UNITED OVERSEAS BANK (MALAYSIA) BHD
Annual Report 2014

Wait at Terminal 21
Hong Sek Chern

United Overseas Bank (Malaysia) Bhd (271809K)

Contents

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

Wait at Terminal 21
by Hong Sek Chern
Chinese ink on rice paper

Ms Hong Sek Chern's Wait at Terminal 21 is the design inspiration for the cover of this year's UOB Group Annual Report. The painting received the Gold Award for the Established Artist category in the 2014 UOB Painting of the Year (Singapore) Competition. It is symbolic of the beliefs and actions that can bind people and shape their future.

Ms Hong was inspired by the determination, persistence and resilience of the Thai people and sought to capture these qualities in her painting. She portrayed a democracy movement at Bangkok's Terminal 21 shopping mall, employing her signature style which is a complex interplay of architectural blocks and lines.

The UOB Painting of the Year Competition, now in its 33rd year, promotes awareness and appreciation of 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 and subsidiaries such as commercial lending, investment banking, treasury services, trade services, custody services, cash management, home loans, credit cards, wealth management and bancassurance products.

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

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

Our Awards and Accolades in 2014

Asiamoney

Cash Management Polls 2014

- Best Foreign Cash Management Bank in Malaysia as voted by Small, Medium and Large-Sized Corporates
- Best Foreign Domestic Cash Management Services in Malaysia as voted by Small, Medium and Large-Sized Corporates
- Best Foreign Cross-Border Cash Management Services in Malaysia as voted by Small and Medium-Sized Corporates

Foreign Exchange (FX) Poll

- Ranked 3rd in Best for FX Options, Foreign FX Providers, Malaysia

RAM Rating Services Berhad (RAM)

RAM Award of Distinction

- Ranked 3rd in Lead Manager Award by Number of Issues

Visa

Malaysia Bank Awards

- Highest Payment Volume Growth – Total Credit in Malaysia
- Highest Payment Volume Growth – UOB (Malaysia) Visa Classic

Chairman's Statement

In 2015, we will continue to focus on growing our deposit base while selectively growing our loan business. We will also continue to explore new approaches to grow our customer base which includes diversifying into new industry sectors within our Wholesale Banking business and serving more affluent middle class consumers through our Retail Banking business.

2014 Review

United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) delivered a commendable set of results for financial year 2014, achieving a profit after tax of RM1,055.1 million (2013: RM1,039.5 million).

Total operating income grew by 9.0 per cent to RM2,530.5 million (2013: RM2,322.5 million), contributed by higher net interest income. Net interest income registered a growth of 15.3 per cent to RM1,804.0 million (2013: RM1,564.1 million), supported mainly by healthy loans growth and improved margins.

Other operating income was lower by 4.2 per cent to RM726.5 million (2013: RM758.4 million). This was mainly due to lower foreign exchange gains and a one-off capital gain from the disposal of an associate company and property in 2013. However, this was partially offset by higher fee income in 2014.

Total operating expenses increased by 18.9 per cent to RM962.3 million (2013: RM809.3 million) mainly due to higher personnel and establishment-related expenses as we continued to invest in our people as well as information technology infrastructure. Overall, cost-to-income ratio was at 38.0 per cent.

Share of associates' profit increased by RM46.4 million largely due to an associate's one-off gain on disposal of its subsidiaries.

Allowance for impairment on loans and advances increased by 17.7 per cent to RM256.4 million (2013: RM217.8 million) due to higher individual impairment of RM30.2 million and collective impairment of RM8.4 million. Our asset quality remained strong with the net non-performing loans ratio of 1.3 per cent.

Gross loans and advances increased by a commendable 9.2 per cent to RM68.0 billion (2013: RM62.3 billion) while non-bank deposits grew by 5.4 per cent to RM73.1 billion (2013: RM69.3 billion).

2015 Outlook

The global economic outlook remains uncertain for 2015. While there may be potential upside led by the economic recovery in the United States, risks persist in the form of diverging global monetary policy and structural headwinds in Europe and Japan.

The Malaysian economy faces challenges with uncertainty over oil prices, the weakening of Ringgit against US Dollar and a moderation in private consumption. However, investments under the Economic Transformation Programme are expected to continue to support the domestic economy. Malaysia's Gross Domestic Product is projected to grow moderately in 2015.

Against this economic backdrop, in 2015, we will continue to focus on growing our deposit base while selectively growing our loan business. We will also continue to explore new approaches to grow our customer base which includes diversifying into new industry sectors within our Wholesale Banking business and serving more affluent middle class consumers through our Retail Banking business.

We will continue to step up fee income growth through intensifying the collaboration between our client coverage and product specialist teams, while deepening our product expertise and capabilities to meet the growing financing needs of our customers.

With the completion of the hubbing of the core banking system to our Group office, we are poised to roll out a series of system enhancements that will improve operational efficiency.

In everything that we do, our strong compliance culture continues to complement our enterprising spirit in driving our business forward.

Acknowledgement

With the guidance of a strong management team and the dedication of our employees, we believe that we are in a position of strength to face challenges and deliver results to our stakeholders. I thank them all on their efforts in 2014 and look forward to their continued contribution in the years ahead.

I would like to thank our Chairman Emeritus Dr Wee Cho Yaw for his continued guidance and counsel, as well as to my fellow Board members for their strong support and invaluable insights.

I would also like to extend my gratitude to our customers for their continued support and loyalty.

Ong Yew Huat
Chairman

Board of Directors and its Committees

BOARD OF DIRECTORS

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

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

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

Francis Lee Chin Yong
Non-independent non-executive director

Datuk Abu Huraira Bin Abu Yazid
Independent non-executive director

Abdul Latif Bin Yahaya
Independent non-executive director
(Retired w.e.f. 17 June 2014)

Dato' Jeffrey Ng Tiong Lip
Independent non-executive director
(Appointed w.e.f. 16 June 2014)

Fatimah Binti Merican
Independent non-executive director
(Appointed w.e.f. 3 November 2014)

Wong Kim Choong
Non-independent executive director

AUDIT COMMITTEE

Dato' Jeffrey Ng Tiong Lip (Chairman)

Datuk Abu Huraira Bin Abu Yazid

Francis Lee Chin Yong

Fatimah Binti Merican

RISK MANAGEMENT COMMITTEE

Datuk Abu Huraira Bin Abu Yazid (Chairman)

Francis Lee Chin Yong

Dato' Jeffrey Ng Tiong Lip

Fatimah Binti Merican

REMUNERATION COMMITTEE

Datuk Abu Huraira Bin Abu Yazid (Chairman)

Wee Cho Yaw

Wee Ee Cheong

Francis Lee Chin Yong

NOMINATING COMMITTEE

Fatimah Binti Merican (Chairman)

Wee Cho Yaw

Wee Ee Cheong

Francis Lee Chin Yong

Datuk Abu Huraira Bin Abu Yazid

Dato' Jeffrey Ng Tiong Lip

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 2014. 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 Limited and its subsidiary Far Eastern Bank. He is also Chairman of United Overseas Insurance and United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia and Supervisor of United Overseas Bank (China). His other board chairmanships include Haw Par Corporation, UOL Group and its subsidiary, Pan Pacific Hotels Group, United Industrial Corporation, Marina Centre Holdings and Wee Foundation. Previously, he chaired the board 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 the 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 Honorary Doctor of Letters degrees by the National University of Singapore in 2008 and by the Nanyang Technological University in 2014. 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
Board Chairman

Mr Ong was appointed to the Board on 2 January 2013. An independent and non-executive director, he was appointed Chairman on 12 April 2013. He is also a Director of UOB Limited. A director of Singapore Power, Mr Ong is also Chairman of the National Heritage Board of Singapore and The Tax Academy of Singapore. He is also 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
Deputy Chairman

Mr Wee was appointed to the Board on 23 March 1994 and last re-elected as Director on 19 December 2014. A non-independent and non-executive director, Mr Wee is a member of the Remuneration and Nominating Committees.

A career banker, Mr Wee joined UOB Limited 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.

Mr Wee is actively engaged in key industry bodies. He serves as a council member of The Association of Banks in Singapore, an honorary council member of the Singapore Chinese Chamber of Commerce & Industry, a director of The Institute of Banking & Finance (IBF) and chairs the IBF Standards Committee. For his contribution to the financial industry, he was awarded The Public Service Star in 2013. He is also involved in regional initiatives as 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.

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

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 2014. He is a member of the Audit, Risk Management, Remuneration and Nominating Committees.

Mr Lee joined UOB Group in 1980 and held several key positions in UOB (Malaysia). In 1998, he became the Chief Executive Officer of UOB (Malaysia).

In 2003, he became the Head of International in UOB Limited and spearheaded the Group's regional expansion. He was also responsible for the Consumer Banking business in UOB Limited and the region. Currently, he holds the position of Managing Director of Group Retail in UOB Limited.

He 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 32 years of banking experience.

He started his career with UOB Limited in 1983, where he served for over 14 years. During the 14 years with UOB Limited, 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, a position he held until his appointment as Director and CEO of UOB (Malaysia) in October 2012.

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 is also a director of other private companies such as Equinox 8 Sdn Bhd, HY Connections 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 to-date.

Dato' Jeffrey Ng Tiong Lip

Dato' Jeffrey was appointed to the Board on 16 June 2014 as an independent non-executive director. He is the Chairman of the Audit Committee and also a member of the Risk Management and Nominating Committees.

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

Dato' Jeffrey is currently the Chief Executive Officer and non-independent executive director of Sunway REIT Management Sdn Bhd (manager of Sunway REIT which is listed on Bursa Malaysia). He is also a director of Urban Hallmark Properties Sdn Bhd. Prior to joining Sunway REIT Management Sdn Bhd, he was the executive director of Sunway City Berhad (now known as Sunway Berhad). He was the former Managing Director of AP Land Berhad.

Dato' Jeffrey has also held various positions in non-governmental associations, among which he is the Patron & Past President of the Real Estate Housing Developers Association (REHDA). He was also appointed by the Ministry of Federal Territories and Urban Wellbeing as a panel member of the Appeal Board under the Federal Territory (Planning Act 1982).

Fatimah Binti Merican

Puan Fatimah was appointed to the Board on 3 November 2014 as an independent non-executive director. She is the Chairperson of the Nominating Committee and also a member of the Audit and Risk Management Committees.

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

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

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

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

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

Chang Yeong Gung
(Position held effective 1 March 2015)
Executive Director
Country Head, Finance and Corporate Services
Chief Financial Officer

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, Private Bank

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 Market

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
(Position held from January 2014 – 28 February 2015)
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

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

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: Wendy Yap Nyet Foong

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: Oh Seng Hu

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

Shah Alam Branch
2A, Ground Floor, Wisma SunwayMas
Jalan Tengku Ampuan Zabedah 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: Caryl Shim Weng Han

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: Lee Kui Peng

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: George Lai Ted Min

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 eight directors. They are:

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

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

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

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

Datuk Abu Huraira Bin Abu Yazid
Independent and non-executive

Dato' Jeffrey Ng Tiong Lip
Independent and non-executive

Puan Fatimah Binti Merican
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, as well as 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 2014 is set out in the table below.

Number of meetings attended in 2014

	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Dr Wee Cho Yaw	4	N/A	N/A	1	2
Mr Ong Yew Huat	6	N/A	N/A	N/A	N/A
Mr Wee Ee Cheong	6	N/A	N/A	2	4
Mr Francis Lee Chin Yong	6	5	5	2	4
Datuk Abu Huraira Bin Abu Yazid	6	5	5^	2^	4
Encik Abdul Latif Bin Yahaya#	3	3^	2	N/A	2^
Dato' Jeffrey Ng Tiong Lip*	3	2^	3	N/A	2^
Puan Fatimah Binti Merican**	-	-	-	-	-
Mr Wong Kim Choong	6	N/A	N/A	N/A	N/A
Number of meetings held in 2014	6	5	5	2	4

* *Appointed w.e.f. 16 June 2014.*
** *Appointed w.e.f. 3 November 2014.*
\# *Retired w.e.f. 17 June 2014.*
^ *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 three 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 three 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 three 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 57.

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 on monthly basis.

Pillar 3 Disclosure

United Overseas Bank (Malaysia) Bhd ('UOB (Malaysia)'), in compliance with the requirements under Bank Negara Malaysia 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 2014. 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.

CAPITAL ADEQUACY

Our approach to capital management is to ensure that UOB (Malaysia) maintains strong capital levels that is 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, overall risk profile and capital requirements. The UOB (Malaysia)'s capital position, capital management plan, the contingency capital plan, as well as any capital management actions, are submitted to the senior management team and/or to the Board for approval.

The aggregate breakdown of risk weighted assets (RWA) by exposure in each category of the Bank for the current financial period 31st December 2014 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				
	Public Sector Entities	-	-	-	-
	Banks, Development Financial Institutions & MDBs	-	-	-	-
	Corporates	1,618,098	1,616,068	1,616,068	129,285
	Regulatory Retail	-	-	-	-
	Other Assets	450,287	450,287	358,703	28,696
	Defaulted Exposures	7,565	7,565	11,347	908
	Total for On-Balance Sheet Exposures	**2,075,950**	**2,073,920**	**1,986,118**	**158,889**

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 2014 are as follows:- (Continued)

RM'000

Item	Exposures 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	378,998	378,998	216,459	17,317
	Credit Derivatives	-	-	-	-
	Off-Balance sheet exposures other than OTC derivatives or credit derivatives	128,417	126,554	126,554	10,124
	Defaulted Exposures	-	-	-	-
	Total Off-Balance Sheet Exposures	**507,415**	**505,552**	**343,013**	**27,441**
	Total On and Off-Balance Sheet Exposures (STD)	**2,583,365**	**2,579,472**	**2,329,132**	**186,331**
1.2	**Exposures under FIRB Approach**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	18,833,792	18,833,792	-	-
	Banks, Development Financial Institutions & MDBs	3,007,600	3,007,601	666,568	53,325
	Corporate Exposures	24,022,107	21,513,970	22,872,579	1,829,806
	Residential Mortgages				
	Qualifying Purchased Retail Receivables				
	Qualifying Revolving Retail Exposures				
	Other Retail Exposures				
	Securitisation				
	Equity (Simple Risk Weight)	113,329	113,329	447,181	35,774
	Defaulted Exposures	532,297	520,373	-	-
	Total for On-Balance Sheet Exposures	**46,509,125**	**43,989,065**	**23,986,328**	**1,918,906**
	Off-Balance Sheet Exposures				
	Off-Balance sheet exposures other than OTC derivatives or credit derivatives	4,658,178	3,844,165	3,184,787	254,783
	OTC Derivatives	1,093,694	1,078,101	500,755	40,060
	Defaulted Exposures	9,049	7,472	-	-
	Total Off-Balance Sheet Exposures	**5,760,921**	**4,929,738**	**3,685,542**	**294,843**
	Total On and Off-Balance Sheet Exposures (FIRB)	**52,270,046**	**48,918,803**	**27,671,870**	**2,213,750**
	Exposures under AIRB Approach				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks				
	Banks, Development Financial Institutions & MDBs				
	Corporate Exposures	-	-	-	-
	Residential Mortgages	26,790,525	26,790,525	2,799,487	223,959
	Qualifying Purchased Retail Receivables	-	-	-	-
	Qualifying Revolving Retail Exposures	2,147,490	2,147,490	988,983	79,119
	Other Retail Exposures	14,212,469	14,212,469	2,600,406	208,032
	Securitisation				
	Equity (Simple Risk Weight)				
	Defaulted Exposures	571,450	571,450	551,702	44,136
	Total for On-Balance Sheet Exposures	**43,721,934**	**43,721,934**	**6,940,578**	**555,246**

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 2014 are as follows:- (Continued)

RM'000

Item	Exposures Class	Exposures Pre CRM	Exposures Post CRM	RWA	Min Cap. Requirement at 8%
1.2	**Exposures under AIRB Approach (Continued)**				
	Off-Balance Sheet Exposures				
	Off Balance sheet exposures other than OTC derivatives or credit derivatives	2,944,089	2,944,089	426,934	34,155
	OTC Derivatives	6,255	6,255	2,517	201
	Defaulted Exposures	80	80	100	8
	Total Off-Balance Sheet Exposures	**2,950,424**	**2,950,424**	**429,551**	**34,364**
	Total On and Off-Balance Sheet Exposures (AIRB)	**46,672,358**	**46,672,358**	**7,370,129**	**589,610**
	Total (Exempted Exposures (STD) and Exposures under IRB Approach)	**101,525,769**	**98,170,633**	**37,371,131**	**2,989,690**
	Total (Exempted Exposures (STD) and Exposures under IRB Approach) after scaling factor			**39,473,651**	**3,157,892**
2.0	Large Exposures Risk Requirement				
3.0	Market Risk	**Long Position**	**Short Position**		
	Interest Rate Risk	**34,776,665**	**26,371,966**	**542,441**	**43,395**
	Foreign Currency Risk	**487,906**	**533,407**	**101,595**	**8,128**
	Equity Risk	-	-	-	-
	Commodity Risk	**388,406**	**386,783**	**148,527**	**11,882**
	Options Risk	-	-	**10,800**	**864**
	Inventory Risk	-	-	-	-
4.0	Operational Risk (Basic indicator approach)			**4 ,344,262**	**347,541**
5.0	Total RWA and Capital Requirements			**44,621,275**	**3,569,702**

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	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				
	Public Sector Entities	-	-	-	-
	Banks, Development Financial Institutions & MDBs	24	24	12	1
	Corporates	1,402,853	1,395,961	825,804	66,064
	Regulatory Retail	-	-	-	-
	Other Assets	470,005	470,005	355,497	28,440
	Defaulted Exposures	7,318	7,317	10,976	878
	Total for On-Balance Sheet Exposures	**1,880,200**	**1,873,307**	**1,192,289**	**95,383**
	Off-Balance Sheet Exposures				
	OTC Derivatives	143,400	143,400	110,874	8,870
	Credit Derivatives	-	-	-	-
	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**
	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
	Residential Mortgages				
	Qualifying Purchased Retail Receivables				
	Qualifying Revolving Retail Exposures				
	Other Retail Exposures				
	Securitisation				
	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**

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:- (Continued)

RM'000

Item	Exposures Class	Exposures Pre CRM	Exposures Post CRM	RWA	Min Cap. Requirement at 8%
	Credit Risk (Continued)				
1.2	**Exposures under FIRB Approach**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks				
	Banks, Development Financial Institutions & MDBs				
	Corporate Exposures	38,693	42,138	23,690	1,895
	Residential Mortgages	25,051,349	25,051,349	2,881,675	230,534
	Qualifying Purchased Retail Receivables	-	-	-	-
	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
	Securitisation				
	Equity (Simple Risk Weight)				
	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**
	Total (Exempted Exposures (STD) and Exposures under IRB Approach)	**95,345,874**	**93,044,473**	**31,535,444**	**2,522,836**
	Total (Exempted Exposures (STD) 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**
	Equity Risk	-	-	-	-
	Commodity Risk	-	-	-	-
	Options Risk	-	-	**30,717**	**2,457**
	Inventory Risk	-	-	-	-
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**

CAPITAL STRUCTURE

The Bank, on 29 March 2010 has issued RM500 million subordinated bonds at 4.88% p.a. maturing on 27 March 2020 (with call date on 30 March 2015) for working capital, general funding and corporate funding purposes.

On 30 August 2013, the Bank has issued another RM500 million subordinated bonds at 4.55% p.a. maturing on 29 August 2023 for working capital, general funding and corporate funding purposes.

	2014 RM'000		2013 RM'000	
	Group	**Bank**	**Group**	**Bank**
Common Equity Tier 1 (CET1) 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	**5,691,949**	**5,753,972**	**4,910,252**	**4,806,883**
Statutory reserve	**470,000**	**470,000**	**470,000**	**470,000**
Other reserves	**184,481**	**58,230**	**113,793**	**(5,274)**
Regulatory adjustments applied in the calculation of CET1 Capital	**(201,767)**	**(76,539)**	**(343,300)**	**(226,563)**
Total CET1 / Tier 1 capital	**6,937,218**	**6,998,218**	**5,943,300**	**5,837,601**
Tier 2 Capital				
Tier II capital instruments	**900,000**	**900,000**	**950,000**	**950,000**
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	**222,867**	**222,867**	**193,348**	**198,014**
- Collective impairment provisions	**58,999**	**53,678**	**34,322**	**29,656**
Regulatory adjustments applied in the calculation of Tier 2 Capital	**(24,091)**	**(80,019)**	**(66,219)**	**(119,778)**
Total Tier II capital	**1,157,775**	**1,096,527**	**1,111,451**	**1,057,892**
Total capital	**8,094,993**	**8,094,745**	**7,054,751**	**6,895,493**

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

	2014		2013	
	Group	**Bank**	**Group**	**Bank**
CET1/Tier 1 ratio	**15.461%**	**15.684%**	**14.980%**	**14.801%**
Total capital	**18.042%**	**18.141%**	**17.781%**	**17.483%**
CET1/Tier 1 ratio (net of proposed dividends)	**14.452%**	**14.668%**	**14.105%**	**13.920%**
Total capital (net of proposed dividends)	**17.032%**	**17.126%**	**16.906%**	**16.603%**

Note: The capital ratios have been computed in accordance with Basel III Capital Adequacy Framework (capital components) approach.

RISK MANAGEMENT

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

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

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

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

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

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

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

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

Risk appetite
The Bank has established a risk appetite framework to define the amount of risk the Bank is able and willing to take in pursuit of its business objectives. The risk appetite defines suitable thresholds and limits across key areas including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk and reputational risk. The objective of establishing a risk appetite framework is not to limit risk taking but to ensure that the Bank's risk profile is aligned to its business strategy. Our risk taking approach is focused on businesses which we understand and are well equipped to manage the risk involved. The Bank will continue to upgrade its risk management, information technology and other capabilities to support its strategic aspirations.

UOB (Malaysia)'s risk appetite framework is updated and approved annually by the Board. The Management monitors and reports the risk limits to the Board.

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

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

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

CREDIT RISK

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

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

CREDIT RISK (Continued)

Credit risk governance and organisation
The Credit Working Group (CWG), ICCC and EXCO are the key oversight committees for credit risk and supports the CEO and Risk Management Committee in managing the Bank's overall credit risk exposures. The committees serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and systems. The EXCO also reviews and assesses the Bank's credit portfolios and credit risk profiles.

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

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

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

Credit concentration risk
Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. This is managed by setting exposure limits on obligors, portfolios, borrowers, industries and countries, generally expressed as a percentage of the Bank's total capital. Regular assessments of emerging risks and reviews of industry are performed to identify areas in which concentration risks may accumulate.

Country risk
The Bank manages its country risk exposures within an established framework that involves setting limits for each country. Such limits are based on the country's risk rating, economic potential measured by its gross domestic product and the Bank's business strategy.

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

The Bank's stress test scenarios consider potential and plausible macroeconomic and geopolitical events in varying degrees of likelihood and severity. These are developed through consultation with relevant business units and are approved by senior management. The projected stressed variables such as gross domestic product and interest rates are applied consistently to all Bank portfolios to estimate credit losses.

Credit exposures from foreign exchange and derivatives
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 a default.

For Internal Ratings-Based (IRB) purpose, the bank does not recognise ISDA netting. The Current Esposure method is used to estimate its FX and derivative exposures on a gross basis.

Credit monitoring and remedial management
The Bank regularly monitors credit exposures, portfolio performance and emerging risks that may impact its credit risk profile. The Board and senior management are updated on credit trends through internal risk reports. The reports also provide alerts on key economic, political and environmental developments across major portfolios and countries, so that mitigating actions can be taken if necessary.

Delinquency monitoring
The Bank monitors closely the delinquency of borrowing accounts as it is a key indicator of credit quality. An account is considered as delinquent when payment is not received on due date. Any delinquent accounts, including a revolving credit facility (such as an overdraft) with limit excesses, is closely monitored and managed through a 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.

CREDIT RISK (Continued)

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

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.

Bank special asset management

Special Asset Management Department (SAMD) manages the Non-Performing portfolios of the Bank. SAMD 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 manages accounts that the Bank intends to exit in order to maximise debt recovery.

Write-off policy

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

CREDIT RISK (Continued)

(i) Credit exposure by sector

Bank 2014	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corp (including Specialised Lending & SME) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry & Fishing	-	-	-	-	960,109	-	-	-	-	960,109
Mining & Quarrying	-	-	-	-	1,201,338	-	-	-	-	1,201,338
Manufacturing	-	-	-	-	5,356,715	-	-	-	-	5,356,715
Electricity, Gas & Water	-	-	-	-	42,560	-	-	-	-	42,560
Construction	-	-	-	-	8,298,546	-	-	-	-	8,298,546
Wholesale, Retail Trade, Restaurant & Hotels	-	-	-	-	6,133,435	-	-	-	-	6,133,435
Transport, Storage & Communication	-	-	-	-	923,464	-	-	-	-	923,464
Finance, Insurance & Business Services	52,698	-	2,531,107	206,408	2,121,038	-	-	-	-	4,911,252
Real Estate	-	-	-	-	3,819,680	-	-	-	-	3,819,680
Community, Social & Personal Services	-	-	-	-	93,955	-	-	-	-	93,955
Households	-	-	-	-	2,492	18,697,634	27,974,725	-	-	46,674,851
Others	18,881,093	88,620	1,783,813	-	1,747,585	-	-	113,329	-	22,614,441
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	495,424	495,424
Grand Total	**18,933,791**	**88,620**	**4,314,920**	**206,408**	**30,700,918**	**18,697,634**	**27,974,725**	**113,329**	**495,424**	**101,525,769**

(ii) Credit exposure by remaining contractual maturities

Bank 2014	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corp (including Specialised Lending & SME) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
<3 Mths	502,709	5,651	183,669	19,123	3,061,188	166,364	-	-	437	3,939,142
3-6 Mths	-	5,800	84,242	34,763	32,603	3,012	-	-	-	160,420
6-12 Mths	-	9,629	140,545	8,868	12,947	129	-	-	-	172,117
1-3 Yrs	18,212,380	67,541	3,499,782	129,585	15,769,812	6,099,552	1,485,357	-	494,987	45,758,996
3-5 Yrs	218,702	-	394,096	13,371	5,354,998	326,567	267,153	-	-	6,574,887
>5 Yrs	-	-	12,585	697	6,469,371	12,102,010	26,222,214	113,329	-	44,920,207
Grand Total	**18,933,791**	**88,620**	**4,314,920**	**206,408**	**30,700,918**	**18,697,634**	**27,974,752**	**113,329**	**495,424**	**101,525,769**

CREDIT RISK (Continued)

(i) Credit exposure by sector

Bank 2013	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corp (including Specialised Lending & SME) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry & Fishing	-	-	-	-	373,741	-	-	-	-	373,741
Mining & Quarrying	-	-	-	-	379,022	-	-	-	-	379,022
Manufacturing	-	-	12,049	-	6,250,337	-	-	-	-	6,262,387
Electricity, Gas & Water	-	-	-	-	117,498	-	-	-	-	117,498
Construction	-	-	44,762	-	3,723,733	-	-	-	-	3,768,495
Wholesale, Retail Trade, Restaurant & Hotels	-	-	7,208	-	7,391,095	-	-	-	-	7,398,303
Transport, Storage & Communication	-	-	-	-	885,427	-	-	-	-	885,427
Finance, Insurance & Business Services	81,323	-	2,093,889	156,565	2,695,854	-	-	-	-	5,027,632
Real Estate	-	-	-	-	1,119,967	-	-	-	-	1,119,968
Community, Social & Personal Services	-	-	-	-	1,899,757	-	-	-	-	1,899,757
Households	-	-	-	-	199	17,356,827	26,076,851	-	-	43,433,877
Others	23,178,645	29,735	-	-	3,081,529	-	-	33,572	-	26,323,481
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	504,329	504,329
Grand Total	**23,259,968**	**29,735**	**2,157,909**	**156,565**	**27,918,160**	**17,356,827**	**26,076,851**	**33,572**	**504,329**	**97,493,916**

(ii) Credit exposure by remaining contractual maturities

Bank 2013	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corp (including Specialised Lending & SME) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
<3 Mths	2,149,113	-	121,494	2,664	1,953,136	179,094	-	-	537	4,406,038
3-6 Mths	-	-	17,049	2,787	21,375	919	-	-	-	42,130
6-12 Mths	-	-	9,983	-	3,319	-	-	-	-	13,302
1-3 Yrs	20,031,709	29,735	1,604,788	142,173	15,606,846	5,865,468	1,319,356	-	503,793	45,103,867
3-5 Yrs	1,079,146	-	377,572	8,942	3,811,155	11,311,345	24,757,495	-	-	41,345,656
>5 Yrs	-	-	27,023	-	6,522,329	-	-	33,572	-	6,582,924
Grand Total	**23,259,968**	**29,735**	**2,157,909**	**156,565**	**27,918,160**	**17,356,827**	**26,076,851**	**33,572**	**504,329**	**97,493,916**

CREDIT RISK (Continued)

(iii) Past due and impaired loans analysed by industry

The Bank	As at 31 December 2014		As at 31 December 2013	
	Past due but not impaired RM'000	Impaired loans RM'000	Past due but not impaired RM'000	Impaired loans RM'000
Agriculture, hunting, forestry and fishing	1,758	-	-	164
Mining and quarrying	1,752	-	713	-
Manufacturing	203,521	240,290	239,338	281,825
Electricity, gas and water	703	-	170	-
Construction	492,083	214,039	348,008	198,229
Wholesale, retail trade, restaurants and hotels	328,076	123,950	219,443	125,429
Transport, storage, and communication	19,887	4,245	24,311	1,909
Finance, insurance, and business services	51,421	15,447	27,185	22,976
Real estate	196,023	15,611	280,124	16,709
Community, social and personal services	3,185	960	3,575	904
Households:	1,591,498	454,527	2,018,673	425,830
-purchase of residential properties	1,139,158	341,406	1,385,638	320,463
-purchase of non residential properties	262,396	43,532	265,163	37,862
-others	189,944	69,589	367,872	67,505
	2,889,907	**1,069,069**	**3,161,540**	**1,073,975**

(iv) Individual and collective impairment provisions analysed by industry

The Bank	As at 31 December 2014		As at 31 December 2013	
	Individual impairment RM'000	Collective impairment RM'000	Individual impairment RM'000	Collective impairment RM'000
Agriculture, hunting, forestry and fishing	-	39,702	164	28,511
Mining and quarrying	-	9,880	-	1,611
Manufacturing	85,128	148,818	151,152	141,720
Electricity, gas and water	-	606	-	281
Construction	9,516	127,241	20,464	79,884
Wholesale, retail trade, restaurants and hotels	47,856	104,658	41,605	79,491
Transport, storage and communication	1,815	15,512	124	10,264
Finance, insurance, and business services	5,270	70,438	10,342	63,932
Real estate	1,867	104,934	1,732	56,904
Community, social and personal services	352	1,421	186	1,946
Households:	51,396	284,903	49,088	262,960
-purchase of residential properties	27,768	127,675	24,344	97,349
-purchase of non residential properties	6,843	37,988	6,667	44,999
-others	16,785	119,240	18,077	120,612
Others	-	1,605	-	-
	203,200	**909,718**	**274,857**	**727,504**

Impaired loans and impairment provision by geographical area

All past due loans, impaired loans and impairment provision were from customers residing in Malaysia.

CREDIT RISK (Continued)

(v) Charges and write offs for individual impairment provisions analysed by industry

The Bank	As at 31 December 2014 Individual impairment made during year RM'000	As at 31 December 2014 Write-offs during the year RM'000	As at 31 December 2013 Individual impairment made during year RM'000	As at 31 December 2013 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-
Mining and quarrying	-	-	-	-
Manufacturing	44,430	67,271	70,645	45,452
Electricity, gas and water	-	-	-	-
Construction	2,335	9,235	8,998	181
Wholesale, retail trade, restaurants and hotels	51,190	19,386	36,691	6,352
Transport, storage, and communication	3,071	-	570	3,427
Finance, insurance, and business services	628	6,771	2,782	1,228
Real estate	575	-	434	-
Community, social and personal services	308	20	88	64
Households:	**115,083**	**77,844**	**145,540**	**82,384**
-purchase of residential properties	31,676	3,004	49,703	4,576
-purchase of non residential properties	3,612	594	6,375	4,896
-others	79,795	74,246	89,462	72,912
	217,620	**180,527**	**265,748**	**139,088**

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

The Bank	As at 31 December 2014	As at 31 December 2013
Collective impairment	**RM'000**	**RM'000**
Balance as at 1 January	727,504	553,711
Allowance made during the year	182,214	173,793
Amount written back	-	-
Balance as at 31 December	909,718	727,504

	As at 31 December 2014	As at 31 December 2013
Individual impairment	**RM'000**	**RM'000**
Balance as at 1 January	274,857	317,731
Allowance made during the year	217,620	265,748
Amounts written back in respect of recoveries	(110,584)	(174,890)
Amounts written-off	(180,527)	(139,088)
Interest recognition on impaired loans	4,254	6,790
Transfer to debt restructuring	(2,420)	(1,434)
Balance as at 31 December	203,200	274,857

CREDIT RISK (Continued)

(vii) Geographical Analysis

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
The Bank as at 31 December 2014			
Cash and short-term funds	10,199,046	634,301	10,833,347
Securities purchased under resale agreements	502,709	-	502,709
Deposits and placements with financial institutions	130,516	-	130,516
Financial assets at fair value through profit or loss (FVTPL)	2,392,138	-	2,392,138
Available-for-sale securities (AFS)	9,228,698	22,145	9,250,843
Loans and advances	60,514,815	6,600,765	67,115,580
Derivative financial assets	754,719	151,227	905,946
Other assets	93,727	-	93,727
Statutory deposits with BNM	1,960,350	-	1,960,350
	85,776,718	7,408,438	93,185,156
Commitments and contingencies	68,968,096	7,326,271	76,294,367
The Bank as at 31 December 2013			
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 FVTPL	1,709,534	-	1,709,534
AFS securities	3,075,009	17,363	3,092,372
Loans and advances	56,559,215	4,920,111	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
	83,061,620	5,612,445	88,674,065
Commitments and contingencies	51,631,440	2,510,784	54,142,224

Credit Exposures under Basel II

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

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

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

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

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	2,583	52,270	46,672

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

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

CREDIT RISK (Continued)

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 Bank Negara Malaysia.

(viii) The aggregate breakdown of credit risk exposure by risk weights of the bank are as follows :-

Risk Weights	Bank-31 December 2014							
	PSEs	Banks MDBs and FDIs	Insurance Cos, Securities Firms & Funds Mangers	Corporates	Regulatory Retail	Other Assets	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	-	-	-	-	-	91,583	91,583	-
10%	-	-	-	-	-	-	-	-
20%	88,620	80,943	-	-	-	-	169,563	33,913
35%	-	-	-	-	-	-	-	-
50%	-	53,777	-	-	-	-	53,777	26,888
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	206,323	1,646,821	-	403,841	2,256,985	2,256,985
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	7,564	-	-	7,564	11,347
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	**88,620**	**134,720**	**206,323**	**1,654,385**	**-**	**495,424**	**2,579,472**	**2,329,132**

CREDIT RISK (Continued)

(viii) The aggregate breakdown of credit risk exposure by risk weights of the bank are as follows :- (Continued)

Risk Weights	Bank-31 December 2013							
	PSEs	Banks MDBs and FDIs	Insurance Cos, Securities Firms & Funds Mangers	Corporates	Regulatory Retail	Other Assets	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	-	-	-	-	-	114,508	114,508	-
10%	-	-	-	-	-	-	-	-
20%	29,735	4,777	-	712,696	-	-	747,207	149,441
35%	-	-	-	-	-	-	-	-
50%	-	9,857	-	-	-	-	9,857	4,929
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	155,464	709,931	-	389,821	1,255,217	1,255,217
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	7,317	-	-	7,317	10,975
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	**29,735**	**14,634**	**155,464**	**1,429,943**	**-**	**504,329**	**2,134,106**	**1,420,562**

CREDIT RISK (Continued)

(ix) Rated exposures according to ratings by ECAI's

2014
(RM'000)

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)			-	-	-	88,620
Insurance Cos, Securities Firms & Fund Managers			-	-	-	206,323
Corporates			-	-	-	1,821,662
Total			**-**	**-**	**-**	**2,116,606**

2014
(RM'000)

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		3,247	41,816	450	-	-	8,876
Total		**3,247**	**41,816**	**450**	**-**	**-**	**8,876**

CREDIT RISK (Continued)

(ix) Rated exposures according to ratings by ECAI's (Continued)

2013
(RM'000)

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	29,735
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	156,565
Corporates		712,696	-	-	-	730,084
Total		**712,696**	**-**	**-**	**-**	**916,384**

2013
(RM'000)

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		3,227	10,619	-	-	-	788
Total		**3,227**	**10,619**	**-**	**-**	**-**	**788**

CREDIT RISK (Continued)

Internal credit rating system

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

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

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

Non-Retail Exposures

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

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

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

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

Corporate asset class

The Bank has developed models to rate exposures in the Large Corporate and SME asset class. Credit risk factors used to derive a borrower's risk rating include its financial strength, quality of management, business risks, and the industry in which it operates.

The borrower risk rating process is augmented by facility risk ratings, which take into account the type and structure of the facility, availability and type of collateral, and seniority of the exposure.

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

Specialised Lending asset sub-class

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

Income Producing Real Estate (IPRE)

The rating grade structure for IPRE exposures follows that of the corporate asset class, with 16 pass grades and four default grades.

Commodities Finance (CF) and Project Finance (PF)

Risk grades derived for CF and PF exposures are mapped to five supervisory slotting categories, which determines the risk weights to be applied to such exposures.

Sovereign asset class

The Bank has developed an internal Sovereign scorecard to rate exposures in this asset class. Public debt levels, balance of payments, fiscal budgets and other macroeconomic, stability and political risk factors are considered in the scorecard to assess sovereign credit risk in a structured and holistic manner. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Bank asset class

The Bank has developed an internal Bank scorecard to rate exposures in this asset class, which takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Equity asset class

The Bank adopts the following approaches for its equity investments:

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

CREDIT RISK (Continued)

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

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

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

Qualifying Revolving Retail Exposures (QRRE) Asset Class
This includes credit card exposures and unsecured credit lines meeting criteria stipulated by BNM. QRRE are assessed and managed using a combination of application and behavioral scorecards, risk segmentation models, as well as internal credit policies and procedures.

Other Retail Asset Class
This includes commercial properties, share financing and any other retail exposures not classified as Residential Mortgage or QRRE.

These exposures are assessed and managed using the Bank's framework of credit policies, procedures and risk segmentation models.

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 RISK (Continued)

Exposures under the IRB Approach by Risk Grade (Non-Retail)

			2014 RM'000
CRR Band	**1-9**	**10-16**	**17-20 (Default)**
Total Non Retail Exposures (EAD)			
Large Corporate, SME and Specialised Lending (IPRE)	19,496,449	8,932,455	560,588
Specialised Lending (CF and PF)	0	0	0
Sovereign	18,933,791	0	0
Bank	4,157,906	22,155	0
Total Exposure	42,588,146	8,954,610	560,588
Undrawn Commitments			
Large Corporate, SME and Specialised Lending (IPRE)	137,054	29,610	0
Specialised Lending (CF and PF)	0	0	0
Sovereign	0	0	0
Bank	0	0	0
Total Exposure Undrawn Commitments	137,054	29,610	0
Exposure-Weighted Average LGD (%)			
Large Corporate, SME and Specialised Lending (IPRE)	41%	42%	44%
Specialised Lending (CF and PF)	0%	0%	0%
Sovereign	45%	0%	0%
Bank	45%	45%	0%
Exposure-Weighted Average Risk Weight (%)			
Large Corporate, SME and Specialised Lending (IPRE)	74%	130%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Sovereign	0%	0%	0%
Bank	25%	183%	0%

CREDIT RISK (Continued)

Exposures under the IRB Approach by Risk Grade (Non-Retail)

2014
RM'000

PD Range of Retail Exposure	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Total Retail Exposure (EAD)				
Residential Mortgage	24,205,099	646,440	2,750,027	373,159
Qualifying Revolving Retail	1,001,187	4 25,981	1,166,091	30,570
Other Retail	11,711,389	2 ,120,031	2,074,585	167,800
Total Exposure	36,917,674	3 ,192,451	5 ,990,703	571,530
Undrawn Commitments				
Residential Mortgage	752,928	3,054	55,058	-
Qualifying Revolving Retail	274,904	89,313	81,552	-
Other Retail	1,351,593	154,677	178,755	-
Total Undrawn Commitments	2,379,425	247,044	315,365	-
Exposure Weighted Average LGD (%)				
Residential Mortgage	11.54%	11.30%	11.79%	12.38%
Qualifying Revolving Retail	31.68%	47.28%	52.00%	65.10%
Other Retail	16.52%	25.09%	26.31%	24.05%
Exposure Weighted Average Risk Weight (%)				
Residential Mortgage	6.76%	17.72%	39.63%	63.79%
Qualifying Revolving Retail	6.19%	21.35%	77.99%	340.00%
Other Retail	12.50%	28.42%	40.93%	125.03%

2013
RM'000

CRR Band	1-9	10-16	17-20 (Default)
Total Non Retail Exposures (EAD)			
Large Corporate, SME and Specialised Lending (IPRE)	18,308,650	7,618,594	547,923
Specialised Lending (CF and PF)	0	0	0
Sovereign	23,259,968	0	0
Bank	2,137,316	5,870	0
Total Exposure	43,705,934	7,624,464	547,923
Undrawn Commitments			
Large Corporate, SME and Specialised Lending (IPRE)	339,005	58,127	154
Specialised Lending (CF and PF)	0	0	0
Sovereign	0	0	0
Bank	0	0	0
Total Exposure Undrawn Commitments	339,005	58,127	154
Exposure-Weighted Average LGD (%)			
Large Corporate, SME and Specialised Lending (IPRE)	39.78%	39.36%	40.92%
Specialised Lending (CF and PF)	0.00%	0.00%	0.00%
Sovereign	45.00%	0.00%	0.00%
Bank	45.00%	45.00%	0.00%
Exposure-Weighted Average Risk Weight (%)			
Large Corporate, SME and Specialised Lending (IPRE)	76.24%	123.64%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Sovereign	0%	0%	0%
Bank	23.71%	59.39%	0%

CREDIT RISK (Continued)

Exposures under the IRB Approach by Risk Grade (Non-Retail)

2013
RM'000

PD Range of Retail Exposure	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Total Retail Exposure (EAD)				
Residential Mortgage	19,952,065	665,685	5,107,427	351,674
Qualifying Revolving Retail	829,688	394,073	1,072,455	24,352
Other Retail	4,767,706	1,748,993	8,344,670	174,890
Total Exposure	25,549,459	2 ,808,751	14,524,552	550,916
Undrawn Commitments				
Residential Mortgage	633,142	7 ,941	32,744	-
Qualifying Revolving Retail	211,524	73,980	71,704	-
Other Retail	1,403,367	190,071	239,985	180
Total Undrawn Commitments	2,248,033	271,992	344,433	180
Exposure Weighted Average LGD (%)				
Residential Mortgage	10.72%	10.49%	10.45%	10.92%
Qualifying Revolving Retail	32.03%	45.97%	51.87%	65.60%
Other Retail	24.41%	27.39%	14.32%	27.53%
Exposure Weighted Average Risk Weight (%)				
Residential Mortgage	6.21%	16.01%	30.85%	58.59%
Qualifying Revolving Retail	6.35%	20.46%	78.52%	327.50%
Other Retail	18.55%	30.70%	21.05%	89.67%

2014
RM'000

EL% Range of Retail Exposure	0 to 1.0%	1.0 to 5.0%	5.0 to 10.0%	10.0 to 30.0%	30.0% to 100%
Total Retail Exposure (EAD)					
Residential Mortgage	27,038,487	737,450	61,240	137,547	-
Qualifying Revolving Retail	1,426,602	779,282	160,655	176,839	80,451
Other Retail	14,978,821	800,730	222,740	39,457	32,057
Total Exposure	43,443,910	2,317,462	444,636	353,843	112,507
Undrawn Commitments					
Residential Mortgage	809,124	1,917	-	-	-
Qualifying Revolving Retail	341,633	89,281	10,048	4,421	386
Other Retail	1,628,621	44,556	7,313	4,614	-
Total Undrawn Commitments	2,779,378	135,754	17,361	9,035	386
Exposure Weighted Average Risk Weight (%)					
Residential Mortgage	9.58%	61.46%	56.53%	0.09%	0.00%
Qualifying Revolving Retail	9.31%	50.71%	116.65%	168.12%	191.00%
Other Retail	15.95%	55.20%	98.51%	167.73%	26.47%

CREDIT RISK (Continued)

Exposures under the IRB Approach by Risk Grade (Non-Retail)

2013
RM'000

EL% Range of Retail Exposure	0 to 1.0%	1.0 to 5.0%	5.0 to 10.0%	10.0 to 30.0%	30.0% to 100%
Total Retail Exposure (EAD)					
Residential Mortgage	24,901,955	1,035,263	-	139,633	-
Qualifying Revolving Retail	1,240,054	692,104	154,142	164,710	69,559
Other Retail	13,905,655	737,775	236,888	95,629	60,312
Total Exposure	40,047,664	2,465,142	391,030	399,972	129,871
Undrawn Commitments					
Residential Mortgage	673,338	489	-	-	-
Qualifying Revolving Retail	272,927	73,156	7,700	2,998	428
Other Retail	1,726,820	90,947	12,559	3,260	17
Total Undrawn Commitments	2,673,085	164,592	20,259	6,258	445
Exposure Weighted Average Risk Weight (%)					
Residential Mortgage	9.86%	64.95%	0.00%	0.01%	0.00%
Qualifying Revolving Retail	9.76%	50.66%	115.95%	170.29%	178.73%
Other Retail	18.62%	55.05%	109.88%	66.56%	26.34%

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 2014.

Comparison of actual loss and expected loss by asset class

Asset Class	Actual Loss (as at 31 December Asset Class 2014) RM'000	Expected loss (as at 31 December 2013) RM'000	Actual Loss (as at 31 December 2013) RM'000	Expected loss (as at 31 December 2012) RM'000
Corporate	18,575	252,176	(4,941)	230,402
Bank	-	1,140	-	1,262
Retail	56,335	196,494	46,695	141,532
Total	**74,910**	**449,811**	**44,754**	**373,197**

The actual loss in 2014 is lower than in 2013 due to exceptional recovery in 2014.

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:

- EL as at 31 December 2013 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.
- EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

CREDIT RISK (Continued)

Actual loss 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 2014.

Loans, advances and financing
Movements in allowance for losses on loans, advances and financing are as follows:-

	The Bank	
	2014	**2013**
	RM'000	**RM'000**
Collective Impairment		
Balance as at 1 January	727,504	553,711
Allowance made during the year	182,214	173,793
Balance as at 31 December	**909,718**	**727,504**

	2014	**2013**
	RM'000	**RM'000**
Individual impairment		
Balance as at 1 January	274,857	317,731
Allowance made during the year	217,620	265,748
Amount written back in respect of recoveries	(110,584)	(174,890)
Transfer to impairment losses in value of securities	-	-
Amount written off	(180,527)	(139,088)
Interest recognition on impaired loans	4,254	6,791
Transfer to debt restructuring	(2,420)	(1,435)
Other adjustment	-	-
Balance as at 31 December	**203,200**	**274,857**

	2014	**2013**
	RM'000	**RM'000**
Allowance for losses on loans, advances and financing		
(a) Individual Impairment		
- Made in the financial year	217,620	265,748
- Written back in the financial year	(110,584)	(174,890)
(b) Collective Impairment		
- Made in the financial year	182,214	173,793
- Written back in the financial year	-	-
Impaired loans, advances and financing:		
- written-off	11,586	180
- recovered	(44,422)	(47,051)
	256,414	**217,780**

CREDIT RISK MITIGATION

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

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

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

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

In extending credit facilities to 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.

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

2014
RM'000

Expossure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposure & Off-Balance Sheet Exposures				
Sovereign / Central Banks	18,833,792	-	-	-
Publis Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	3,007,600	-	-	-
Insurances Cos, Securities Firms & Fund Managers	206,408	-	-	-
Corporates	25,433,796	1,326,543	1,415,925	1,094,213
Regulatory Retail	16,362,214	-	-	-
Residential Mortgages	26,790,525	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	450,287	-	-	-
Specialised Financing / Investment	-	-	-	-
Equity Exposure	113,329	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	917,688	19,000	2,109	6,048
Total for On-Balance Sheet Exposures	**92,115,639**	**1,345,543**	**1,418,061**	**1,100,261**
Off-Balance Sheet Exposures				
OTC Derivatives	1,478,949	5,648	14,294	1,345
Credit Derivatives	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	7,728,429	156,293	141,743	74,132
Defaulted Exposures	8,107	-	1,462	70
Total for Off-Balance Sheet Exposures	**9,215,485**	**161,941**	**757,454**	**75,547**
Total for On and Off-Balance Sheet Exposures	**101,331,124**	**1,507,484**	**2,175,515**	**1,175,808**

CREDIT RISK MITIGATION (CONTINUED)

The credit risk mitigation of the bank for the current financial year are as follows:- (Continued)

2013
RM'000

Expossure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposure & Off-Balance Sheet Exposures				
Sovereign / Central Banks	23,259,968	-	-	-
Publis Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,094,156	-	-	-
Insurances Cos, Securities Firms & Fund Managers	156,565	-	-	-
Corporates	23,003,929	1,147,219	1,397,013	235,897
Regulatory Retail	14,966,134	-	-	-
Residential Mortgages	25,051,349	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	470,005	-	-	-
Specialised Financing / Investment	-	-	-	-
Equity Exposure	33,572	-	-	-
Securitisation Exposures	-	-		
Defaulted Exposures	828,836	-	12,215	-
Total for On-Balance Sheet Exposures	**88,864,514**	**1,147,219**	**1,409,228**	**235,897**
Off-Balance Sheet Exposures				
OTC Derivatives	830,046	1,839	6,319	175
Credit Derivatives	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	7,522,684	88,786	643,793	3,214
Defaulted Exposures	1,414	-	374	-
Total for Off-Balance Sheet Exposures	**8,354,144**	**90,625**	**650,485**	**3,388**
Total for On and Off-Balance Sheet Exposures	**97,218,658**	**1,237,843**	**2,059,714**	**239,285**

OFF-BALANCE SHEET AND COUNTERPARTY CREDIT RISK

Credit exposures from foreign exchange and derivatives

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

The Off-Balance sheet exposure and their related counterparty credit risk of the Bank is as follows:-

2014
RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	**2,284,617**		**2,284,617**	**1,596,309**
Transaction related contingent items	**4,308,410**		**2,131,960**	**1,432,231**
Short term Self Liquidating trade related contingencies	**303,122**		**72,428**	**35,560**
Foreign exchange related contracts	**28,225,912**	**658,539**	**848,293**	**343,075**
One year or less	27,635,265	607,710	765,392	262,353
Over one year to five years	590,647	50,829	82,900	80,721
Interest/profit rate related contracts	**20,007,324**	**96,737**	**497,293**	**277,962**
One year or less	5,264,883	8,552	17,116	9,336
Over one year to five years	14,578,461	84,741	466,895	258,472
Over five years	163,980	3,444	13,283	10,154
Equity related contracts	**1,097,906**	**20,700**	**73,946**	**34,445**
One year or less	657,720	14,652	47,313	19,670
Over one year to five years	440,187	6,075	26,634	14,775
Over five years	-	-	-	-
Other Commodity Contracts	**665,815**	**96,893**	**163,475**	**127,569**
One year or less	665,815	96,893	163,475	127,569
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	**1,792,002**		**209,253**	**170,685**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**10,082,012**		**753,635**	**160,193**
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**7,456,903**		**2,113,519**	**239,000**
Unutilised credit card lines	**70,343**		**70,343**	**14,069**
Off-balance sheet securitisation exposures due	**-**		**-**	**-**
Total	**76,294,366**	**872,869**	**9,218,761**	**4,431,097**

OFF-BALANCE SHEET AND COUNTERPARTY CREDIT RISK (Continued)

Credit exposures from foreign exchange and derivatives

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

The Off-Balance sheet exposure and their related counterparty credit risk of the Bank is as follows:- (Continued)

2013
RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
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	**13,557,153**	**192,104**	**357,695**	**164,846**
One year or less	13,190,156	164,451	304,352	111,503
Over one year to five years	366,997	27,653	53,343	53,343
Interest/profit rate related contracts	**17,473,403**	**135,600**	**586,180**	**348,299**
One year or less	2,985,298	8,155	14,802	11,969
Over one year to five years	14,146,871	118,654	542,114	310,408
Over five years	341,234	8,790	29,264	25,922
Equity related contracts	**686,601**	**4,433**	**28,490**	**10,716**
One year or less	653,281	4,433	26,001	10,033
Over one year to five years	33,320	-	2,489	683
Over five years	-	-	-	-
Other Commodity Contracts	**-**	**-**	**-**	**-**
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	**707,051**		**558,416**	**509,399**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**8,154,523**		**598,899**	**136,404**
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**7,384,553**		**1,993,944**	**262,779**
Unutilised credit card lines	**29,707**		**29,707**	**5,941**
Total	**54,142,222**	**332,137**	**8,357,918**	**4,385,771**

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) and Balance Sheet Risk Management (BSRM) of the Risk Management Division (RMD) supports the RMC, RCC, 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 ensure 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, plain 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. 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.

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 2014 was RM0.80 million.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2014				
Interest rate	530	2,467	341	1,010
Foreign Exchange	303	3,371	202	954
Basis Swap Spread	486	3,637	379	638
Commodities	573	2,988	0	633
Total Diversified VaR	**801**	**5,159**	**647**	**1685**
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	0	65
Total Diversified VaR	**862**	**6,785**	**719**	**2,258**

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including reputation, legal and compliance risk but excludes strategic risk and business risk.

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

Operational risk is managed through a framework by which business and support units properly identify, assess, monitor, mitigate and report their risks. The Operational Risk Management Committee attended by senior management meets monthly to provide oversight of operational risk matters across the Bank.

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

- The businesses, as the first line of defence are responsible for establishing a robust control environment as part of their operations. Each Line of Business is also responsible for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities.

OPERATIONAL RISK

- Operational Risk Management as the second line of defence is responsible for risk oversight and exercising governance over operational risk through providing relevant framework, policies, tools and system to manage the operational risk, quality assurance of internal controls, operational risk measurement, monitoring and reporting of operational risk issues to senior management, relevant management committees and Board of Directors.

- Internal Audit acts as the third line of defence by providing an independent and objective assurance on the overall effectiveness of the risk governance framework, and internal control effectiveness through periodic audit programme.

A key component of the operational risk management framework is risk identification and control self-assessments. This is achieved through the bank-wide implementation of a set of operational risk tools. Several risk mitigation policies and programmes are in place to maintain a sound operating environment.

The Bank has a business continuity and crisis management programme in place to ensure prompt recovery of critical business functions should there be unforeseen events. Senior management provides an annual attestation to the Board on the state of business continuity readiness of the Bank.

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

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

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

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

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

EQUITIES (Disclosures for Banking Book position)

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

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

	Bank 2014		Bank 2013	
Type of Equities	**Exposures RM'000**	**RWA RM'000**	**Exposures RM'000**	**RWA RM'000**
Publicly Traded Equity Exposures * mainly acquired via loan restructuring activities	**6,136**	**18,409**	**3,937`**	**11,810**
All Other Equity Exposures	**107,193**	**428,772**	**29,635**	**118,540**
Investment in Associated Companies	**99,973**	**^**	**119,728**	**^**
	213,302	**447,181**	**153,300**	**130,350**

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

	Bank 2014 RM'000	Bank 2013 RM'000
Realised gains/(losses) arising from sales and liquidation	1,435	40,919
Unrealised gains/(losses) included in fair value reserve	5,870	21,034

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 Market Division is responsible for the effective management of balance sheet risk in accordance with approved balance sheet risk management policies.

The primary objective of interest rate risk management 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.

Banking book interest rate risk exposure is quantified on a monthly basis using a combination of static analysis tools and dynamic simulation techniques. Static analysis tools include repricing schedules and sensitivity analysis. They provide indications of the potential impact of interest 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, currencies 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. Changes in interest rates are simulated using different interest rate scenarios such as changes in the shape of the yield curve, including high and low rates, as well as positive and negative tilt scenarios. NII simulation is performed to quantify

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

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 reported figures are based on the upward and downward parallel movement of the yield curve. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate, for deposits that do not have maturity dates.

INTEREST RATE SENSITIVITY ANALYSIS - BANKING BOOK

Currency	Increase/(Decrease) in basis point 2014	Sensitivity of equity 2014	Increase/(Decrease) in basis point 2014	Sensitivity of equity 2014
		RM'Million		RM'Million
Total	**+ 200 / (200)**	**188.2 / (157.6)**	**+ 100 / (100)**	**93.6 / (81.9)**
MYR	+ 200 / (200)	160.3 / (153.7)	+ 100 / (100)	79.6 / (78.0)
USD	+ 200 / (200)	27.9 / (3.9)	+ 100 / (100)	14.0 / (3.9)

Currency	Increase/(Decrease) in basis point 2013	Sensitivity of equity 2013	Increase/(Decrease) in basis point 2013	Sensitivity of equity 2013
		RM'Million		RM'Million
Total	**+ 200 / (200)**	**50.0 / (23.5)**	**+ 100 / (100)**	**23.0 / (15.4)**
MYR	+ 200 / (200)	40.5 / (21.7)	+ 100 / (100)	18.3 / (13.6)
USD	+ 200 / (200)	9.6 / (1.8)	+ 100 / (100)	4.8 / (1.8)

The EVE sensitivity at 100 and 200 basis points parallel interest rate shocks were negative RM82 million and RM158 million (2013: negative RM15 million and RM24 million)

NET INTEREST INCOME (NII)

Currency	Increase/(Decrease) in basis point 2014	Sensitivity of NII 2014	Increase/(Decrease) in basis point 2014	Sensitivity of NII 2014
		RM'Million		RM'Million
Total	**+ 200 / (200)**	**398.9 / (373.2)**	**+ 100 / (100)**	**160.1 / (152.4)**
MYR	+ 200 / (200)	379.4 / (371.2)	+ 100 / (100)	150.3 / (150.3)
USD	+ 200 / (200)	19.5 /(2.1)	+ 100 / (100)	9.8 / (2.1)

Currency	Increase/(Decrease) in basis point 2013	Sensitivity of NII 2013	Increase/(Decrease) in basis point 2013	Sensitivity of NII 2013
		RM'Million		RM'Million
Total	**+ 200 / (200)**	**331.1 / (321.2)**	**+ 100 / (100)**	**128.0 / (123.6)**
MYR	+ 200 / (200)	320.7 / (320.3)	+ 100 / (100)	122.8 / (122.8)
USD	+ 200 / (200)	10.4 /(0.9)	+ 100 / (100)	5.2 / (0.9)

The NII sensitivity at 100 and 200 basis points parallel interes rate shocks were RM160 million and RM399 million (2013: RM128 million and RM331 million) respectively.

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

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.

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. The Bank also employs liquidity early warning indicators and trigger points to signal possible contingency situations.

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 119 - 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.

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 2014.

Principal activities

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

Results

	Group RM'000	Bank RM'000
Profit before taxation	1,396,409	1,632,973
Income tax expense	(341,328)	(338,689)
Profit for the year	1,055,081	1,294,284

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

In the opinion of the directors, the results of the operations of the Group and 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 2013 were as follows:

	RM'000
In respect of the financial year ended 31 December 2013 as reported in the directors' report for that year, a final single-tier dividend of 73.9%, on 470 million ordinary shares was paid on 29 April 2014	**347,195**

At the forthcoming Annual General Meeting, a final single-tier dividend of 96.4 per cent in respect of the financial year ended 31 December 2014 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM453,080,000 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 2015.

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
Datuk Abu Huraira Bin Abu Yazid
Dato' Ng Tiong Lip, Jeffrey (appointed on 16 June 2014)
Fatimah Binti Merican (appointed on 3 November 2014)
Abdul Latif Bin Yahaya (retired on 17 June 2014)
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 Shares Plan and UOB Share Appreciation Rights Plan of the ultimate holding company, United Overseas Bank Limited (UOBL).

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

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

Following a review of the remuneration strategy across UOBL and its subsidiaries (UOBL Group), UOBL implemented the Plans on 28 September 2007, with a view to aligning the interests of participating employees with that of shareholders and the UOBL Group by fostering a culture of ownership and enhancing the competitiveness of the UOBL 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 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 UOBL shares that are restricted by time and performance conditions as to when they vest. Upon vesting, participants will receive UOBL shares represented by the RS.

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

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

Subject to the achievement of pre-determined return on equity (ROE) targets of the UOBL Group, 50% 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 UOBL Group before vesting of the RS and SAR will forfeit their rights unless otherwise decided by the Remuneration Committee of UOBL.

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

Directors' Interests

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

		Number of ordinary shares of S$1 each				
		1.1.2014	**Acquired**	**Disposed**	**Forfeited**	**31.12.2014**
Ultimate holding company: United Overseas Bank Limited						
Wee Cho Yaw	- Direct	18,820,027	481,890	-	-	19,301,917
	- Indirect	263,395,874	6,674,210	-	-	270,070,084
Wee Ee Cheong	- Direct	3,047,878	78,040	-	-	3,125,918
	- Indirect	157,432,870	4,031,100	-	-	161,463,970
Wong Kim Choong	- Direct	9,000	-	-	-	9,000
	- Indirect	45,483	12,325	-	-	57,808
Francis Lee Chin Yong	- Direct	11,000	61,271	69,271	-	3,000
	- Indirect	30,911	58,163	62,849	-	26,225

		Number of options over ordinary shares of S$1 each under UOB Restricted Shares Plan				
		1.1.2014	**Granted**	**Vested**	**Forfeited**	**31.12.2014**
Ultimate holding company: United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	59,775	33,850	26,225	-	67,400
Wong Kim Choong	- Direct	26,700	14,500	12,325	-	28,875

		Number of options over ordinary shares of S$1 each under UOB Share Appreciation Rights Plan				
		1.1.2014	**Granted**	**Vested**	**Forfeited**	**31.12.2014**
Ultimate holding company: United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	248,075	-	104,550	-	143,525
Wong Kim Choong	- Direct	110,550	-	49,000	-	61,550

Directors' Interests (Continued)

		Number of options over ordinary shares of S$1 each vested under UOB Share Appreciation Rights Plan				
Ultimate holding company: United Overseas Bank Limited		**1.1.2014**	**Vested**	**Exercised/ lapsed**	**Forfeited**	**31.12.2014**
Francis Lee Chin Yong	- Direct	157,278	104,550	157,278	-	104,550
Wong Kim Choong	- Direct	68,428	49,000	28,428	-	89,000

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

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

Holding Companies

The holding and ultimate holding companies are Chung Khiaw (Malaysia) Berhad (formerly known as 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 2014

In spite of a moderating economy and the impact of various pre-emptive and subsidy rationalisation measures in Malaysia, UOB (Malaysia) continued to achieve strong business growth. The Bank's asset quality and capital position remained strong with ample liquidity to support sustainable growth. Loans and deposits have also grown steadily despite intensifying competition and tightening regulations within Malaysia's dynamic banking landscape.

As UOB Group's strongest contributing offshore subsidiary, UOB (Malaysia)'s performance is a reflection of its commitment towards ensuring balance sheet strength, supporting its customers throughout market cycles, and investing in its franchise for the long-term.

In Personal Financial Services, our focus on urban catchment areas has led to the growth of our mortgage loans business. Our credit cards growth surpassed the industry average in retail spending and outstanding balances over the last three years. Our strong deposit growth was made possible by various strategic partnerships and tactical campaigns. We have continued to build upon our niche in wealth management through greater focus on providing sound financial advisory and tailored products. These are supported by experienced client advisors as well as treasury and investment specialists. Given Malaysia's relatively young population, we have experienced encouraging growth in our Wealth Banking customer segment, which caters to the wealth management needs of young and affluent professionals.

Our Business Banking division has expanded its customer base by working with strategic partners such as trade associations, franchises and dealers. The Bank has set up a dedicated foreign exchange currency advisory and dealing unit to provide advice to small businesses on currency conversion, hedging solutions, as well as insights into financial market trends.

In Wholesale Banking, our strengths as an industry specialist with competitive turnaround time and strong triple-A credit ratings in Malaysia helped us secure sizeable mandates. We continued to fund projects related to the Economic Transformation Programme and Public-Private Partnership. We have also deepened our business relations with our customers, providing advice based on our market intelligence and industry insights. In addition, our well established regional network has funneled significant banking referrals and investments into Malaysia.

Investment Banking customers have responded well to our array of specially tailored capital market instruments and financing structures in the domestic as well as regional bond and loan markets. Our Debt Capital Markets teams registered an increase in customer take-up of securities offerings such as commercial papers and/or medium term notes programmes, bonds and asset-backed securities.

In Transaction Banking, our cash management and trade services solutions have been enhanced by raising transaction limits and introducing new online reporting capabilities for more effective accounts reconciliation. We continued to deliver seamless solutions to assist customers in their payments, collections, liquidity management and working capital trade financing. As a result, we were voted the overall Best Foreign Cash Management Bank in Malaysia for the last two consecutive years by AsiaMoney Polls. Our customers in Malaysia have also

Business strategy for the financial year ended 31 December 2014 (Continued)
benefitted from UOB's regional network as they enjoyed fast access to products and services which were being rolled out in other markets across the region.

In Global Markets, we are constantly pushing the envelope in delivering client solutions through a full range of assets, liabilities and derivatives. We have strengthened our coverage capabilities and efficient turnaround time by having Global Markets specialist teams across the Northern, Southern, East Malaysia and the Central regions. In addition, we tapped on our Group's specialists to provide comprehensive solutions and accelerate speed-to-market of new products.

At UOB (Malaysia), our employees remains our most valuable asset. Various initiatives were undertaken to provide our people with opportunities to exchange knowledge and to instill a spirit of collaboration not only within UOB (Malaysia) but also across the wider UOB Group network. In view of the fast changing operating landscape, we remained steadfast in our efforts to continuously invest in our people so that they can remain relevant and acquire the right skills to stay ahead of the market.

Outlook
Prospects for the global economy are still uncertain. There remain risks to global growth in the form of structural issues which are expected to impede growth in Europe and Japan, as well as the widening divergence in global monetary policies. However, we expect potential upside in the United States' economic recovery.

Malaysia's Gross Domestic Product is projected to grow moderately in 2015 driven by investments under the Economic Transformation Programme. Challenges to the economy include the uncertainty over oil prices, external headwinds and an expected softening of private consumption, which may be weighed down by inflation and macro prudential measures.

In 2015, we will continue to develop our capabilities to meet our customers' current and evolving needs. These include enhancements to our transaction banking and internet banking systems. We are also well equipped and will continue to support our customers as they expand regionally, and will strive to capitalise on attractive opportunities that add value to our stakeholders through appropriate product and service offerings.

While the road ahead is still paved with challenges, we remain confident of delivering a satisfactory performance 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 its short term financial obligations. The subscript 1 indicates that the financial institution ranks at the higher end of its generic rating category. An issue rated 'AA' is defined as having high safety for payment of financial obligations. The issuer is resilient against adverse changes in circumstances, economic conditions and/or operating environments. The subscript 1 indicates that the issue ranks at the higher end of its generic rating category.

Other statutory information

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

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

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

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

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

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

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

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

Other statutory information (Continued)

(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 24 March 2015.

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 59 to 131 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 position of the Group and of the Bank as at 31 December 2014 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 24 March 2015.

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 59 to 131 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 24 March 2015

Wong Kim Choong

Before me,

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 2014 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 59 to 131.

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 2014 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 member 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. 3013/10/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 March 2015

Statements of Financial Position
As at 31 December 2014

		Group		Bank	
		2014	**2013**	**2014**	**2013**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets					
Cash and short-term funds	3	**10,833,347**	15,104,134	**10,833,347**	15,104,134
Securities purchased under resale agreements	4	**502,709**	2,149,113	**502,709**	2,149,113
Deposits and placements with financial institutions	5	**130,516**	2,802,804	**130,516**	2,802,804
Financial assets at fair value through profit (FVTPL)	6	**2,392,138**	1,709,534	**2,392,138**	1,709,534
Available-for-sale (AFS) securities	7	**9,250,843**	3,092,372	**9,250,843**	3,092,372
Loans and advances	8	**66,926,375**	61,308,278	**67,115,580**	61,479,326
Derivative financial assets	21	**905,946**	320,123	**905,946**	320,123
Other assets	9	**636,466**	707,528	**637,640**	711,322
Statutory deposits with Bank Negara Malaysia	10	**1,960,350**	1,925,500	**1,960,350**	1,925,500
Investment in subsidiaries	11	**-**	-	**50**	50
Investment in an associate	12	**96,485**	273,518	**99,973**	119,728
Property, plant and equipment	13	**427,703**	399,202	**180,789**	170,156
Tax recoverable		**16,366**	-	**16,347**	-
Deferred tax assets	14	**-**	212,053	**-**	214,224
Total assets		**94,079,244**	90,004,159	**94,026,228**	89,798,386
Liabilities and equity					
Deposits from customers	15	**73,056,720**	69,287,474	**73,058,978**	69,290,205
Deposits and placements of banks and other financial institutions	16	**8,825,269**	9,923,281	**8,825,299**	9,923,698
Bills and acceptances payables		**1,732,417**	1,734,677	**1,732,417**	1,734,677
Derivative financial liabilities	21	**619,755**	256,175	**619,755**	256,175
Other liabilities	17	**1,711,587**	1,506,305	**1,709,929**	1,504,716
Tax payable		**-**	25,135	**-**	25,187
Deferred tax liabilities	14	**9,679**	-	**5,209**	-
Subordinated bonds	18	**999,884**	999,564	**999,884**	999,564
Total liabilities		**86,955,311**	83,732,611	**86,951,471**	83,734,222
Equity attributable to equity holders of the Bank					
Share capital	19	**470,000**	470,000	**470,000**	470,000
Reserves	20	**6,653,933**	5,801,548	**6,604,757**	5,594,164
Total equity		**7,123,933**	6,271,548	**7,074,757**	6,064,164
Total liabilities and equity		**94,079,244**	90,004,159	**94,026,228**	89,798,386
Commitments and contingencies	34	**76,294,367**	54,142,224	**76,294,367**	54,142,224

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

Income Statements

For the financial year ended 31 December 2014

		Group		Bank	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating revenue	23	4,756,683	4,368,125	5,117,588	4,416,027
Interest income	24	4,042,500	3,632,706	4,050,428	3,639,740
Interest expense	25	(2,238,548)	(2,068,606)	(2,238,640)	(2,068,812)
Net interest income		1,803,952	1,564,100	1,811,788	1,570,928
Other operating income	26	726,539	758,447	1,079,515	792,633
Operating income		2,530,491	2,322,547	2,891,303	2,363,561
Other operating expenses	27	(962,336)	(809,334)	(971,727)	(819,871)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and provision for commitments and contingencies		1,568,155	1,513,213	1,919,576	1,543,690
Allowance for impairment on loans and advances	29	(256,414)	(217,780)	(256,414)	(217,780)
Impairment loss on:					
- AFS securities		(9,724)	(21,244)	(9,724)	(21,244)
- an associate		(19,755)	-	(19,755)	-
Net provision for commitments and contingencies	17 (a)	(710)	(767)	(710)	(767)
		1,281,552	1,273,422	1,632,973	1,303,899
Share of net profit of an associate	12 (b)	114,857	68,483	-	-
Profit before taxation		1,396,409	1,341,905	1,632,973	1,303,899
Income tax expense	30	(341,328)	(302,387)	(338,689)	(311,913)
Profit for the year attributable to equity holders of the Bank		1,055,081	1,039,518	1,294,284	991,986
Basic earnings per share (sen)	31	224.5	221.2		
Dividends per share (sen)	32	96.4	73.9		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2014

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year	**1,055,081**	**1,039,518**	**1,294,284**	**991,986**
Other comprehensive income/(loss):				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on revaluation of AFS securities	91,574	(16,754)	84,672	(16,754)
Income tax effect	(21,168)	4,188	(21,168)	4,188
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	70,406	(12,566)	63,504	(12,566)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Share of other comprehensive income of an associate	73,811	-	-	-
Tax effect on the movement of revalued lands and buildings	282	282	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	74,093	282	-	-
Other comprehensive income/(loss) for the year, net of tax	144,499	(12,284)	63,504	(12,566)
Total comprehensive income for the year attributable to equity holders of the Bank	**1,199,580**	**1,027,234**	**1,357,788**	**979,420**

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

Statements of Changes in Equity

For the financial year ended 31 December 2014

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	
2014								
Balance as at 1 January 2014		**470,000**	**322,555**	**470,000**	**104,015**	**(5,274)**	**4,910,252**	**6,271,548**
Profit for the year		-	-	-	-	-	1,055,081	1,055,081
Other comprehensive income		-	-	-	282	70,406	73,811	144,499
Total comprehensive income		-	-	-	282	70,406	1,128,892	1,199,580
Transactions with owners:								
Dividends paid:								
- final dividend for the financial year ended 31 December 2013	32	-	-	-	-	-	(347,195)	(347,195)
Balance as at 31 December 2014		**470,000**	**322,555**	**470,000**	**104,297**	**65,132**	**5,691,949**	**7,123,933**

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**

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

Statements of Changes in Equity

For the financial year ended 31 December 2014 (Continued)

Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
		Non-distributable				Distributable	
2014							
Balance as at 1 January 2014		**470,000**	**322,555**	**470,000**	**(5,274)**	**4,806,883**	**6,064,164**
Profit for the year		-	-	-	-	1,294,284	1,294,284
Other comprehensive income		-	-	-	63,504	-	63,504
Total comprehensive income		-	-	-	63,504	1,294,284	1,357,788
Transactions with owners:							
Dividends paid:							
- final dividend for the financial year ended 31 December 2013	32	-	-	-	-	(347,195)	(347,195)
Balance as at 31 December 2014		**470,000**	**322,555**	**470,000**	**58,230**	**5,753,972**	**7,074,757**

Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
		Non-distributable				Distributable	
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**

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

Statements of Cash Flows

For the financial year ended 31 December 2014

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash flows from operating activities				
Profit before taxation	**1,396,409**	1,341,905	**1,632,973**	1,303,899
Adjustments for:				
Share of net profit of an associate	**(114,857)**	(68,483)	**-**	-
Loss/(gain) on disposal of property, plant and equipment	**133**	(7,053)	**133**	(371)
Allowance for impairment on an associate	**19,755**	-	**19,755**	-
Depreciation of property, plant and equipment	**40,647**	33,599	**34,510**	27,354
Allowance for impairment on loans and advances	**256,414**	217,780	**256,414**	217,780
Allowance for impairment on AFS securities	**9,724**	21,244	**9,724**	21,244
Net unrealised loss on financial assets at FVTPL	**4,575**	9,769	**4,575**	9,769
Net provision for commitments and contingencies	**710**	767	**710**	767
Dividend income	**(962)**	(875)	**(354,041)**	(18,997)
Interest income from AFS securities	**(221,031)**	(182,250)	**(221,031)**	(182,250)
Gain from sale/recovery of AFS securities	**(2,184)**	(14,449)	**(2,184)**	(14,449)
Unrealised foreign exchange gain	**(211,898)**	(111,796)	**(211,898)**	(111,796)
Gain from sale of financial assets at FVTPL	**(743)**	(2,792)	**(743)**	(2,792)
(Gain)/loss from trading derivatives	**(6,290)**	19,862	**(6,290)**	19,862
Unrealised gain from trading derivatives	**(15,197)**	(21,430)	**(15,197)**	(21,430)
Gain from sale of precious metals	**(1,842)**	(6,024)	**(1,842)**	(6,024)
Gain on disposal of an associate	**-**	(17,384)	**-**	(40,118)
Amortisation of subordinated bonds	**320**	306	**320**	306
Amortisation of premium less accretion of discount from:				
- financial assets at FVTPL	**1,033**	214	**1,033**	214
- AFS securities	**21,600**	9,606	**21,600**	9,606
Operating profit before working capital changes	**1,176,316**	1,222,516	**1,168,521**	1,212,574
(Increase)/decrease in operating assets:				
Loans and advances	**(5,874,511)**	(6,528,783)	**(5,892,668)**	(6,503,717)
Financial assets at FVTPL	**(687,469)**	1,522,483	**(687,469)**	1,522,483
Securities purchased under resale agreements	**1,646,404**	(2,149,113)	**1,646,404**	(2,149,113)
Statutory deposits with Bank Negara Malaysia	**(34,850)**	(166,700)	**(34,850)**	(166,700)
Derivative financial assets	**(558,046)**	(166,046)	**(558,046)**	(166,046)
Other assets	**(72,904)**	(158,588)	**(75,524)**	(158,059)
	(5,581,376)	(7,646,747)	**(5,602,153)**	(7,621,152)

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

Statements of Cash Flows
For the financial year ended 31 December 2014 (Continued)

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities (Continued)				
Increase/(decrease) in operating liabilities:				
Deposits from customers	**3,769,246**	3,699,624	**3,768,773**	3,683,131
Deposits and placements of banks and other financial institutions	**(1,098,012)**	5,568,619	**(1,098,399)**	5,568,610
Bills and acceptances payables	**(2,260)**	(972,049)	**(2,260)**	(972,049)
Derivative financial liabilities	**363,580**	73,763	**363,580**	73,763
Other liabilities	**416,470**	155,859	**416,401**	155,541
	3,449,024	8,525,816	**3,448,095**	8,508,996
Cash (used in)/generated from operations	**(956,036)**	2,101,585	**(985,537)**	2,100,418
Tax paid	**(181,983)**	(330,360)	**(181,958)**	(330,297)
Net cash (used in)/generated from operating activities	**(1,138,019)**	1,771,225	**(1,167,495)**	1,770,121
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**43,754**	6,505	**43,754**	428
Purchase of property, plant and equipment	**(113,035)**	(60,599)	**(89,030)**	(53,550)
Interest income from AFS securities	**221,031**	185,289	**221,031**	185,289
Net (purchase)/sale of AFS securities	**(5,610,573)**	8,473,004	**(5,958,181)**	8,455,014
Net proceeds from disposal of an associate	**-**	43,123	**-**	43,123
Dividend received	**962**	875	**354,041**	18,997
Net cash (used in)/generated from investing activities	**(5,457,861)**	8,648,197	**(5,428,385)**	8,649,301
Cash flows from financing activities				
Net proceeds from issuance of subordinated bonds	**-**	500,000	**-**	500,000
Dividends paid	**(347,195)**	(320,775)	**(347,195)**	(320,775)
Net cash (used in)/generated from financing activities	**(347,195)**	179,225	**(347,195)**	179,225
Net (decrease)/increase in cash and cash equivalents	**(6,943,075)**	10,598,647	**(6,943,075)**	10,598,647
Cash and cash equivalents at beginning of the year	**17,906,938**	7,308,291	**17,906,938**	7,308,291
Cash and cash equivalents at end of the year	**10,963,863**	17,906,938	**10,963,863**	17,906,938
Analysis of cash and cash equivalents				
Cash and short-term funds	**10,833,347**	15,104,134	**10,833,347**	15,104,134
Deposits and placements with financial institutions	**130,516**	2,802,804	**130,516**	2,802,804
	10,963,863	17,906,938	**10,963,863**	17,906,938

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

The holding and ultimate holding companies of the Bank are Chung Khiaw (Malaysia) Berhad (formerly known as 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 24 March 2015.

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 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

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 Board (MASB) but are not yet effective and have not been adopted by the Group and the Bank.

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle
Annual Improvements to MFRSs 2011-2013 Cycle

Effective for financial periods beginning on or after 1 January 2016

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

Effective for financial periods beginning on or after 1 January 2017

MFRS 15: Revenue from Contracts with Customers

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards issued but not yet effective (Continued)

Effective for financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

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

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

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

MFRS 9 Financial Instruments: Classification and measurement

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

MFRS 9 Financial Instruments: Impairment

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

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(a) Subsidiaries and basis of consolidation (Continued)

(ii) Basis of consolidation

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

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

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

(b) Associates

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

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in an associate is carried in the statements 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's of changes in equity. In applying the equity method, unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any 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 difference between the recoverable amount of the associate and its carrying value.

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

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

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

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

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

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

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(c) Goodwill (Continued)

Following the initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(d) Recognition of interest 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 and an associate, 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Financial assets and financial liabilities (Continued)

(ii) Measurement (Continued)

Subsequent measurement (Continued)

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 are 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Financial assets and financial liabilities (Continued)

(vii) Impairment (Continued)

Collective impairment (Continued)

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.

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 affect profit or loss.

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

(j) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

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

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

Leasehold lands	50 years or lease period
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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(k) Leases (Continued)

(ii) Operating leases (Continued)

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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(p) Share based payment

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

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

(q) Cash and cash equivalents

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

(r) Bills and acceptances payable

Bills and acceptances payable represent the Group 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.

(v) Precious metal

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

2.5 Significant accounting estimates and judgements

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

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

(a) Fair value estimation for financial assets at FVTPL and AFS securities

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

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

(b) Deferred tax assets

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

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

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

(c) Allowances for losses on loans and advances

The Group and the Bank assess 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, default rate, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The 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 AFS securities

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

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

(e) Revaluation of freehold land, leasehold land and buildings

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

The key assumptions used to determine the fair value of freehold land, leasehold land and buildings are further explained in Note 13.

3. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	2014 RM'000	**2013 RM'000**
Cash and balances with banks and other financial institutions	626,082	568,619
Money at call and deposit placements maturing within one month	10,207,265	14,535,515
	10,833,347	15,104,134

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	
	2014 RM'000	**2013 RM'000**
Assets received for Reverse Repo transactions, at amortised cost	502,709	2,149,113

5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	2014 RM'000	**2013 RM'000**
Licensed banks	130,516	2,804
Bank Negara Malaysia	-	2,800,000
	130,516	2,802,804

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Group and Bank	
	2014 RM'000	2013 RM'000
Held-for-trading securities		
At fair value:		
Malaysian Government treasury bills	197,589	156,609
Malaysian Government Securities	149,418	178,292
Bank Negara Malaysia Bills	1,268,687	520,776
Bankers' acceptances and Islamic accepted bills	165,960	155,272
Private debt securities	-	20,046
Total held-for-trading securities	1,781,654	1,030,995
Designated as FVTPL, companies incorporated in Malaysia but denominated in United States Dollar		
Private debt securities	610,484	678,539
Total financial assets at FVTPL	2,392,138	1,709,534

7. AVAILABLE-FOR-SALE (AFS) SECURITIES

	Group and Bank	
	2014 RM'000	2013 RM'000
At fair value:		
Money market instruments:		
Malaysian Government treasury bills	434,475	-
Malaysian Government Securities	3,096,267	2,019,524
Bank Negara Malaysia Bills	2,710,141	-
Negotiable instruments of deposits	1,775,213	-
Cagamas bonds	843,612	708,571
	8,859,708	2,728,095
Private debt securities of companies incorporated:		
In Malaysia:		
Quoted corporate bonds	317,490	360,664
Impairment loss	(39,960)	(30,235)
	277,530	330,429
Quoted securities:		
Shares of corporations outside Malaysia	22,145	17,363
Shares of corporations in Malaysia	6,136	3,937
	28,281	21,300
Unquoted securities:		
Shares*	85,048	-
	85,048	-
At cost:		
Unquoted securities:		
Shares*	-	12,272
Private debt securities	276	276
	276	12,548
Total AFS securities	9,250,843	3,092,372

** Effective from the current financial year, unquoted investment equity securities of the Group and the Bank are measured at fair value, previously at cost. Arising from the fair value assessment, the Bank has recorded a fair value gain amounting to RM72,776,000 in other comprehensive income.*

8. LOANS AND ADVANCES

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Overdrafts #	2,876,874	2,805,718	2,876,874	2,805,856
Term loans and revolving credits				
Housing loans	24,420,580	22,798,703	24,420,580	22,798,703
Syndicated term loans	468,363	465,207	468,363	465,207
Factoring	52,684	16,675	52,684	16,675
Other term loans*	30,478,472	27,463,553	30,667,677	27,634,463
Credit cards receivable	2,177,562	2,108,922	2,177,562	2,108,922
Bills receivable	1,184,560	187,714	1,184,560	187,714
Trust receipts	1,663,712	1,519,341	1,663,712	1,519,341
Claims on customers under acceptance credits	4,736,750	4,929,703	4,736,750	4,929,703
Staff loans	52,130	56,270	52,130	56,270
Others	5,249	1,916	5,249	1,916
	68,116,936	62,353,722	68,306,141	62,524,770
Unearned interest	(77,643)	(43,083)	(77,643)	(43,083)
Gross loans and advances	68,039,293	62,310,639	68,228,498	62,481,687
Allowances for losses on loans and advances				
- Individual impairment	(203,200)	(274,857)	(203,200)	(274,857)
- Collective impairment	(909,718)	(727,504)	(909,718)	(727,504)
Net loans and advances	66,926,375	61,308,278	67,115,580	61,479,326

 # As at 31 December 2014, included in overdrafts is an amount due from a subsidiary, UOB Properties (KL) Bhd of RM nil (2013: RM138,200).

* Other term loans include the following:

	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Loans to subsidiaries:				
UOB Properties Bhd	-	-	148,828	150,787
UOB Properties (KL) Bhd	-	-	40,377	20,123
	-	-	189,205	170,910
Loan to a related company:				
UOB Centre of Excellence (M) Sdn Bhd	6,406	11,810	6,406	11,810

(i) Gross loans and advances by maturity structure:

	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Maturing within one year	17,121,464	15,705,753	17,121,464	15,705,891
One year to three years	2,943,247	2,396,913	3,132,452	2,567,823
Three years to five years	4,629,488	3,733,183	4,629,488	3,733,183
Over five years	43,345,094	40,474,790	43,345,094	40,474,790
	68,039,293	62,310,639	68,228,498	62,481,687

8. LOANS AND ADVANCES (Continued)

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(ii) Gross loans and advances by type of customer:				
Domestic non-banking financial institutions				
- Stockbroking companies	19	5,397	19	5,397
- Others	198,139	120,874	198,139	120,874
Domestic business enterprises				
- Small and medium enterprises	14,677,009	13,758,174	14,677,009	13,758,174
- Others	13,892,974	13,212,480	14,082,179	13,383,528
Individuals	32,670,387	30,293,603	32,670,387	30,293,603
Foreign entities	6,600,765	4,920,111	6,600,765	4,920,111
	68,039,293	62,310,639	68,228,498	62,481,687
(iii) Gross loans and advances by interest rate sensitivity:				
Fixed rate				
- Housing loans	36,255	40,570	36,255	40,570
- Other fixed rate loans	3,388,421	3,253,444	3,388,421	3,253,444
Variable rate				
- Base lending rate-plus	61,161,465	56,166,422	61,161,465	56,166,560
- Cost-plus	3,453,152	2,023,306	3,642,357	2,194,216
- Other variable rates	-	826,897	-	826,897
	68,039,293	62,310,639	68,228,498	62,481,687
(iv) Gross loans and advances by economic sector:				
Agriculture, hunting, forestry and fishing	990,014	1,254,389	990,014	1,254,389
Mining and quarrying	1,106,982	122,989	1,106,982	122,989
Manufacturing	5,803,480	6,339,559	5,803,480	6,339,559
Electricity, gas and water	27,273	16,064	27,273	16,064
Construction	6,273,493	5,518,212	6,273,493	5,518,212
Wholesale, retail trade, restaurants and hotels	8,413,457	7,458,621	8,413,457	7,458,621
Transport, storage and communication	1,015,091	709,611	1,015,091	709,611
Finance, insurance and business services	2,259,595	2,203,172	2,259,595	2,203,172
Real estate	4,381,508	3,792,459	4,570,713	3,963,507
Community, social and personal services	225,289	187,501	225,289	187,501
Households:				
- purchase of residential properties	25,205,007	23,562,824	25,205,007	23,562,824
- purchase of non residential properties	7,487,772	6,317,319	7,487,772	6,317,319
- others	4,850,332	4,827,919	4,850,332	4,827,919
	68,039,293	62,310,639	68,228,498	62,481,687

8. LOANS AND ADVANCES (Continued)

	Group and Bank	
	2014 RM'000	2013 RM'000
(v) Movements in impaired loans and advances are as follows:		
At beginning of the financial year	1,073,975	994,171
Classified as impaired during the financial year	707,098	775,570
Amounts recovered	(360,100)	(311,933)
Reclassified as non-impaired	(168,008)	(250,695)
Amounts written off	(183,896)	(133,138)
At end of the financial year	1,069,069	1,073,975
Individual impairment	(203,200)	(274,857)
Net impaired loans and advances	865,869	799,118
Ratio of net impaired loans and advances to net loans and advances	1.3%	1.3%
(vi) Movements in allowance for losses on loans and advances are as follows:		
Collective impairment		
Balance as at 1 January	727,504	553,711
Allowance made during the financial year	182,214	173,793
Balance as at 31 December	909,718	727,504
Individual impairment		
Balance as at 1 January	274,857	317,731
Allowance made during the financial year	217,620	265,748
Amounts written back in respect of recoveries	(110,584)	(174,890)
Amounts written off	(180,527)	(139,088)
Interest recognised on impaired loans	4,254	6,791
Transferred to debt restructuring	(2,420)	(1,435)
Balance as at 31 December	203,200	274,857

8. LOANS AND ADVANCES (Continued)

	Group and Bank	
	2014 RM'000	2013 RM'000
(vii) Impaired loans and advances analysed by economic sectors are as follows:		
Agriculture, hunting, forestry and fishing	-	164
Manufacturing	240,290	281,825
Construction	214,039	198,229
Wholesale, retail trade, restaurants and hotels	123,950	125,429
Transport, storage and communication	4,245	1,909
Finance, insurance and business services	15,447	22,976
Real estate	15,611	16,709
Community, social and personal services	960	904
Households:		
- purchase of residential properties	341,406	320,463
- purchase of non residential properties	43,532	37,862
- others	69,589	67,505
	1,069,069	1,073,975

	2014 RM'000	2013 RM'000
(viii) Impaired loans and advances analysed by geographical distribution are as follows:		
In Malaysia	1,069,069	1,073,975

9. OTHER ASSETS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other receivables, deposits and prepayments (Note (a))	124,411	187,714	125,585	191,390
Accrued interest receivable	93,727	91,159	93,727	91,159
Amount due from subsidiaries	-	-	-	118
Precious metal accounts (Note (b))	418,328	428,655	418,328	428,655
	636,466	707,528	637,640	711,322

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

(b) As at 31 December 2014, precious metal accounts comprise the following:

(i) Precious metals on-loan to customers of the Bank and borrowed from the ultimate holding company on a back-to-back basis.

The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM102,544,000 (2013: RM53,504,000) net of cash collateral received from the customers of RM87,505,000 (2013: RM42,891,000). The amount due to ultimate holding company for precious metals borrowed is classified as other accruals and provisions in other liabilities (Note 17);

(ii) Precious metals lent to the ultimate holding company and another financial institution amounting to RM136,000,000 (2013: RM128,000,000) and RM211,522,000 (2013: RM nil), respectively.

The gross amounts loaned to customers, the amount due to the ultimate holding company and precious metals lent to 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 using prevailing market rate. Gains or losses arising from the marked-to-market are recognised in profit or loss.

9. OTHER ASSETS (Continued)

(b) As at 31 December 2014, precious metal accounts comprise the following: (Continued)

(iii) Precious metal accounts due from ultimate holding company and another financial institution amounting to RM17,702,000 (2013: RM35,220,000) and RM38,065,000 (2013: RM254,821,000), respectively.

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

11. INVESTMENT IN SUBSIDIARIES

	Bank	
	2014 RM'000	**2013 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**
		2014	**2013**	
	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
UOB (Malaysia) Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOB (Malaysia) Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
United Overseas Nominees (Tempatan) Sdn Bhd	20	100	100	Dormant
United Overseas Nominees (Asing) Sdn Bhd	10,000	100	100	Dormant
UOB Credit Bhd	2	100	100	Dormant
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, UOB (Malaysia) Nominees (Tempatan) Sdn Bhd, UOB (Malaysia) 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 AN ASSOCIATE

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares, at cost	119,728	119,728	119,728	119,728
Share of post-acquisition reserves	(3,488)	153,790	-	-
Impairment loss	(19,755)	-	(19,755)	-
	96,485	273,518	99,973	119,728

The detail of the associate, all of which are incorporated in Malaysia, are as follows:

	Group's effective interest			
	2014 %	2013 %	Principal activities	Accounting model applied
Uni.Asia Capital Sdn Bhd	49	49	Investment holding company	Equity

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

The summarised financial information of the associate is as follows:

	2014 RM'000	2013 RM'000
Assets and liabilities		
Current assets	200,514	1,587,192
Non-current assets	-	2,036,098
Total assets	200,514	3,623,290
Current liabilities	3,508	1,302,369
Non-current liabilities	-	1,529,585
Total liabilities	3,508	2,831,954
Results		
Revenue	173,924	907,005
Profit before taxation	257,941	162,938
Profit for the year (Note b)	258,947	132,836

12. INVESTMENT IN AN ASSOCIATE (Continued)

(a) At 31 December 2014, the amount of goodwill included within the Group's carrying amount of investment in an associate is RM19,755,000 (2013: RM19,755,000).

(b) Included in the associate's net profit for the year, and consequently the Group's share of this profit, is a gain made by the associate arising from the disposal of the entire equity interest that it holds in two insurance subsidiaries during the current financial year.

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
2014								
Cost or valuation								
At 1 January	-	-	-	171,345	285,230	7,392	86,690	550,657
At valuation	47,932	62,374	164,941	-	-	-	-	275,247
	47,932	62,374	164,941	171,345	285,230	7,392	86,690	825,904
Additions	-	-	-	25,022	64,190	275	25,758	115,245
Transfer	-	-	-	-	-	-	(2,210)	(2,210)
Disposals	-	-	-	(821)	(5,130)	(271)	(43,694)	(49,916)
At 31 December	47,932	62,374	164,941	195,546	344,290	7,396	66,544	889,023
Representing:								
At cost	-	-	-	195,546	344,290	7,396	66,544	613,776
At valuation	47,932	62,374	164,941	-	-	-	-	275,247
At 31 December	47,932	62,374	164,941	195,546	344,290	7,396	66,544	889,023
Accumulated depreciation and impairment								
At 1 January	-	11,867	65,921	118,271	227,280	3,363	-	426,702
Depreciation charge	-	865	5,224	9,842	23,312	1,404	-	40,647
Disposals	-	-	-	(762)	(5,014)	(253)	-	(6,029)
At 31 December	-	12,732	71,145	127,351	245,578	4,514	-	461,320
Net carrying amount								
At cost	-	-	-	68,195	98,712	2,882	66,544	236,333
At valuation	47,932	49,642	93,796	-	-	-	-	191,370
At 31 December	47,932	49,642	93,796	68,195	98,712	2,882	66,544	427,703

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								
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
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

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Bank	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2013								
Cost								
At 1 January	-	-	-	170,868	285,571	7,392	55,231	519,062
Additions	-	-	-	24,572	64,183	275	-	89,030
Disposals	-	-	-	(821)	(5,130)	(271)	(43,694)	(49,916)
At 31 December	-	-	-	194,619	344,624	7,396	11,537	558,176
Accumulated depreciation and impairment								
At 1 January	-	-	-	118,107	227,436	3,363	-	348,906
Depreciation charge	-	-	-	9,799	23,307	1,404	-	34,510
Disposals	-	-	-	(762)	(5,014)	(253)	-	(6,029)
At 31 December	-	-	-	127,144	245,729	4,514	-	377,387
Net carrying amount								
At 31 December	-	-	-	67,475	98,895	2,882	11,537	180,789
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)

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

	Group	
	2014 RM'000	2013 RM'000
Freehold land	18,508	18,508
Freehold building	10,498	10,878
Long leasehold land and building	25,903	26,904
	54,909	56,290

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 properties 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).

The updated preliminary assessment by Knight Frank, Ooi & Zaharin Sdn Bhd on 31 December 2014 revealed that there have been 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	RM2,348-RM8,142
North	Price per square metre	RM1,917-RM4,105
South	Price per square metre	RM1,532-RM10,487
East Coast	Price per square metre	RM1,748-RM1,814
East Malaysia	Price per square metre	RM2,655-RM4,753

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	
	2014 RM'000	2013 RM'000
Balance as at 1 January	197,459	206,566
Disposals	-	(2,920)
Depreciation (recognised in other operating expenses)	(6,089)	(6,187)
Balance as at 31 December	191,370	197,459

14. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax (liabilities)/assets				
At 1 January	212,053	232,474	214,224	239,925
Charged to the income statements (Note 30)	(200,846)	(24,891)	(198,265)	(29,889)
Recognised in other comprehensive income	(20,886)	4,470	(21,168)	4,188
At 31 December	(9,679)	212,053	(5,209)	214,224
An analysis of the Group and the Bank's deferred tax position, prior to offsetting, is as follows:				
- Deferred tax assets	35,442	238,559	32,969	232,539
- Deferred tax liabilities	(45,121)	(25,506)	(38,178)	(18,315)
	(9,679)	213,053	(5,209)	214,224

The components and movements in deferred tax assets and liabilities during the financial year 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	Provisions RM'000	Total RM'000	Collective impairment for losses on loans and advances RM'000	Net unrealised reserves on AFS securities RM'000	Provisions RM'000	Total RM'000
At 1 January 2013	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	-	1,757	-	1,757	-	1,757
At 31 December 2013	138,817	1,757	96,985	237,559	138,817	1,757	91,965	232,539
Charged to income statements	(138,817)	-	(61,543)	(200,360)	(138,817)	-	(58,996)	(197,813)
Recognised in other comprehensive income	-	(1,757)	-	(1,757)	-	(1,757)	-	(1,757)
At 31 December 2014	-	-	35,442	35,442	-	-	32,969	32,969

14. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

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 2013	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	(282)	(2,431)	(2,713)	-	(2,431)	(2,431)
At 31 December 2013	25,506	-	25,506	18,315	-	18,315
Charged to income statements	486	-	486	452	-	452
Recognised in other comprehensive income	(282)	19,411	19,129	-	19,411	19,411
At 31 December 2014	25,710	19,411	45,121	18,767	19,411	38,178

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

	Group	
	2014 RM'000	2013 RM'000
Unutilised tax losses	131	131
Unabsorbed capital allowances	11,069	11,069
	11,200	11,200

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

15. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Demand deposits #	18,181,422	16,435,460	18,182,559	16,437,099
Savings deposits	1,239,583	1,175,726	1,239,583	1,175,726
Fixed deposits #	44,735,404	40,082,790	44,736,525	40,083,882
Negotiable instruments of deposits	16,164	466,963	16,164	466,963
Others	8,884,147	11,126,535	8,884,147	11,126,535
	73,056,720	69,287,474	73,058,978	69,290,205

15. DEPOSITS FROM CUSTOMERS (Continued)

Demand deposits and fixed deposits include the following:

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Demand deposit from subsidiaries:				
UOB Properties Bhd	-	-	5	1,639
UOB Properties (KL) Bhd	-	-	1,132	-
	-	-	1,137	1,639
Fixed deposit from a subsidiary:				
UOB Properties Bhd	-	-	1,121	1,092
Fixed deposit from a related company:				
Chung Khiaw Realty Limited	5,760	5,612	5,760	5,612
Demand deposit from related companies:				
UOB Centre of Excellence (M) Sdn Bhd	1,207	4,045	1,207	4,045
Chung Khiaw Realty Limited	1,387	961	1,387	961
	2,594	5,006	2,594	5,006

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Due within six months	31,434,374	29,397,720	31,435,495	29,398,812
Six months to one year	13,055,441	10,556,700	13,055,441	10,556,700
One year to three years	152,735	592,009	152,735	592,009
Three years to five years	109,018	3,324	109,018	3,324
	44,751,568	40,549,753	44,752,689	40,550,845

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Business enterprises				
- Subsidiaries	-	-	2,258	2,731
- Others	30,482,982	29,832,835	30,482,982	29,832,835
Individuals	37,077,155	32,969,314	37,077,155	32,969,314
Others	5,496,583	6,485,325	5,496,583	6,485,325
	73,056,720	69,287,474	73,058,978	69,290,205

16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks in Malaysia	171,010	81,198	171,010	81,198
Bank Negara Malaysia *	1,729,771	1,748,559	1,729,771	1,748,559
Other financial institutions	6,924,488	8,093,524	6,924,518	8,093,941
	8,825,269	9,923,281	8,825,299	9,923,698

* Included in the deposits from Bank Negara Malaysia (BNM) is an amount of RM1,729,426,000 (2013: RM1,748,174,000) placed by BNM for the purposes of funding the Fund For Small and Medium Industries 2 and New Entrepreneurs Fund 2. The amounts loaned to customers of the Bank under these schemes are included in loans and advances.

17. OTHER LIABILITIES

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Provision for commitments and contingencies (Note (a))	1,642	932	1,642	932
Accrued interest payable	435,832	418,688	434,882	417,640
Accruals and provisions for operational expenses	161,909	140,110	161,305	139,608
Amount due to subsidiaries	-	-	47	-
Other accruals and provisions (Note (b))	841,747	650,638	841,596	650,599
Deferred income (Note (c))	270,457	295,937	270,457	295,937
	1,711,587	1,506,305	1,709,929	1,504,716

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

At 1 January	932	165	932	165
Provision made during the year	710	1,309	710	1,309
Amount written back in respect of recoveries	-	(542)	-	(542)
At 31 December	1,642	932	1,642	932

(b) At 31 December 2014, included in other accruals and provisions is an amount due to the ultimate holding company of RM102,544,000 (2013: RM53,504,000) in relation to precious metals on loan to customers of the Bank as disclosed in Note 9. Also, included in other accruals and provisions are 'Customer Gold Accounts' amounting to RM400,362,000 (2013: RM421,012,000).

Included in other accruals and provisions is a total provisioning of RM750,000 for directors' fees, of which a director fee of RM110,000 payable to Mr Wee Ee Cheong for the financial year ended 31 December 2014 which would be remitted back to the ultimate holding company.

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

18. SUBORDINATED BONDS

	Group and Bank	
	2014 RM'000	2013 RM'000
RM500 million subordinated bonds 2010/2020, at par (Note (a))	500,000	500,000
RM500 million subordinated bonds 2013/2023, at par (Note (b))	500,000	500,000
Unamortised expenses relating to issue of subordinated bonds	(116)	(436)
	999,884	999,564

(a) On 29 March 2010, the Bank issued RM500 million 10 years 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 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 after there.

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 (2013: AA1) by Rating Agency Malaysia Bhd and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

(b) 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	
	2014 RM'000	2013 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 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Non-distributable					
Share premium		322,555	322,555	322,555	322,555
Statutory reserve	(a)	470,000	470,000	470,000	470,000
Revaluation reserve		104,297	104,015	-	-
Net unrealised reserve on AFS securities		65,132	(5,274)	58,230	(5,274)
		961,984	891,296	850,785	787,281
Distributable					
Retained profits	(b)	5,691,949	4,910,252	5,753,972	4,806,883
Total reserves		6,653,933	5,801,548	6,604,757	5,594,164

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

(b) The Bank may distribute dividends out of its entire retained profits as at 31 December 2014 and 31 December 2013 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
2014			
Foreign exchange contracts			
- forwards	7,606,031	384,794	88,363
- swaps	18,621,080	256,385	231,823
- options	2,185,324	18,177	7,817
Interest rate related contracts			
- swaps	20,842,832	102,400	148,029

21. FINANCIAL DERIVATIVES (Continued)

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2014 (Continued)			
Equity related contracts			
- swaps	1,001,139	20,700	20,185
- options	597,337	7,997	7,997
Commodity related contracts			
- swaps	665,815	96,893	99,635
- future	174,977	18,600	15,906
		905,946	619,755
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
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

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

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

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

(ii) 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.

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

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

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

Group	**2014**			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL	1,781,654	610,484	-	2,392,138
AFS securities	8,887,989	277,530	85,048	9,250,567
Derivative financial assets	-	905,946	-	905,946
Precious metal accounts	418,328	-	-	418,328
Land and buildings	-	-	191,370	191,370
Total	11,087,971	1,793,960	276,418	13,158,349
Liabilities				
Derivative financial liabilities	-	619,755	-	619,755
Total	-	619,755	-	619,755

22. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

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

Group (Continued)

	2013			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL	1,030,995	678,539	-	1,709,534
AFS 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

Bank

	2014			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL	1,781,654	610,484	-	2,392,138
AFS securities	8,887,989	277,530	85,048	9,250,567
Derivative financial assets	-	905,946	-	905,946
Precious metal accounts	418,328	-	-	418,328
Total	11,087,971	1,793,960	85,048	12,966,979
Liabilities				
Derivative financial liabilities	-	619,755	-	619,755
Total	-	619,755	-	619,755

22. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

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

Bank (Continued)	2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	1,030,995	678,539	-	1,709,534
AFS 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	-	5,538,136
Liabilities				
Derivative financial liabilities	-	256,175	-	256,175
Total	-	256,175	-	256,175

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

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial statement. It does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair value.

Group	2014		2013	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Assets				
Gross loans and advances	68,039,293	67,553,543	62,310,639	62,138,734
Bank				
Assets				
Gross loans and advances	68,228,498	67,742,748	62,481,687	62,309,782

22. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

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

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

Group	2014			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans and advances	-	67,553,543	-	67,553,543

	2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans and advances	-	62,138,734	-	62,138,734

Bank	2014			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans and advances	-	67,742,748	-	67,742,748

	2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans and advances	-	62,309,782	-	62,309,782

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

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

Included in the AFS securities as at 31 December 2014 were investment equity securities of RM276,000 (2013: 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.

(e) 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 statements of financial position due to short-term maturity.

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income from loans and advances	3,234,648	2,873,876	3,242,576	2,880,910
Interest income from impaired loans and advances	76,635	74,673	76,635	74,673
Money at call and deposit placements with financial institutions	496,872	451,550	496,872	451,550
Financial assets at FVTPL	35,947	60,177	35,947	60,177
AFS securities	221,031	182,250	221,031	182,250
	4,065,133	3,642,526	4,073,061	3,649,560
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(1,033)	(214)	(1,033)	(214)
- AFS securities	(21,600)	(9,606)	(21,600)	(9,606)
	4,042,500	3,632,706	4,050,428	3,639,740

25. INTEREST EXPENSE

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits from customers	1,975,874	1,879,393	1,975,966	1,879,599
Deposits and placements of banks and other financial institutions	136,681	111,246	136,681	111,246
Subordinated bonds	47,469	32,452	47,469	32,452
Others	78,524	45,515	78,524	45,515
	2,238,548	2,068,606	2,238,640	2,068,812

26. OTHER OPERATING INCOME

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fee income				
- Commission	230,388	209,012	230,388	209,012
- Guarantee fees	61,553	57,994	61,553	57,994
- Service charges and fees	198,614	199,011	198,756	199,131
- Commitment fee	29,990	26,186	29,999	26,195
- Arrangement and participation fee	7,410	24,031	7,410	24,031
	527,955	516,234	528,106	516,363

26. OTHER OPERATING INCOME (Continued)

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trading and investment income				
- Gain from sale of financial assets at FVTPL	743	2,792	743	2,792
- Gain/(loss) from trading derivatives	6,290	(19,862)	6,290	(19,862)
- Unrealised gain from trading derivatives	15,197	21,430	15,197	21,430
- Gain from sale of precious metals	1,842	6,024	1,842	6,024
- Gain from sale/recovery of AFS securities	2,184	14,449	2,184	14,449
- Unrealised loss on financial assets at FVTPL	(4,575)	(9,769)	(4,575)	(9,769)
- Gross dividends from:				
- AFS securities quoted in Malaysia	962	875	962	875
- subsidiaries	-	-	230	-
- an associate	-	-	352,849	18,122
	22,643	15,939	375,722	34,061
Other income				
- Foreign exchange gain	158,440	180,648	158,440	180,648
- Rental income from operating leases, other than those from investment properties	335	192	82	75
- (Loss)/gain on disposal of property, plant and equipment	(133)	7,053	(133)	371
- Gain from disposal of an associate	-	17,384	-	40,118
- Other operating income	4,810	5,022	4,810	5,022
- Others	12,489	15,975	12,488	15,975
	175,941	226,274	175,687	242,209
	726,539	758,447	1,079,515	792,633

27. OTHER OPERATING EXPENSES

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Personnel expenses	621,164	528,426	617,688	525,390
Establishment related expenses	169,588	134,832	182,632	148,488
Promotion and marketing related expenses	51,785	37,259	51,745	37,359
General administrative expenses	119,799	108,817	119,662	108,634
	962,336	809,334	971,727	819,871
Personnel expenses				
- Wages, salaries and bonus	486,721	413,436	483,712	410,790
- Defined contribution plan	76,018	65,906	75,570	65,526
- Other employee benefits	58,425	49,084	58,406	49,074
	621,164	528,426	617,688	525,390

27. OTHER OPERATING EXPENSES (Continued)

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Establishment related expenses				
- Depreciation of property, plant and equipment	40,647	33,599	34,510	27,354
- Hire of equipment	53	375	53	375
- Information technology costs	38,832	17,301	38,832	17,273
- Repair and maintenance	19,772	19,973	19,945	19,781
- Rental of premises	13,868	13,393	30,996	31,368
- Others	56,416	50,191	58,296	52,337
	169,588	134,832	182,632	148,488
Promotion and marketing related expenses				
- Advertising and publicity	51,785	37,259	51,745	37,359
General administrative expenses				
- Fees and commissions paid	46,023	44,746	45,945	44,606
- Auditors' remuneration				
- Statutory audit	501	479	475	460
- Assurance related services	78	85	78	85
- Other	67	3,900	67	3,900
	646	4,464	620	4,445
- Others	73,130	59,607	73,097	59,583
	119,799	108,817	119,662	108,634

28. CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

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

	Group and Bank	
	2014 RM'000	2013 RM'000
Chief Executive Officer (CEO)		
- Salary and other remuneration	1,277	1,196
- Fees	60	60
- Bonus	969	812
- Benefits-in-kind	1,008	8
Non-executive directors		
- Fees	665	310
	3,979	2,386

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

The number of directors of the Group and the Bank whose total remuneration paid during the financial year fell within the following bands are analysed below:

	Number of directors	
	2014	**2013**
Executive directors:		
RM1 to RM1,000,000	-	1
RM1,000,001 to RM3,500,000	1	1
Non-executive directors:		
RM1 to RM100,000	2	5
RM100,001 to RM200,000	4	-

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

	Remuneration received from the Bank				
	Salary RM'000	**Fees RM'000**	**Bonus RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
2014					
Executive directors:					
Wong Kim Choong	1,277	60	969	1,008	3,314
Non-executive directors:					
Wee Cho Yaw	-	90	-	-	90
Ong Yew Huat	-	150	-	-	150
Wee Ee Cheong	-	110	-	-	110
Francis Lee Chin Yong	-	100	-	-	100
Datuk Abu Huraira Bin Abu Yazid	-	110	-	-	110
Abdul Latif Bin Yahaya (retired on 17 June 2014)	-	105	-	-	105
	1,277	725	969	1,008	3,979
2013					
Executive directors:					
Wong Kim Choong	1,196	20	190	8	1,414
Chan Kok Seong (resigned on 1 September 2013)	-	40	622	-	662
Non-executive directors:					
Wee Cho Yaw	-	70	-	-	70
Wee Ee Cheong	-	50	-	-	50
Francis Lee Chin Yong	-	60	-	-	60
Datuk Abu Huraira Bin Abu Yazid	-	67	-	-	67
Abdul Latif Bin Yahaya (retired on 17 June 2014)	-	63	-	-	63
	1,196	370	812	8	2,386

29. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Allowance for impaired loans and advances				
(a) individual impairment				
- made in the financial year	217,620	265,748	217,620	265,748
- written back in the financial year	(110,584)	(174,890)	(110,584)	(174,890)
(b) collective impairment				
- made in the financial year	182,214	173,793	182,214	173,793
Impaired loans and advances				
- written-off	11,586	180	11,586	180
- recovered	(44,422)	(47,051)	(44,422)	(47,051)
	256,414	217,780	256,414	217,780

30. INCOME TAX EXPENSE

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Income tax:				
Malaysian income tax in respect of current financial year	274,901	279,254	274,833	283,782
Over provision in prior financial years	(134,419)	(1,758)	(134,409)	(1,758)
	140,482	277,496	140,424	282,024
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	59,752	26,244	57,256	31,234
Under/(over) provision in prior financial years	141,094	(1,353)	141,009	(1,345)
	200,846	24,891	198,265	29,889
	341,328	302,387	338,689	311,913

30. INCOME TAX EXPENSE (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25 per cent (2013: 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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Profit before taxation	1,396,409	1,341,905	1,632,973	1,303,899
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	349,102	335,476	408,243	325,975
Effects of income not subject to tax	(406)	(10,300)	(88,510)	(14,706)
Effects of expenses not deductible for tax purposes	14,671	5,172	12,356	3,747
Effects of share of an associate's post-tax profit included in Group's profit before taxation	(28,714)	(17,121)	-	-
Over provision of tax expense in prior years	(134,419)	(1,758)	(134,409)	(1,758)
Under/(over) provision of deferred tax in prior years	141,094	(1,353)	141,009	(1,345)
Utilisation of previously unrecognised tax losses	-	(2,866)	-	-
Recognition of previously unrecognised tax losses	-	(4,863)	-	-
Tax expenses for the year	341,328	302,387	338,689	311,913

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 RM1,055,081,000 (2013: RM1,039,518,000) and on the number of ordinary shares of RM1 each in issue during the year of 470,000,000 (2013: 470,000,000).

32. DIVIDENDS

	Group and Bank 2014		Group and Bank 2013	
	Net dividend per share sen	**Amout of dividend, net of tax RM'000**	**Net dividend per share sen**	**Amout of dividend, net of tax RM'000**
Final dividend recognised during the year in respect of the previous financial year	73.9	347,195	68.3	320,775
Proposed final dividend for the current financial year	96.4	453,080	73.9	347,195

At the forthcoming Annual General Meeting, a final single-tier dividend of 96.4 per cent in respect of the financial year ended 31 December 2014 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM453,080,000 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 2015.

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 (Malaysia) Berhad (formerly known as 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 include non-executive directors of the Bank and certain members of senior management of the Bank.

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

Group 2014	Ultimate holding company RM'000	Subsidiaries RM'000	An associate RM'000	Key management personnel RM'000	Other related parties RM'000
Income					
- Interest on placements, loans and advances	360	7,934	303	342	323
- Commission income	118	-	184	-	-
- Commitment fee	-	9	-	-	-
- Dividend income	-	230	352,849	-	-
- Service charges income	-	141	-	-	-
	478	8,314	353,336	342	323
Expenditure					
- Interest on deposits	132,335	-	5,888	517	876
- Interest on subordinated bonds	22,750	-	-	-	-
- Rental expense	-	17,318	-	-	679
- Other expenses	18,042	4,335	3,084	-	-
	173,127	21,653	8,972	517	1,555
Amount due from					
- Cash and short-term funds	259,078	-	-	-	2,587
- Loans and advances	-	189,205	-	9,358	6,406
- Other assets	256,246	-	-	-	-
	515,324	189,205	-	9,358	8,993

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Group (Continued) **2014**	**Ultimate holding company** **RM'000**	**Subsidiaries** **RM'000**	**An associate** **RM'000**	**Key management personnel** **RM'000**	**Other related parties** **RM'000**
Amount due to					
- Deposits from customers	-	2,258	144,311	19,013	8,354
- Deposits and placements of banks and other financial institutions	6,829,345	30	-	-	33,221
- Subordinated bonds	500,000	-	-	-	-
- Other liabilities	119,097	47	-	-	-
	7,448,442	2,335	144,311	19,013	41,575
Group **2013**					
Income					
- Interest on placements, loans and advances	199	7,034	1,599	158	443
- Commission income	138	-	3,644	-	-
- Commitment fee	-	9	-	-	-
- 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
- Interest on subordinated bonds	7,729	-	-	-	-
- Rental expense	-	18,243	-	-	679
- Other expenses	3,740	4,758	3,913	-	-
	88,635	23,207	6,217	731	1,824
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	216,724	118	-	-	-
	584,851	171,166	6,248	4,421	15,255
Amount due to					
- Deposits from customers	-	2,731	-	32,160	10,618
- Deposits and placements of banks and other financial institutions	7,919,245	417	129,635	-	46,793
- Subordinated bonds	500,000	-	-	-	-
- Other liabilities	76,150	-	-	-	-
	8,495,395	3,148	129,635	32,160	57,411

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	Group and Bank	
	2014 RM'000	**2013 RM'000**
Short-term employee benefits	24,065	20,092
Post employment benefits: Defined contribution plan	2,832	2,592
Share based payment*	2,772	3,795
	29,669	26,479

**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 2014 the number of options held by key management personnel under these two plans were 199,450 (2013: 166,250) and 409,350 (2013: 688,575), 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**
2014			
Direct credit substitutes	2,284,617	2,284,617	1,596,309
Transaction-related contingent items	4,308,410	2,131,960	1,432,231
Short-term self-liquidating trade-related contingencies	303,122	72,428	35,560
Foreign exchange related contracts			
- less than one year	27,635,265	765,392	262,353
- more than one year to less than five years	590,647	82,900	80,721
Interest rate related contracts			
- less than one year	5,264,883	17,116	9,336
- more than one year to less than five years	14,578,461	466,895	258,472
- five years and above	163,980	13,283	10,154
Equity related contracts			
- less than one year	657,720	47,313	19,670
- more than one year to less than five years	440,187	26,634	14,775
Commodity contracts			
- less than one year	665,815	163,475	127,569
Undrawn credit facility			
- less than one year	10,082,012	753,635	160,193
- more than one year	1,792,002	209,253	170,685
- unconditionally cancellable	7,527,246	2,183,862	253,069
Total	76,294,367	9,218,763	4,431,097

34. COMMITMENTS AND CONTINGENCIES (Continued)

	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

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.

35. CAPITAL COMMITMENTS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure for property, plant and equipment:				
- authorised and contracted for	41,457	27,780	32,127	19,267

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Future minimum rental payments:				
Not later than 1 year	7,540	8,127	25,185	26,240
Later than 1 year and not later than 5 years	5,033	6,393	5,033	24,506
	12,573	14,520	30,218	50,746

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.

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 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.

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit exposure

Group	2014 RM'000	2013 RM'000
Cash and short-term funds	10,833,347	15,104,134
Securities purchased under resale agreements	502,709	2,149,113
Deposits and placements with financial institutions	130,516	2,802,804
Financial assets at FVTPL	2,392,138	1,709,534
AFS securities	9,250,843	3,092,372
Loans and advances	66,926,375	61,308,278
Derivative financial assets	905,946	320,123
Other assets	93,727	91,159
Statutory deposits with BNM	1,960,350	1,925,500
	92,995,951	88,503,017
Other assets not subject to credit risk	1,083,293	1,501,142
	94,079,244	90,004,159
Commitments and contigencies	76,294,367	54,142,224

Bank	2014 RM'000	2013 RM'000
Cash and short-term funds	10,833,347	15,104,134
Securities purchased under resale agreements	502,709	2,149,113
Deposits and placements with financial institutions	130,516	2,802,804
Financial assets at FVTPL	2,392,138	1,709,534
AFS securities	9,250,843	3,092,372
Loans and advances	67,115,580	61,479,326
Derivative financial assets	905,946	320,123
Other assets	93,727	91,159
Statutory deposits with BNM	1,960,350	1,925,500
	93,185,156	88,674,065
Other assets not subject to credit risk	841,072	1,124,321
	94,026,228	89,798,386
Commitments and contigencies	76,294,367	54,142,224

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 FVTPL RM'000	AFS 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								
2014								
Agriculture, hunting, forestry and fishing	-	-	-	990,014	39,702	-	950,312	858,752
Mining and quarrying	-	-	-	1,106,982	9,881	-	1,097,101	430,571
Manufacturing	-	-	-	5,803,480	233,947	-	5,569,533	6,066,735
Electricity, gas and water	-	-	-	27,273	606	-	26,667	92,330
Construction	-	-	278,903	6,273,493	136,757	-	6,415,639	7,624,360
Wholesale, retail trade, restaurants and hotels	-	-	3,388	8,413,457	152,512	-	8,264,333	6,432,343
Transport, storage, and communication	-	-	-	1,015,091	17,327	-	997,764	418,775
Finance, insurance, and business services	11,466,572	2,056,354	8,968,196	2,070,390	75,708	2,960,023	27,445,827	26,525,860
Real estate	-	-	356	4,570,713	106,801	-	4,464,268	21,536,286
Community, social and personal services	-	-	-	225,289	1,773	-	223,516	1,105,629
Households:								
-purchase of residential properties	-	-	-	25,205,007	155,443	-	25,049,564	-
-purchase of non residential properties	-	-	-	7,487,772	44,831	-	7,442,941	-
-others	-	-	-	4,850,332	137,630	-	4,712,702	5,202,705
Others	-	335,784	-	-	-	-	335,784	21
Other assets not subject to credit risk	-	-	-	-	-	1,083,293	1,083,293	-
	11,466,572	2,392,138	9,250,843	68,039,293	1,112,918	4,043,316	94,079,244	76,294,367

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 FVTPL RM'000	AFS 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)								
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:								
-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
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 FVTPL RM'000	AFS 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
Bank								
2014								
Agriculture, hunting, forestry and fishing	-	-	-	990,014	39,702	-	950,312	858,752
Mining and quarrying	-	-	-	1,106,982	9,881	-	1,097,101	430,571
Manufacturing	-	-	-	5,803,480	233,947	-	5,569,533	6,066,735
Electricity, gas and water	-	-	-	27,273	606	-	26,667	92,330
Construction	-	-	278,903	6,273,493	136,757	-	6,415,639	7,624,360
Wholesale, retail trade, restaurants and hotels	-	-	3,388	8,413,457	152,512	-	8,264,333	6,432,343
Transport, storage, and communication	-	-	-	1,015,091	17,327	-	997,764	418,775
Finance, insurance, and business services	11,466,572	2,056,354	8,968,196	2,259,595	75,708	2,960,021	27,635,030	26,525,860
Real estate	-	-	356	4,570,713	106,801	-	4,464,268	21,536,286
Community, social and personal services	-	-	-	225,289	1,773	-	223,516	1,105,629
Households:								
-purchase of residential properties	-	-	-	25,205,007	155,443	-	25,049,564	-
-purchase of non residential properties	-	-	-	7,487,772	44,831	-	7,442,941	-
-others	-	-	-	4,850,332	137,630	-	4,712,702	5,202,705
Others	-	335,784	-	-	-	-	335,786	21
Other assets not subject to credit risk	-	-	-	-	-	841,072	841,072	-
	11,466,572	2,392,138	9,250,843	68,228,498	1,112,918	3,801,093	94,026,228	76,294,367

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 FTVPL RM'000	AFS 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
Bank (Continued)								
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:								
-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
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)

(iii) Credit quality of gross loans and debt securities

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

	2014		2013	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Pass	66,246,894	66,436,099	60,769,648	60,940,696
Special mention	723,330	723,330	467,016	467,016
Substandard	888,949	888,949	815,339	815,339
Doubtful	22,663	22,663	26,237	26,237
Loss	157,457	157,457	232,399	232,399
	68,039,293	68,228,498	62,310,639	62,481,687

Gross impaired debt securities of the Group and the Bank as at 31 December 2014 were RM66,260,000 (2013: RM179,640,000) and allowance for impairment of RM39,960,000 (2013: RM30,235,000) was made for these securities.

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

	2014		2013	
Group and Bank	Past due but not impaired RM'000	Impaired RM'000	Past due but not impaired RM'000	Impaired RM'000
Current	-	236,965	-	225,471
Within 90 days	2,889,907	81,865	3,161,540	134,163
Over 90 to 180 days	-	172,591	-	120,885
Over 180 days	-	577,648	-	593,456
	2,889,907	1,069,069	3,161,540	1,073,975

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

	2014			2013		
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	1,758	-	-	-	164	164
Mining and quarrying	1,752	-	-	713	-	-
Manufacturing	203,521	240,290	85,129	239,338	281,825	151,152
Electricity, gas and water	703	-	-	170	-	-
Construction	492,083	214,039	9,516	348,008	198,229	20,464
Wholesale, retail trade, restaurants and hotels	328,076	123,950	47,857	219,443	125,429	41,605

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 (Continued)	2014 Past due but not impaired RM'000	2014 Impaired RM'000	2014 Individual impairment RM'000	2013 Past due but not impaired RM'000	2013 Impaired RM'000	2013 Individual impairment RM'000
Transport, storage, and communication	19,887	4,245	1,815	24,311	1,909	124
Finance, insurance, and business services	51,421	15,447	5,270	27,185	22,976	10,342
Real estate	196,023	15,611	1,867	280,124	16,709	1,732
Community, social and personal services	3,185	960	352	3,575	904	186
Households:	1,591,498	454,527	51,394	2,018,673	425,830	49,088
-purchase of residential properties	1,139,158	341,406	27,768	1,385,638	320,463	24,344
-purchase of non residential properties	262,396	43,532	6,843	265,163	37,862	6,667
-others	189,944	69,589	16,783	367,872	67,505	18,077
	2,889,907	1,069,069	203,200	3,161,540	1,073,975	274,857

(vi) Effects of holding collaterals

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

The credit risk of financial assets of the Group and the Bank 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
2014			
Impaired loans and advances	846,143	1,069,069	222,926
2013			
Impaired loans and advances	769,244	1,073,975	304,731

For loans and advances, individual assessment allowance as at the date of the statements of financial position would have been higher by approximately RM846,143,000 (2013: RM769,244,000) without the collaterals held.

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(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 2014 and 2013, there were no repossessed collaterals.

(viii) Credit exposure analysed by geography

Group 2014	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	10,199,046	634,301	10,833,347
Securities purchased under resale agreements	502,709	-	502,709
Deposits and placements with financial institutions	130,516	-	130,516
Financial assets at FVTPL	2,392,138	-	2,392,138
AFS securities	9,228,698	22,145	9,250,843
Loans and advances	60,325,610	6,600,765	66,926,375
Derivative financial assets	746,723	159,223	905,946
Other assets	93,727	-	93,727
Statutory deposits with BNM	1,960,350	-	1,960,350
	85,579,517	7,416,434	92,995,951
Commitments and contingencies	68,435,939	7,858,428	76,294,367
2013			
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 FVTPL	1,709,534	-	1,709,534
AFS securities	3,075,009	17,363	3,092,372
Loans and advances	56,388,167	4,920,111	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
	82,890,572	5,612,445	88,503,017
Commitments and contingencies	51,631,440	2,510,784	54,142,224

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(viii) Credit exposure analysed by geography (Continued)

Bank 2014	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	10,199,046	634,301	10,833,347
Securities purchased under resale agreements	502,709	-	502,709
Deposits and placements with financial institutions	130,516	-	130,516
Financial assets at FVTPL	2,392,138	-	2,392,138
AFS securities	9,228,698	22,145	9,250,843
Loans and advances	60,514,815	6,600,765	67,115,580
Derivative financial assets	746,723	159,223	905,946
Other assets	93,727	-	93,727
Statutory deposits with BNM	1,960,350	-	1,960,350
	85,768,722	7,416,434	93,185,156
Commitments and contingencies	68,435,939	7,858,428	76,294,367
2013			
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 FVTPL	1,709,534	-	1,709,534
AFS securities	3,075,009	17,363	3,092,372
Loans and advances	56,559,215	4,920,111	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
	83,061,620	5,612,445	88,674,065
Commitments and contingencies	51,631,440	2,510,784	54,142,224

(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 use foreign currency outright forward and swap contracts to hedge its foreign exchange exposures.

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 exposures have no significant impact to the financial position of the Group and the Bank.

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(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 RM82 million and RM158 million (2013: negative RM15 million and RM24 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% 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
2014				
Interest rate	530	2,467	341	1,010
Foreign exchange	303	3,371	202	954
Basis swap spread	486	3,637	379	638
Commodities	573	2,988	-	633
Total diversified VaR	801	5,159	647	1,685
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

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 are 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 2014	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	10,846,927	-	-	-	-	10,846,927
Securities purchased under resale agreements	503,971	-	-	-	-	503,971
Deposits and placements with financial institutions	131,685	-	-	-	-	131,685
Financial assets at FVTPL	554,387	1,454,213	225,254	343,246	-	2,577,100
AFS securities	3,994,653	1,362,316	1,547,058	2,652,132	123,011	9,679,170
Loans and advances	16,379,899	2,939,524	3,186,063	20,863,670	56,899,594	100,268,750
Derivative financial assets	308,251	273,006	175,119	146,126	3,444	905,946
Statutory deposits with BNM	-	-	-	-	1,960,350	1,960,350
	32,719,773	6,029,059	5,133,494	24,005,174	58,986,399	126,873,899
Liabilities						
Deposits from customers	53,389,096	6,286,317	13,868,527	496,110	-	74,040,050
Deposits and placements of banks and other financial institutions	3,115,979	3,282,567	808,565	361,184	1,273,957	8,842,252
Bills and acceptances payables	1,715,535	16,882	-	-	-	1,732,417
Derivative financial liabilities	186,952	146,506	139,100	145,451	1,746	619,755
Subordinated bonds	523,542	-	11,375	568,250	-	1,103,167
	58,931,104	9,732,272	14,827,567	1,570,995	1,275,703	86,337,641
Net maturity mismatches	(26,211,331)	(3,703,213)	(9,694,073)	22,434,179	57,710,696	
Off-balance sheet liabilities						
Credit and commitments	17,420,388	5,746,265	23,440,962	6,701,476	2,977,951	56,287,042
Derivatives	(4,272)	(7,198)	48,930	(471)	-	36,989
Net maturity mismatches	17,416,116	5,739,067	23,489,892	6,701,005	2,977,951	56,324,031

38. LIQUIDITY RISK (Continued)

Group (Continued) 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 FVTPL	461,503	222,267	361,619	613,522	63,638	1,722,549
AFS 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

Bank 2014	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	10,846,927	-	-	-	-	10,846,927
Securities purchased under resale agreements	503,971	-	-	-	-	503,971
Deposits and placements with financial institutions	131,685	-	-	-	-	131,685
Financial assets at FVTPL	554,387	1,454,213	225,254	343,246	-	2,577,100
AFS securities	3,994,653	1,362,316	1,547,058	2,652,132	123,011	9,679,170
Loans and advances	16,569,104	2,939,524	3,186,063	20,863,670	56,899,594	100,457,955
Derivative financial assets	308,251	273,006	175,119	146,126	3,444	905,946
Statutory deposits with BNM	-	-	-	-	1,960,350	1,960,350
	32,908,978	6,029,059	5,133,494	24,005,174	58,986,399	127,063,104

38. LIQUIDITY RISK (Continued)

Bank (Continued) 2014	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	53,391,354	6,286,317	13,868,527	496,110	-	74,042,308
Deposits and placements of banks and other financial institutions	3,116,009	3,282,567	808,565	361,184	1,273,957	8,842,252
Bills and acceptances payables	1,715,535	16,882	-	-	-	1,732,417
Derivative financial liabilities	186,952	146,506	139,100	145,451	1,746	619,755
Subordinated bonds	523,542	-	11,375	568,250	-	1,103,167
	58,933,392	9,732,272	14,827,567	1,570,995	1,275,703	86,339,929
Net maturity mismatches	(26,024,414)	(3,703,213)	(9,694,073)	22,434,179	57,710,696	
Off-balance sheet liabilities						
Credit and commitments	17,420,388	5,746,265	23,440,962	6,701,476	2,977,951	56,287,042
Derivatives	(4,272)	(7,198)	48,930	(471)	-	36,989
Net maturity mismatches	17,416,116	5,739,067	23,489,892	6,701,005	2,977,951	56,324,031

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 FVTPL	461,503	222,267	361,619	613,522	63,638	1,722,549
AFS 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
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

38. LIQUIDITY RISK (Continued)

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Note 34. These have been incorporated in the net off-balance sheet position for the financial years ended 31 December 2014 and 31 December 2013. 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 2014	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	10,833,347	-	10,833,347
Securities purchased under resale agreement	502,709	-	502,709
Deposits and placements with financial institutions	130,516	-	130,516
Financial assets at FVTPL	2,058,065	334,073	2,392,138
AFS securities	6,769,839	2,481,004	9,250,843
Loans and advances	19,987,630	46,938,745	66,926,375
Derivative financial assets	761,772	144,174	905,946
Other assets	628,259	8,207	636,466
Statutory deposits with BNM	-	1,960,350	1,960,350
Investment in an associate	-	96,485	96,485
Property, plant and equipment	-	427,703	427,703
Tax recoverable	16,366	-	16,366
Total assets	41,688,503	52,390,741	94,079,244
Liabilities			
Deposits from customers	72,571,696	485,024	73,056,720
Deposits and placements of banks and other financial institutions	7,190,128	1,635,141	8,825,269
Bills and acceptances payables	1,732,417	-	1,732,417
Derivative financial liabilities	472,558	147,197	619,755
Other liabilities	1,477,397	234,190	1,711,587
Deferred tax liabilities	-	9,679	9,679
Subordinated bonds	499,884	500,000	999,884
Total liabilities	83,944,080	3,011,231	86,955,311
Net mismatch	(42,255,577)	49,379,510	7,123,933

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

Group (Continued) 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 FVTPL	832,657	876,877	1,709,534
AFS 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 an associate	-	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	1,252,811	253,494	1,506,305
Tax payable	25,135	-	25,135
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

Bank 2014	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	10,833,347	-	10,833,347
Securities purchased under resale agreement	502,709	-	502,709
Deposits and placements with financial institutions	130,516	-	130,516
Financial assets at FVTPL	2,058,065	334,073	2,392,138
AFS securities	6,769,838	2,481,005	9,250,843
Loans and advances	20,176,836	46,938,744	67,115,580
Derivative financial assets	761,772	144,174	905,946
Other assets	629,434	8,206	637,640
Statutory deposits with BNM	-	1,960,350	1,960,350
Investment in subsidiaries	-	50	50
Investment in an associate	-	99,973	99,973
Property, plant and equipment	-	180,789	180,789
Tax recoverable	16,347	-	16,347
Total assets	41,878,864	52,147,364	94,026,228

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

Bank (Continued) 2014	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Liabilities			
Deposits from customers	72,573,954	485,024	73,058,978
Deposits and placements of banks and other financial institutions	7,190,158	1,635,141	8,825,299
Bills and acceptances payables	1,732,417	-	1,732,417
Derivative financial liabilities	472,558	147,197	619,755
Other liabilities	1,475,840	234,089	1,709,929
Deferred tax liabilities	-	5,209	5,209
Subordinated bonds	499,884	500,000	999,884
Total liabilities	83,944,811	3,006,660	86,951,471
Net mismatch	(42,065,947)	49,140,704	7,074,757

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 FVTPL	832,657	876,877	1,709,534
AFS 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 an associate	-	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
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	1,251,222	253,494	1,504,716
Tax payable	25,187	-	25,187
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

40. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank 2014	Gross amount recognised as financial assets/ liabilities RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not set-off in the statements of financial position Cash Collateral received/ pledged RM'000	Net amount RM'000
Financial assets					
Derivative financial assets	905,946	-	905,946	(90,564)	815,382
Financial liabilities					
Derivative financial liabilities	619,755	-	619,755	(105,329)	514,426
2013					
Financial assets					
Derivative financial assets	320,123	-	320,123	(43,710)	276,413
Financial liabilities					
Derivative financial liabilities	256,175	-	256,175	(28,242)	227,933

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

Derivatives and reverse repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities are received or cash pledged in respect of the transaction described above.

41. SEGMENT INFORMATION

Operating segments

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and 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 Bank. 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 wealthy and affluent customers. Private Bank caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning.

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group (FIG) 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. 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

The Global Markets 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 Malaysian 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.

41. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Group 2014	Retail RM'000	WB RM'000	Global Markets RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Operating income	1,214,589	850,657	180,388	661,939	2,907,573	(377,082)	2,530,491
Other operating expenses	(642,646)	(181,063)	(45,058)	(115,429)	(984,196)	21,860	(962,336)
Allowance for impairment on loans and advances	(90,793)	(165,616)	-	(5)	(256,414)	-	(256,414)
Impairment loss on							
- AFS securities	-	-	(9,724)	-	(9,724)	-	(9,724)
- an associate	-	-	-	(19,755)	(19,755)	-	(19,755)
Net provision for commitments and contingencies	(17)	(693)	-	-	(710)	-	(710)
Share of net profit of an associate	-	-	-	114,857	114,857	-	114,857
Profit before taxation	481,133	503,285	125,606	641,607	1,751,631	(355,222)	1,396,409
Income tax expense							(341,328)
							1,055,081
Segment assets							
Gross loans	43,914,268	23,936,360	-	377,870	68,228,498	(189,205)	68,039,293
Unallocated assets							26,039,951
Total assets							94,079,244
Segment liabilities							
Deposits from customers	44,261,591	27,983,199	719,256	94,932	73,058,978	(2,258)	73,056,720
Unallocated liabilities							13,898,591
Total liabilities							86,955,311
Other information							
Inter-segment operating income/(expense)	(138,000)	8,024	(254,725)	761,783	377,082	(377,082)	-
Depreciation of property, plant and equipment	5,775	724	1,397	32,818	40,714	(67)	40,647

41. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Group (Continued) 2013	Retail RM'000	WB RM'000	Global Markets RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Operating income	1,125,426	791,219	160,703	306,141	2,383,489	(60,942)	2,322,547
Other operating expenses	(541,425)	(156,207)	(43,198)	(91,733)	(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 - AFS securities	-	-	(21,244)	-	(21,244)	-	(21,244)
Net provision for commitments and contingencies	(2)	(713)	-	(52)	(767)	-	(767)
Share of net profit of an associate	-	-	-	68,483	68,483	-	68,483
Profit before taxation	435,871	564,618	96,261	282,868	1,379,618	(37,713)	1,341,905
Income tax expense							(302,387)
							1,039,518
Segment assets							
Gross loans	40,770,407	21,394,797	-	316,483	62,481,687	(171,048)	62,310,639
Unallocated assets							27,693,520
Total assets							90,004,159
Segment liabilities							
Deposits from customers	40,185,843	28,880,676	145,633	78,053	69,290,205	(2,731)	69,287,474
Unallocated liabilities							14,445,137
Total liabilities							83,732,611
Other information							
Inter-segment operating income/(expense)	(65,738)	91,507	(298,542)	333,715	60,942	(60,942)	-
Depreciation of property, plant and equipment	5,329	570	1,305	26,502	33,706	(107)	33,599

	Group	
	2014 RM'000	**2013 RM'000**
Reconciliation of profit before taxation		
Segment profit	**1,751,631**	**1,379,618**
Eliminations		
Interest income:		
Interest income from loans and advances	(8,591)	(7,548)

41. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Group	
	2014 RM'000	**2013 RM'000**
Reconciliation of profit before taxation (Continued)		
Interest expense:		
Deposits from customers	6,389	6,516
Fee income:		
Service charges and fees	(714)	(1,071)
Commitment fees	(9)	(9)
Trading and investment income:		
Changes in post acquisition reserve arising from disposal of an associate	-	(22,734)
Gross dividends from:		
subsidiaries	(230)	-
an associate	(352,849)	(18,122)
Other income:		
Rental income from operating leases	(21,078)	(22,050)
Gain on disposal of property, plant and equipment	-	4,076
	(377,082)	(60,942)
Personnel expenses:		
Other employee benefits	189	189
Establishment related expenses:		
Depreciation of property, plant and equipment	67	107
Rental of premises	17,129	18,054
Others	4,475	4,726
Promotion and marketing related expenses:		
Others	-	153
	21,860	23,229
Profit before taxation	1,396,409	1,341,905
Reconciliation of total assets		
Segment assets	68,228,498	62,481,687
Eliminations		
Gross loans and advances	(189,205)	(171,048)
Unallocated assets	26,039,951	27,693,520
Total assets	94,079,244	90,004,159

41. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Group	
	2014 RM'000	**2013 RM'000**
Reconciliation of total liabilities		
Segment liabilities	73,058,978	69,290,205
Eliminations		
Deposits from customers	(2,258)	(2,731)
Unallocated liabilities	13,898,591	14,445,137
Total liabilities	86,955,311	83,732,611

42. 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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 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	5,691,949	4,910,252	5,753,972	4,806,883
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	184,481	113,793	58,230	(5,274)
Regulatory adjustments applied in the calculation of CET1 Capital	(201,767)	(343,300)	(76,539)	(226,563)
Total CET1 / Tier 1 Capital	6,937,218	5,943,300	6,998,218	5,837,601
Tier 2 Capital				
Tier 2 capital instruments	900,000	950,000	900,000	950,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	222,867	193,348	222,867	198,014
- Collective impairment provisions	58,999	34,322	53,678	29,656
Regulatory adjustments applied in the calculation of Tier 2 Capital	(24,091)	(66,219)	(80,019)	(119,778)
Total Tier 2 Capital	1,157,775	1,111,451	1,096,526	1,057,892
Total Capital	8,094,993	7,054,751	8,094,744	6,895,493

42. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (Continued)

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

	Group		Bank	
	2014	2013	2014	2013
CET1/ Tier 1 Capital	15.461%	14.980%	15.684%	14.801%
Total Capital	18.042%	17.781%	18.141%	17.483%
CET1/ Tier 1 Capital (net of proposed dividends)	14.452%	14.105%	14.668%	13.920%
Total Capital (net of proposed dividends)	17.032%	16.906%	17.126%	16.603%

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	
	2014 RM,000	2013 RM,000	2014 RM,000	2013 RM,000
Total RWA for credit risk	39,720,571	35,082,686	39,473,651	34,848,132
Total RWA for market risk	803,362	676,592	803,362	676,592
Total RWA for operational risk	4,344,262	3,916,707	4,344,262	3,916,707
	44,868,195	39,675,985	44,621,275	39,441,431

43. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Bank	
	2014	2013
Outstanding credit exposures with connected parties (RM'000)	432,783	396,975
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.630%	0.635%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.000%	0.000%

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

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