Total RWA for market risk	676,592	797,538	676,592	797,538
Total RWA for operational risk	3,916,707	3,466,298	3,916,707	3,466,298
Large exposure for equity holdings RWA	-	427,009	-	427,009
	39,675,985	36,955,297	39,441,431	36,718,789

42. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Bank	
	2013	**2012**
Outstanding credit exposures with connected parties (RM'000)	195,872	354,659
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.313%	2.750%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.000%	0.001%

The credit exposures above are derived based on Bank Negara Malaysia's revised guidelines on Credit Transaction and Exposure with Connected Parties.

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